FRESENIUS

2009

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

at December 31, 2009

applying Section 315a HGB in accordance with

International Financial Reporting Standards

CONTENT

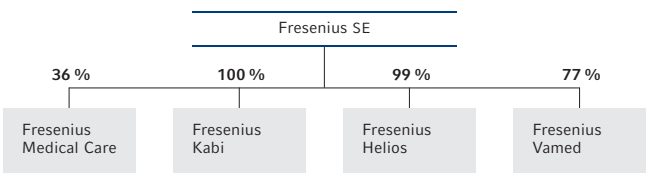
MANAGEMENT REPORT. 2009 was a successful year for the Fresenius Group. We again achieved record levels in sales and earnings across all business segments. Our debt ratios were substantially improved thanks to very good cash flow development.

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities. Fresenius is organized in the legal form of a European Company (Societas Europaea or SE). The conversion (from a German stock corporation or AG) became effective with its entry into the Commercial Register on July 13, 2007. The operating business comprises the business segments, 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.

GROUP STRUCTURE



- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2009, Fresenius Medical Care treated 195,651 patients at 2,553 dialysis clinics.
- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.
- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS-Kliniken Group operates 61 proprietary clinics, of which 60 are located in Germany and one in Switzerland. HELIOS has a total of more than 18,500 beds.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

- The segment Corporate/Other comprises the holding activities of Fresenius SE, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate/Other also includes the consolidation measures conducted among the business segments.

The Fresenius Group operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains more than 70 production sites around the globe. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries, in Latin America, Asia-Pacific, and South Africa. This international production network allows us to implement our business model while meeting the most exacting logistical and regulatory requirements. The decentralized structure of the production sites also substantially reduces transportation costs and currency exposure.

MANAGEMENT AND CONTROL

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

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

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

The Supervisory Board of Fresenius SE comprises six shareholders' representatives and six employees' representatives. All twelve members of the Supervisory Board are appointed by the General Meeting. Six of the twelve members must be appointed on the basis of a proposal put forward by the employees. The General Meeting is bound by the employees' proposal. 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 Regulation. The statutes of Fresenius SE also provide that deputy members of the Management Board may be appointed.

The Company's annual corporate governance declaration can be found on our website www.fresenius.com, see Who we are/Corporate Governance. The description of both the compensation structure and individual amounts paid to the Management Board and Supervisory Board are included in the Compensation Report on pages 144 ff. of this annual report. The Compensation Report is part of the Group's Management Report.

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 dialysis clinics in over 35 countries. Dialyzers and dialysis machines are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 115 countries. In the United States, the company also performs clinical laboratory tests. Fresenius Kabi is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies.

The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of generic IV drugs. Fresenius Kabi's portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in over 150 countries. Fresenius Helios treats approximately 600,000 inpatients and about 1.6 million outpatients each year at its hospitals. Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in about 70 countries through its subsidiaries. **The main markets** are Europe and North America where Fresenius generates 42 % and 43 % of its sales, respectively.

Fresenius Medical Care is the worldwide leader in dialysis. The company holds the leading position in dialysis care, with a market share of 17 % in revenue terms, treats the most dialysis patients, and operates the largest number of dialysis clinics. In dialysis products, Fresenius Medical Care is also the leading supplier, with a market share of 32 %. Fresenius Kabi holds leading market positions in Europe and has strong positions in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. Fresenius Helios is a leading private hospital operator in Germany. Fresenius Vamed is one of the world's leading companies specializing in engineering and services for hospitals and other health care facilities.

LEGAL AND ECONOMIC FACTORS

The markets of the Fresenius Group are fundamentally stable and relatively independent of economic cycles due to the intrinsic importance of the life-saving and life-sustaining products and treatments that the Group offers. This was demonstrated again in 2009, a year that was marked by difficult macroeconomic conditions. In addition, the markets in which we offer our products and services are expanding, mainly for three reasons:

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

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate of the US dollar to the euro. In 2009, this had a positive impact on the statement of income due to the altered average annual exchange rate between the US dollar and the euro of 1.39 in 2009 as compared to 1.47 in 2008. In the balance sheet, the changed spot rate of 1.44 as of December 31, 2009 – compared to 1.39 as of December 31, 2008 – had a slight impact.

There were no legal aspects that significantly impacted business performance in 2009.

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

CAPITAL, SHAREHOLDERS, STATUTES

The summary below shows the subscribed capital of Fresenius SE. The shares of Fresenius SE are non-par-value bearer shares. Shareholders' rights are regulated by the SE Regulation and the German Stock Corporation Act (AktG – Aktiengesetz). Additionally, the statutes of Fresenius SE contain the following three provisions for the holders of non-voting preference shares:

- From retained earnings for the year they will receive a € 0.01 higher dividend than for an ordinary share and a minimum dividend of € 0.02 per preference share.

	December 31, 2009			December 31, 2008	
	Number of shares	Subscribed capital €	% of subscribed capital	Number of shares	Subscribed capital €
Ordinary shares/capital	**80,657,688**	**80,657,688.00**	**50 %**	80,571,867	80,571,867.00
Preference shares/capital	**80,657,688**	**80,657,688.00**	**50 %**	80,571,867	80,571,867.00
Total	**161,315,376**	**161,315,376.00**	**100 %**	161,143,734	161,143,734.00

- The minimum dividend payable on preference shares takes precedence over payment of a dividend on ordinary shares.
- If the retained earnings of one or more fiscal years is 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.

At the Annual General Meeting on May 8, 2009, resolutions were passed revoking the previous **Approved Capitals I and II**. At the same time, the Management Board was authorized, subject to the consent of the Supervisory Board:

- to increase the subscribed capital by a total amount of € 12,800,000.00 by May 7, 2014 through a single or multiple issuance of bearer ordinary shares and/or non-voting bearer preference shares against cash contributions (Approved Capital I).
- to increase the subscribed capital by a total amount of € 6,400,000.00 by May 7, 2014 through a single or multiple issuance of bearer ordinary shares and/or non-voting bearer preference shares against cash contributions and/or contributions in kind (Approved Capital II). Shareholders' pre-emptive rights of subscription can be excluded.

The Approved Capitals I and II were entered in the Commercial Register on July 15, 2009. Against the resolutions of the Annual General Meeting dated May 8, 2009 creating Approved Capitals I and II, two challenging complaints (Anfechtungsklagen) were lodged. The Frankfurt Regional Court has decided in favor of one complaint through judgment dated February 2, 2010, the other complaint was rejected. The judgment of the Frankfurt Regional Court dated February 2, 2010 is not yet final and binding. The clearance procedure pursuant to Section 264a of the German Stock Corporation Act (AktG) is pending before the Higher Regional Court in Frankfurt am Main with the view of securing the validity of the approved capital which has already been registered in the commercial register.

In addition, there is the following **conditional capital**:

- The subscribed capital is conditionally increased by up to € 1,364,934.00 through the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights for ordinary and preference shares are issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights.
- The subscribed capital is conditionally increased by up to € 4,418,250.00 through the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital II). The conditional capital increase will only be executed to the extent that convertible bonds for 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 conditionally increased by up to € 6,200,000.00 through the issuance of new bearer ordinary shares and non-voting bearer preference shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights for ordinary and preference shares are issued under the 2008 Stock Option Plan and the holders of these subscription rights exercise their rights.

Fresenius SE does not have a **share buyback program**.

Direct and indirect ownership interests in Fresenius SE are listed on pages 118 and 119 of the Notes. The Else Kröner-Fresenius-Stiftung informed Fresenius SE on December 23, 2009, that it holds 46,871,154 ordinary shares of Fresenius SE. This corresponds to a voting interest of 58.11 %.

Changes to the **statutes** are made in accordance with Article 59 of the SE Regulation in accordance with Section 18 (3) of the statutes. Unless mandatory legal provisions require otherwise, amendments of the statutes require a majority of two-thirds of the votes cast or, if at least half of the subscribed capital is represented, the 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, a motion is deemed rejected. The Supervisory Board is entitled to make such amendments to the statutes which only concern their wording without a resolution of the General Meeting.

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

CORPORATE PERFORMANCE CRITERIA, GOALS, AND STRATEGY

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

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

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

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

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to Group **value added**. Group ROIC rose to 8.0 % (2008: 7.1 %) and Group ROOA to 10.1 % (2008: 9.7 %). The marked improvement in these two ratios versus 2008 was mainly due to the very good earnings growth in all business segments. We expect a continuing improvement in ROIC and ROOA in the future.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2009**	2008	**2009**	2008
Fresenius Medical Care [1]	**8.5**	8.6	**12.2**	12.3
Fresenius Kabi [1, 2]	**7.8**	7.0	**10.2**	8.9
Fresenius Helios [1]	**6.7**	5.9	**7.1**	6.3
Fresenius Vamed [1, 3]	––	––	**22.8**	22.2
Group (IFRS)	**8.0**	7.1	**10.1**	9.7

[1] All business segment data according to US GAAP.
[2] 2008: Pro forma APP Pharmaceuticals and excluding special items from the acquisition.
[3] ROIC: Invested capital is insignificant due to prepayments, cash, and cash equivalents.

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

Management Board of Fresenius SE, and to the Supervisory Board if the projects exceed a given size.

STRATEGY AND GOALS

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

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

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

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

capital (WACC) by deliberately employing a balanced mix of equity and debt funding. Our net debt/EBITDA ratio was 3.0 as of December 31, 2009, after rising to 3.6 at the end of 2008 as a result of the acquisition of APP Pharmaceuticals. We want to bring down this ratio to a < 3.0 again by the end of 2010.

We report on our goals in detail in the Outlook section on pages 54 to 63.

OVERALL BUSINESS DEVELOPMENT

ECONOMIC ENVIRONMENT

At the end of 2008 and up to the first half of 2009, the world economy experienced its deepest recession since the end of World War II. After the financial crisis reached its peak in the first quarter of 2009, the world economy steadied towards mid-year 2009 and moved into a recovery phase in the second half.

The recovery is attributable to four main factors:

- extensive monetary policy
- government economic programs in numerous countries
- relative robustness of the emerging market economies
- the comparatively low oil price in the first half of 2009

Global GDP decreased by 1.1 % compared to 2008. The emerging market and developing economies still showed a slightly positive development, with growth of 1.7 %. Industrial countries proved more vulnerable, with a decline of 3.4 %.

GDP SHARE OF LEADING ECONOMIES

in %	2008	2007
United States	**20.6**	21.3
China	**11.4**	10.8
Japan	**6.3**	6.6
India	**4.8**	4.6
Germany	**4.2**	4.3
Russia	**3.3**	3.2

Source: International Monetary Fund (IMF), World Economic Outlook 2009/2008

Europe

After a sharp decline at the beginning of 2009, the economic situation in the Eurozone steadied towards the middle of the year and picked up slightly in the third quarter. For the full year 2009, GDP in the Eurozone decreased by 3.9 % (2008: +0.6 %). At minus 13.6 %, the decrease in exports was particularly pronounced. Private consumption, on the other hand, declined by only 1.0 %. Almost all countries clearly felt the economic crisis in their labor markets. Growth in unemployment was particularly high in countries that had previously experienced a real estate boom, such as Spain and Ireland.

Due to the still strained situation on the financial markets, the European Central Bank (ECB) within seven months cut its rate from 4.25 % to 1.0 %, its lowest rate ever. Commodity prices also fell sharply. In 2009, the average oil price, for instance, was US$ 36.76 below the previous year's average of US$ 97.27 per barrel.

In **Germany**, the weakness of global demand at the beginning of 2009 led to a historically unprecedented decrease in exports. However, fiscal and monetary measures combined with stabilizing labor market programs helped to prevent an even steeper fall. The German government launched two economic programs worth a total of about € 84 billion – equivalent to more than 3 % of 2008 GDP – for 2009 and 2010. The introduction of short-time working and greater flexibility in the collective bargaining settlements especially contributed to the stability of the labor market. Overall, Germany's GDP decreased by 4.9 % in 2009 (2008: +1.4 %).

The financial crisis also had a deep impact on the economies of **Central and Eastern Europe**. They suffered a strong decline in industrial production and exports as the demand from countries in the Eurozone significantly weakened. The countries of Eastern Europe especially, which had accumulated high current account deficits in the previous years, fell into a deep recession as a result of the abrupt worsening of refinancing conditions and reversing capital flows.

United States

In the United States, the economic downturn slowed significantly in the first half of 2009. A positive rate of GDP growth was again achieved in the second half of the year. For the full year 2009, GDP decreased by 2.4 % (2008: +0.4 %). In the

first half of the year, the economic support came from the external account as imports declined faster than exports. In the second half, however, private consumption was the main driver. In addition, investment activity picked up slightly again, a special contributing factor being the US economic program, the "American Recovery and Reinvestment Act", under which about US$ 940 billion – more than 6 % of 2008 GDP – was made available for 2009 and 2010. The easing of the strains on the financial and real estate markets and the brightening external outlook also helped to improve the situation. Although prices stabilized, conditions on the real estate market were still marked by a high surplus supply. The unemployment rate rose to 10.0 % at the end of the year, its highest level in 26 years.

In addition, credit was substantially tightened in the wake of the banking crisis and there was a marked rise in the household saving ratio. Despite the upturn in the second half of the year, consumer spending was down 0.8 % in the full year 2009 and thus decreased more strongly than the year before. The conditions for private consumption, which is particularly important for the US economy, thus remained difficult.

Asia

The Asian emerging economies managed a notable turnaround after the abrupt collapse of their exports. GDP grew by 5.3 % in Asia (excluding Japan) in 2009. This was due among other things to the positive developments in China. Asia therefore continues to be the fastest growing region in the world. However, this growth is comparatively low versus the average GDP growth of 8 %, and even 13.6 % in China, between 2004 and 2008. A significant aspect of the present situation in Asia is the wide gap between the heavyweights, China and India, on the one hand – in 2009, GDP grew by 8.4 % in China (2008: 9.0 %) and in India by 6.0 % (2008: 7.3 %) – and other countries such as Taiwan, Malaysia, Hong Kong, and Singapore, on the other, which suffered an average decline of 2 %.

Expansionary fiscal and monetary economic support measures, alongside rapidly reviving capital inflows, were the basis for the recovery. **China**, for instance, launched a government economic program worth about US$ 590 billion, or 13 % of 2008 GDP, for 2009 and the following years. By contrast, the volume of comparable measures in India and Indonesia was much smaller at about 1 % and 1.5 %, respectively. Lending was also stimulated by a relaxation of credit standards.

India, where exports account for only about 20 % of GDP, was affected much less by the decrease in world trade. The strong domestic bias therefore proved to be a relative strength.

In **Japan**, the key industrial sectors – automotive industry, engineering, and the electrical & electronics industry – were hit by the effects of the financial crisis. The Japanese economy only returned to a moderate recovery from the second quarter of 2009 onwards as the stimulus from the Asian emerging economies, especially China, made itself felt. However, the sharp decrease was not recouped and Japan's GDP decreased by 5.6 % in 2009 (2008: -0.7 %).

Latin America

Most of the countries in Latin America had already overcome the global economic weakness in the second quarter of 2009 and have experienced a relatively rapid recovery since then. Latin America profited not only from a good regional demand, but also from a relatively robust financial sector, which makes it less dependent on foreign capital than Europe, for instance. Commodity and food exports continued to be the main drivers. Overall, the region's GDP decreased by 2.8 % in 2009 (2008: +4.3 %).

Mexico was hit the hardest by the global financial and economic crisis owing to its strong trade ties with the United States. GDP decreased by 6.8 % (2008: +1.8 %).

Argentina suffered the next biggest drop in GDP after Mexico, with -3.3 %. The country was hit particularly hard by the global financial crisis and suffered – as other countries with low credit ratings – from the investors' increased risk averseness. In addition, the political climate in Argentina does not allow the government to push through important economic reforms.

In **Brazil** the economy weakened significantly, but was supported by robust domestic demand and by the broad geographical and sectoral diversification of its exports. Brazil's GDP decreased by 0.3 % in 2009.

HEALTH CARE INDUSTRY

The health care sector continued to be one of the most stable industries despite the generally difficult market environment in 2009 and was characterized by its relative insensitivity to economic fluctuations compared to other sectors.

The main **growth factors** for this market are:

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

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

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

At the same time, the **cost of health care** is rising and is claiming an ever-increasing share of national income. Health care spending averaged 8.9 % of GDP in the OECD countries in 2007, with an average of US$ 2,964 spent per capita. The United States had the highest per capita spending with US$ 7,290, followed by Norway, Switzerland, and Luxembourg with over US$ 4,000. Germany ranked tenth among the OECD countries with per capita spending of US$ 3,588.

Health care spending in the OECD countries grew at an average annual rate of 3.7 % between 2000 and 2007. In Germany, health care spending increased by 1.4 % per year on average. This is the smallest increase among all OECD countries during this period. The relatively slow growth in health care spending in Germany is partly due to cost-containment measures from past health care reforms.

On average, public sources fund 73.0 % of health care expenditures in the OECD countries, with the exception of the United States and Mexico, where public funding was lowest in 2007, at 45.4 % and 45.2 %, respectively. In Germany, 76.9 % was publicly funded in 2007.

Most of the OECD countries have enjoyed large gains in life expectancy over the past decades thanks to improved living standards, public health interventions, and progress in medical care. In 2006, the average life expectancy in the OECD countries was 79 years. In Germany, life expectancy was nearly a year more than the OECD average of 79.8 years. Japan has the highest life expectancy of all the OECD countries with 82.6 years.

Reforms and cost-containment measures are the main reactions to steadily rising health care expenditures. Outdated health care structures are increasingly being overhauled and market-based elements introduced into the health care system. The aim is to create new incentives for cost and quality-conscious behavior. Quality of treatment plays a crucial role

HEALTH CARE SPENDING AS % OF GDP

in %	2007	2000	1990	1980	1970
United States	16.0	13.6	12.2	9.0	7.1
France	11.0	10.1	8.4	7.0	5.4
Switzerland	10.8	10.2	8.2	7.3	5.4
Germany	10.4	10.3	8.3	8.4	6.0

Source: OECD Health Data 2009

Sources: German Council of Economic Experts – Annual Report 2009/10, bank research, U.S. Bureau of Labor Statistics, German Federal Statistics Office

in optimizing medical results and reducing overall treatment costs. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models where quality of treatment is the key parameter.

In the United States, our most important single market in geographical terms, the government has declared the reform of the health care system to be a political priority. The goal is that over 45 million (i. e. one in every eight US citizens) currently uninsured should get access to primary health care. At present, the public health care schemes, Medicaid and Medicare, mainly insure the poor and pensioners.

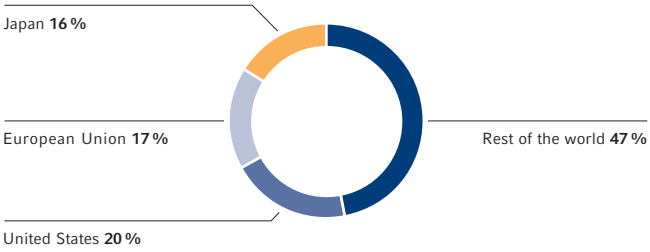
Our most important markets developed as follows:

The dialysis market

In 2009, the value of the global dialysis market was 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 6 % to 1.9 million. The chart shows their regional distribution:

DIALYSIS PATIENTS BY REGION



Prevalence, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region, ranging from well below 100 to over 2,000 patients per million population (p.m.p.). Prevalence is highest in Taiwan with 2,560 p.m.p., followed by Japan with 2,430 p.m.p., and the United states with approximately 1,830 p.m.p. It averages about 1,000 in the 27 countries of the European Union. The far lower global average of approximately 360 p.m.p. is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition and cultural habit (such as diet). On the other hand, access to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics. A comparison of economic output and national prevalence rates suggests that access to treatment is restricted especially in countries where GDP per capita is less than US$ 10,000 per person per year. However, the generally rising global prevalence rate suggests that more and more people are receiving dialysis treatment.

Dialysis care

By the end of 2009, there were approximately 1.9 million patients receiving regular dialysis treatment. More than 89 % of these were treated with hemodialysis, while about 11 % choose peritoneal dialysis. The majority of hemodialysis patients are treated in dialysis clinics. There are about 29,000 dialysis clinics worldwide with an average of 65 hemodialysis patients per clinic.

The organizational structures differ considerably depending on whether a country's health care system is predominantly public or private. In the United States, for instance, most of the approximately 5,000 dialysis clinics are privately run and only about 1 % are publicly operated. By contrast, about 61 % of the approximately 5,000 dialysis clinics in the European Union are publicly owned. In Japan, about 80 % of the dialysis clinics are run by private nephrologists.

In the United States, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second largest provider of dialysis care – DaVita – treat about 64 % of all US dialysis patients. In 2009, Fresenius Medical Care maintained its market-leading position of about 33 %.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care

operates 769 dialysis clinics in 35 countries and treats over 63,000 patients. With that, it has by far the largest and most international network of dialysis clinics.

In 2009, the number of **peritoneal dialysis patients** worldwide rose by more than 6 % to approximately 203,000. Fresenius Medical Care supplies approximately 36,000 patients with peritoneal dialysis products, which is about 17 % of all patients. In the United States, its market share was 31 %.

Dialysis reimbursement systems differ from country to country and often vary even within individual countries.

In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services (CMS),** cover the medical services for more than 80 % of all dialysis patients in the United States. In 2009, CMS reimbursements accounted for about 33 % of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant influence on our business in North America. Here, providers mainly compete on quality and availability.

Dialysis products

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 32 %. The top three manufacturers have a combined market share of almost 70 %. **Dialyzers** are by far the largest single product group. Approximately 190 million units were sold in 2009, of which about 85 million were produced by Fresenius Medical Care. Of the approximately 65,000 new **hemodialysis machines** that were sold in 2009, about 55 % were produced by Fresenius Medical Care. In the United States, Fresenius Medical Care has a share of over 75 % of the independent market in these two product segments. We define the independent market as all dialysis clinics that do not belong to a major US-wide dialysis care provider such as Fresenius Medical Care or DaVita.

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

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

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

Based on its own estimates, Fresenius Kabi considers its relevant market for infusion therapy and clinical nutrition (excluding the United States and Japan) to be over € 9 billion.

We also expect the demand for **generics** to continue growing. Generic drugs are more advantageous from health economics aspects than original preparations because of their significantly lower price and they already make a vital contribution to health care today: in Germany alone, generics accounted for over 85 % of prescriptions in 2008.

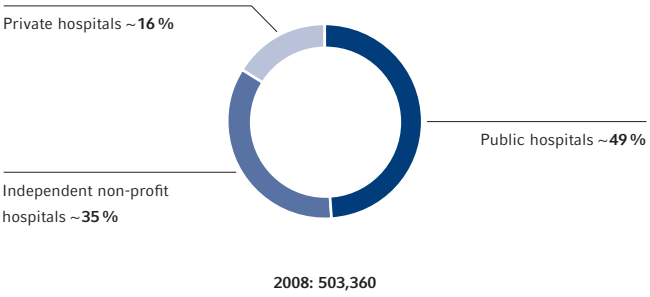
The **market for intravenously administered drugs** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original preparation goes off-patent. In Europe, the market for intravenously administered drugs is growing at a mid single-digit rate. In the United States, it is growing at a rate of about

Sources: German Society for Nutritional Medicine (DGEM) 2009, German Association of Research-based Pharmaceutical Companies (VFA), Statistics 2009

5 %. We expect the US market for drugs that go off-patent from 2009 to 2019 to grow to approximately US$ 20 billion on a cumulative basis. These figures are based on the sales of the original preparations in 2008 and do not take account of the usual price erosions for generics.

Based on its own survey, Fresenius Kabi expects its relevant market for intravenously administered drugs (without Japan) to be over € 9 billion. The **market for medical devices** for infusion therapy, intravenously administered drugs, and clinical nutrition is growing in Europe at mid single-digit rates. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency.

HOSPITAL BEDS BY OPERATOR



2008: 503,360

The German hospital market

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

Over the last five years the number of **hospitals** has fallen at an average annual rate of 1.0 % to 2,083 in 2008, while the number of **beds** has declined at an average annual rate of 1.3 % to 503,360. Nonetheless, with 6.1 beds per 1,000 population in 2008, Germany is still well above the OECD average of 3.8 (2007).

The **average stay** of a patient in an acute care clinic (excluding specialized psychiatric clinics) in Germany fell overall by 0.6 days over the same period and was 8.1 days in 2008.

On the other hand, the number of **inpatient admissions** and the **average costs per admission** have increased. The number of inpatient admissions at acute care clinics in Germany declined at first 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 the admission statistics. The number of admissions has risen again slightly since 2006 and was 17.52 million or 213 admissions per 1,000 population in 2008. That was about 341,000 or 2.0 % more than in 2007. Other countries rank well below the German level, e. g. Switzerland, with 174 admissions per 1,000 population. In the last five years leading up to 2008, the number of admissions in Germany has risen at an average annual rate of 1.1 %. The average costs per admission have increased by 2.5 % on average over the last five years.

According to a survey by the German Hospital Institute (DKI), the **financial situation** at hospitals in Germany remains difficult: only 43.7 % of the hospitals expect to earn a surplus in 2009 (2008: 61.6 %), 26.5 % expect to break even (2008: 16.3 %), and 26.4 % expect to make a loss (2008: 19.7 %). However, the hospital sector was able to decouple economically from the poor macroeconomic situation in 2009: only 12 % of the hospitals said they had been affected by the financial and economic crisis.

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2008	2007	2006	2005	2004	Change 2008/2007
Hospitals	**2,083**	2,087	2,104	2,139	2,166	-0.2 %
Beds	**503,360**	506,954	510,767	523,824	531,333	-0.7 %
Beds per 1,000 population	**6.13**	6.16	6.20	6.35	6.44	-0.5 %
Length of stay (days)	**8.1**	8.3	8.5	8.7	8.7	-2.4 %
Number of admissions (millions)	**17.52**	17.18	16.83	16.54	16.80	2.0 %
Average costs per admission in €[1]	**4,146**	4,028	3,932	3,813	3,756	2.9 %

[1] Total costs, gross

The difficult financial and economic situation at many hospitals has been caused by rising **investment needs**. This is due in large part to an investment backlog that has accumulated because the federal states have not met their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past. Moreover, the investment needs are also due to technological advances and higher quality requirements. It is estimated that the current annual investment backlog at German hospitals is about € 5 billion.

Against this backdrop, the **privatization trend** in the German hospital market continued, albeit on a modest scale, with the share of private hospital beds rising to 15.9 % in 2008 (2007: 15.6 %) while the share of public hospital beds fell to 49.0 % (2007: 49.4 %).

According to our research, € 504 million in hospital transaction revenues were acquired in 2009 (2008: € 408 million).

The **Hospital Funding Reform Act** (KHRG) that came into force in March 2009 has had an overall positive effect on the financial situation of hospitals in Germany. Nationwide, hospitals were funded with approximately € 3.55 billion in 2009. That was about 7 % more than in 2008. However, approximately € 1.5 billion of that represented the reversal of past budget cuts. For instance, the contribution hospitals were required to make towards improving the finances of public health insurers (Sanierungsbeitrag) was abolished as of the beginning of 2009: the deduction of 0.5 % on billings to public health insurers and the deduction hitherto of up to 1 % on billings under integrated health care contracts. In addition, the Federal government made funds available for investment grants under government economic programs.

The KHRG also extended the convergence phase for the final introduction of DRG-based reimbursement by one year. The convergence phase now ends as of December 31, 2009. Hospitals will then bill on the basis of standardized base rates valid throughout the particular federal state.

Quality continues to be a key competitive factor for the hospital market. The transparency and comparability of the treatments for the patients and their doctors will play an increasingly decisive role.

In the **post-acute care market** in Germany there was a total of 1,239 clinics in 2008, the same as the year before. The number of beds was 171,060 – 215 more than in 2007. 56.3 % (2007: 57.0 %) of the clinics were private clinics and 26.0 % (2007: 25.3 %) were independent non-profit clinics. 17.8 % (2007: 17.7 %) were public clinics. Independent non-profit clinics and public clinics accounted for 16.2 % (2007: 16.0 %) and 16.9 % (2007: 16.9 %) of the total number of beds, respectively. Private clinics accounted for 66.9 % (2007: 67.2 %). The total number of admissions in Germany rose by 3.4 % to approximately 2.0 million in 2008 (2007: 1.94 million). The average length of stay declined to 25.3 days (2007: 25.5 days).

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

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

In established markets, where there is mounting cost pressure, the challenge for hospitals and other health care facilities is to increase their efficiency. Here, there is demand especially for optimized hospital processes and technical management services, enabling hospitals to concentrate on their core competency: treating patients. In emerging markets the focus is on building and improving infrastructure.

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

The continued weakening of world economic growth in 2009 has had negligible impact on our industry thus far. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2009. 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 its respective markets.

Sources: German Federal Statistics Office, German Hospital Institute (DKI) – Krankenhaus-Barometer survey 2009, Federal Statistics Office (Switzerland) 2009, OECD Health Care Data 2009, German Medical Association – Growing Trend towards Hospital Privatization in Germany

SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

In 2009, the Fresenius Group's positive development was again driven to a large extent by the very good operating development in all business segments.

The Group's annual financial statements were also affected by a number of **acquisitions**, partly from 2008. This was mainly due to the full-year consolidation of APP Pharmaceuticals in the US as well as Fresenius Kabi Oncology (formerly Dabur Pharma). Both companies were consolidated for the first time as of September 1, 2008. In addition, Fresenius Medical Care acquired a number of dialysis clinics and Fresenius Helios acquired five hospitals.

The annual financial statements for 2009 include the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals. The annual financial statements for 2008 in addition include further special items resulting from the acquisition of APP Pharmaceuticals. The adjusted earnings figures for 2008 and 2009 represent the Group's business operations in the given reporting period.

The consolidated financial statements of 2009 include a one-time write-down of capitalized in-process R & D activities of € 46 million. This mainly relates to two product approval projects, which were acquired through the APP acquisition. One project was not pursued due to the current market situation. The market perspective of the other project was worsened because market launch will be delayed. The effect on Group net income was € - 29 million.

THE MANAGEMENT BOARD'S ASSESSMENT OF BUSINESS RESULTS

The Management Board is of the opinion that the Fresenius Group performed very well in 2009 – with sales and earnings improvements 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 sales growth of 8 % at both business segments, and significant increases in earnings. Fresenius Helios also achieved excellent organic growth of 7 % and further improved its earnings. Fresenius Vamed was able to report an organic growth of 15 % and a further strong earnings increase in 2009 and achieved in the project business an important all-time high in order intake and order backlog.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

As the summary below shows, Fresenius achieved or exceeded all targets for 2009 that were set when it published its annual financial statements for 2008 in February 2009. We had assumed that strong demand for our products and services would continue despite the difficult macroeconomic environment. This proved to be the case.

The achieved sales growth of 13 % in constant currency was above our forecast of more than 10 % (US GAAP: 13 %). Growth of 13 % in adjusted net income [2] at constant currency also surpassed our target of about 10 % (US GAAP: 14 %). All sales and earnings targets for the business segments were also fully achieved or exceeded.

Fresenius invested € 681 million in property, plant and equipment in 2009 (US GAAP: € 671 million). That was below the budgeted range of € 700 to 750 million due to the cautious investment policy pursued by the business segments.

We also clearly exceeded our guidance for operating cash flow with a cash flow rate of 11 % (US GAAP: 11 %). We had forecast a cash flow rate at the 2008 level of 8.7 %.

ACHIEVED GROUP[1] TARGETS 2009

	Targets for 2009 announced in February 2009	Achieved in 2009 (US GAAP)	Achieved in 2009 (IFRS)
Sales (growth, in constant currency)	>10 %	13 %	13 %
Net income (growth, in constant currency)[2]	~10 %	14 %	13 %
Capital expenditure	€ 700 – 750 million	€ 671 million	€ 681 million

[1] All group targets according to US GAAP.
[2] Net income attributable to Fresenius SE; adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

The main acquisition-related effect on operational efficiency was the full-year consolidation of APP Pharmaceuticals, one of the leading manufacturers of IV drugs in North America. APP Pharmaceuticals achieved sales of US$ 889 million in 2009.

RESULTS OF OPERATIONS

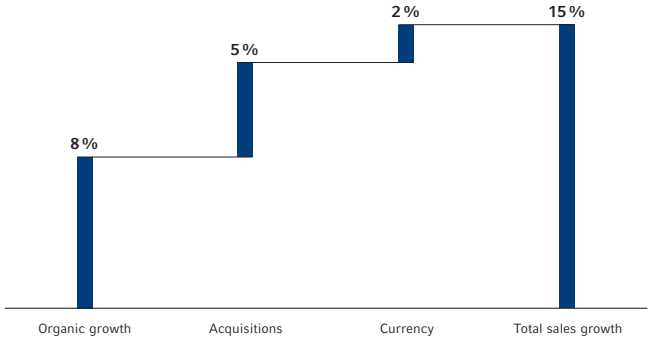
SALES

In 2009, we increased Group sales by 13 % in constant currency and by 15 % at actual rates to € 14,165 million (2008: € 12,353 million).

The chart shows the various influences on Fresenius' Group sales. Strong organic growth reached 8 %, while acquisitions contributed 5 %. Currency translation had a positive effect of 2 %. More information can be found on page 4.

While there were no significant consequences from changes in product mix, price effects in dialysis care contributed positively. In the foreseeable future no significant changes are expected in these two factors.

SALES GROWTH ANALYSIS



Sales growth by region was as follows:

The largest regions in the Group are Europe and North America, contributing 42 % and 43 % of total sales, followed by Asia-Pacific with 8 %, and Latin America and Africa with 5 % and 2 %, respectively. Germany contributed 22 % to Group sales.

In Europe, sales were up 11 % in constant currency, with organic growth of 7 %. In North America, sales rose 16 % in constant currency. This was mainly due to the full-year consolidation of APP Pharmaceuticals. Excellent organic growth was again achieved in Asia-Pacific with 9 % and in Latin America with 11 %.

SALES BY REGION

in million €	2009	2008	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Europe	**6,045**	5,549	9 %	7 %	-2 %	4 %	42 %
North America	**6,114**	5,046	21 %	8 %	5 %	8 %	43 %
Asia-Pacific	**1,088**	935	16 %	9 %	3 %	4 %	8 %
Latin America	**641**	582	10 %	11 %	-4 %	3 %	5 %
Africa	**277**	241	15 %	13 %	1 %	1 %	2 %
Total	**14,165**	12,353	15 %	8 %	2 %	5 %	100 %

SALES BY BUSINESS SEGMENT [1]

in million € [1]	2009	2008	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**8,064**	7,213	12 %	8 %	3 %	1 %	57 %
Fresenius Kabi	**3,086**	2,495	24 %	8 %	-2 %	18 %	22 %
Fresenius Helios	**2,416**	2,123	14 %	7 %	0 %	7 %	17 %
Fresenius Vamed	**618**	524	18 %	15 %	0 %	3 %	4 %

[1] All amounts according to US GAAP.

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved a sales increase of 12 % to € 8,064 million in 2009 (2008: € 7,213 million) and excellent organic growth of 8 %. Acquisitions had an effect of 1 %. Currency translation had a positive effect of 3 %. Fresenius Medical Care achieved very good increases in constant currency both in dialysis care (10 %) and in dialysis products (6 %). The growth in dialysis care was mainly due to organic growth in treatments and higher average revenues per treatment.
- Fresenius Kabi increased sales by 24 % to € 3,086 million (2008: € 2,495 million). The company achieved excellent organic growth of 8 %. Net acquisitions had an effect of 18 %. This included the acquisition of APP Pharmaceuticals and Fresenius Kabi Oncology (formerly Dabur Pharma). Currency translation had an effect of -2 % on sales. This was mainly attributable to the weaker currencies in the United Kingdom, Poland, and Mexico against the euro, while the firmer Chinese yuan, had an especially positive effect.
- Fresenius Helios increased sales by 14 % to € 2,416 million (2008: € 2,123 million) and achieved excellent organic growth of 7 %. This was mainly due to an increase in admissions compared to 2008. Net acquisitions contributed 7 %. This was attributable to the acquisition of a total of five hospitals in Saxony-Anhalt and Lower Saxony.
- Fresenius Vamed achieved excellent sales growth of 18 % to € 618 million (2008: € 524 million). Organic growth was 15 %. The clinics in the Czech Republic taken over from Fresenius Helios contributed 3 %. Sales in the project business increased by 25 % to € 420 million (2008: € 336 million). Sales in the services business rose by 5 % to € 198 million (2008: € 188 million).

Order intake and order backlog in Fresenius Vamed's project business achieved an all-time high: order intake rose by 27 % to € 539 million (2008: € 425 million). Fresenius Vamed increased its order backlog by 19 % to € 679 million (December 31, 2008: € 571 million). This assures a stable level of capacity utilization for our business in the current year. Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog. As the overview for the past five years shows, thanks to the continued strong demand for health care and hospital infrastructure we have been able to sustain the trend in order intake and order backlog despite the difficult macroeconomic development in 2008 and 2009.

EARNINGS STRUCTURE

We again achieved excellent growth rates in earnings in 2009. **Adjusted Group net income**[1] rose by 14 % to € 496 million. A one-time write-down of capitalized in-process R & D activities had an effect of € -29 million. Currency translation in total had an effect of 1 %, therefore growth in constant currency was 13 %. Adjusted earnings per ordinary share rose to € 3.07 and adjusted earnings per preference share to € 3.08 (2008: € 2.77 per ordinary share, € 2.78 per preference share). This represents an increase of 11 % at actual rates and of 10 % in constant currency for both share classes. Including the effects of the mark-to-market accounting, Group net income[2] was € 476 million and earnings per share were € 2.95 per ordinary share and € 2.96 per preference share. Inflation had no significant effect on results of operations in 2009.

ORDER INTAKE AND ORDER BACKLOG FRESENIUS VAMED [1]

in million €	**2009**	2008	2007	2006	2005
Order intake	**539**	425	395	337	257
Order backlog (December 31)	**679**	571	510	387	313

[1] All amounts according to US GAAP.

[1] Net income attributable to Fresenius SE; adjusted for the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals. These items are not cash relevant.
[2] Net income attributable to Fresenius SE.

Group EBITDA rose by 17 % in constant currency and by 18 % at actual rates to € 2,628 million (2008, adjusted: € 2,224 million). **Group EBIT** increased by 14 % in constant currency and by 15 % at actual rates to € 2,004 million (2008, adjusted: € 1,738 million). A one-time write-down of capitalized in-process R & D activities had an effect of € -46 million on EBIT. In 2009, there were no special items from the acquisition of APP Pharmaceuticals affecting Group EBITDA and Group EBIT. The figures for 2008 are shown on an adjusted basis for reasons of comparability. They include a number of special items related to the acquisition of APP Pharmaceuticals that are shown in the reconciliation to adjusted earnings.

The development of EBIT by business segment was as follows:

- Fresenius Medical Care increased EBIT by 11 % to € 1,259 million (2008: € 1,137 million). Growth in constant currency was 7 %. The EBIT margin was 15.6 % (2008: 15.8 %). The decline was mainly due to higher personnel expenses, cost increases for pharmaceuticals, and the launch of a generic product for the phosphate binder PhosLo® by a competitor in the United States. These effects were partially offset by an increase in revenue per treatment, the strong development of business in dialysis products, and successful cost control measures.
- Fresenius Kabi increased EBIT by 37 % to € 607 million (2008: € 443 million). The EBIT margin rose to 19.7 % (2008: 17.8 %). This marked improvement was due to the high-margin business of APP Pharmaceuticals and the good operating results in all regions, cost optimization and efficiency enhancement measures, and changes in product mix.
- Fresenius Helios achieved an excellent EBIT performance. In 2009, this business segment reported EBIT of € 205 million (2008: € 175 million) thanks to the very good business progress of the established clinics. The newly acquired clinics also performed to Fresenius Helios' full satisfaction. EBIT grew by 17 %. The EBIT margin improved strongly to 8.5 % (2008: 8.2 %).

STATEMENT OF INCOME (SUMMARY)

in million €	2009	2008	Change	Change in constant currency
Sales	**14,165**	12,353	15 %	13 %
Cost of goods sold	**-9,521**	-8,410	-13 %	-12 %
Gross profit	**4,644**	3,943	18 %	16 %
Operating expenses	**-2,640**	-2,183	-21 %	-20 %
EBIT, adjusted [1]	**2,004**	1,738	15 %	14 %
EBIT	**2,004**	1,760	14 %	12 %
Net interest	**-580**	-431	-35 %	-35 %
Other financial result	**-31**	68	-146 %	-146 %
Income taxes [2]	**-422**	-454	7 %	9 %
Noncontrolling interest in profit [2]	**-495**	-414	-20 %	-16 %
Net income, adjusted [1,3]	**496**	437	14 %	13 %
Net income [4]	**476**	529	-10 %	-11 %
Earnings per ordinary share in €, adjusted	**3.07**	2.77	11 %	10 %
Earnings per ordinary share in €	**2.95**	3.35	-12 %	-13 %
Earnings per preference share in €, adjusted	**3.08**	2.78	11 %	10 %
Earnings per preference share in €	**2.96**	3.36	-12 %	-13 %
EBITDA, adjusted [1]	**2,628**	2,224	18 %	17 %
EBITDA	**2,628**	2,281	15 %	14 %
Depreciation and amortization	**624**	521	20 %	19 %

[1] The annual financial statements for 2008 include several special items relating to the acquisition of APP Pharmaceuticals. The adjusted figures reflect the Group's business operations in the reporting period.
[2] In the period under review tax expenses related to minority interests in partnerships were reclassified to noncontrolling interest. The effect is neutral to net income attributable to Fresenius SE. The prior-year figures have been adjusted.
[3] Net income attributable to Fresenius SE; adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals.
[4] Net income attributable to Fresenius SE.

RECONCILIATION

in million €	2009 Other financial result	2009 Net income	2008 EBIT	2008 Other financial result	2008 Net income
Earnings, adjusted[1]		**496**	1,738		437
Purchase accounting adjustments[2]					
inventory step-up (market value)			-35		-22
Foreign exchange gain[2]			57		41
Other financial result[2]					
Mandatory Exchangeable Bonds (MEB) (mark-to-market accounting)	**-37**	**-26**		28	20
Contingent Value Rights (CVR) (mark-to-market accounting)	**6**	**6**		75	75
One-time financing expenses[3]				-35	-22
Earnings according to IFRS[4]	**-31**	**476**	1,760	68	529

[1] Earnings attributable to Fresenius SE adjusted for special items resulting from the acquisition of APP Pharmaceuticals.
[2] The special items are included in the column "Corporate/Other" in the segment reporting.
[3] In addition, € 73 million of transaction-related financing expenses have been capitalized and will be depreciated over the lifespan of the respective particular credit facility.
[4] Earnings attributable to Fresenius SE.

- Fresenius Vamed increased EBIT by 20 % to € 36 million (2008: € 30 million). The EBIT margin was 5.8 %, and slightly ahead of the 2008 level (2008: 5.7 %).

RECONCILIATION TO ADJUSTED EARNINGS

The table above shows the special items relating to the acquisition of APP Pharmaceuticals in the reconciliation from adjusted EBIT and net income to earnings according to IFRS.

The valuation of inventories at market prices led to a valuation step-up in work-in-progress and finished goods. This amount was written off in 2008 over the average sales period of the respective products.

The foreign exchange gain resulted from the firmer US dollar, which increased the value of the US dollar intercompany loan to Fresenius Kabi Pharmaceuticals Holding, Inc. in 2008.

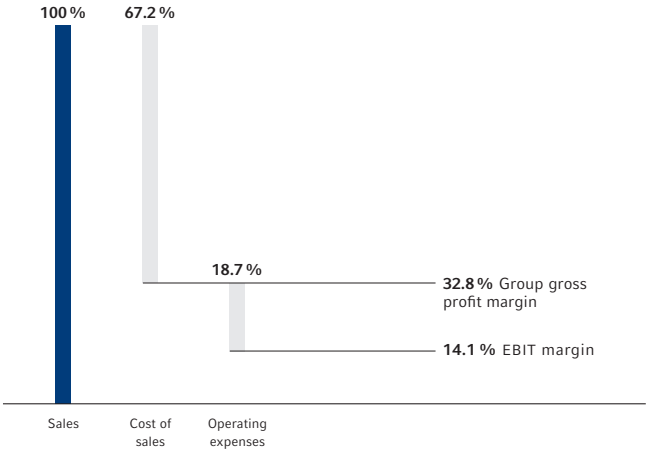
The Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) are recognized as liabilities. The repayment value of the CVR and the derivative elements of the MEB are measured at market prices. The change in value (mark-to-market accounting), which is measured over the entire life of the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

The one-time financing expenses included 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 € 4,644 million, exceeding the € 3,943 million in 2008 by 18 % (16 % in constant currency). We improved the gross margin to 32.8 % (2008: 31.9 %). The **cost of sales** rose 13 % to € 9,521 million (2008: € 8,410 million; including special items of € 35 million from the inventory step-up due to market price accounting related to the APP acquisition). Cost of sales as a percentage of Group sales sank from 68.1 % in 2008 to 67.2 %. **Selling, general, administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 19 % to € 2,358 million in 2009 (2008: € 1,977 million, including special items of € 57 million from the currency gain on US dollar intercompany loans). Their ratio as a percentage of Group sales was 16.6 % (2008: 16.0 %). **Depreciation and amortization** was € 624 million (2008: € 486 million excluding special items, € 521 million including the valuation step-up in inventories of € 35 million). A one-time write-down of capitalized in-process R & D activities had an effect of € -46 million. Their ratio as a percentage of sales was 4.4 % in 2009 (2008: 3.9 % before special items relating to the APP acquisition).

EARNINGS STRUCTURE



The chart above shows the earnings structure in 2009.

Group net interest was € -580 million, an increase of € 149 million versus € -431 million in 2008. Lower average interest rates on liabilities at Fresenius Medical Care were more than offset by incremental debt especially relating to the APP Pharmaceuticals acquisition.

The **other financial result** of € -31 million includes the valuation changes of the fair redemption value of the Mandatory Exchangeable Bonds (MEB) of € -37 million and the Contingent Value Rights (CVR) of € 6 million. Both are non-cash items.

The adjusted **Group tax rate** (adjusted for the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights) was 30.4 % (2008: 34.9 %, adjusted for special items relating to the APP acquisition). The decline is largely due to the revaluation of a tax claim at Fresenius Medical Care in the second quarter of 2009.

Noncontrolling interest rose to € 495 million from € 414 million in 2008 mainly due to the good earnings performance at Fresenius Medical Care. Of this, 93 % was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin progress:

in %	2009 [1]	2008 [2]
EBITDA margin	**18.6**	18.0
EBIT margin	**14.1**	14.1
Return on sales (before taxes and noncontrolling interest), adjusted	**10.1**	10.6

[1] 2009 return on sales adjusted for the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and Contingent Value Rights (CVR).
[2] 2008 adjusted for special items relating to the APP acquisition.

VALUE ADDED

The value added statement shows Fresenius' total output in 2009 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached € 6,992 million in 2009 (2008: € 6,182 million). This is an increase of 13 % over 2008. The distribution statement shows that, at € 4,881 million or 70 %, the largest portion of

VALUE ADDED STATEMENT

in million €	2009	%	2008	%
Creation				
Company output	**14,239**	**100**	12,407	100
Materials and services purchased	**6,623**	**47**	5,704	46
Gross value added	**7,616**	**53**	6,703	54
Depreciation and amortization	**624**	**4**	521	4
Net value added	**6,992**	**49**	6,182	50
Distribution				
Employees	**4,881**	**70**	4,328	70
Governments	**529**	**7**	548	9
Lenders	**580**	**8**	431	7
Shareholders	**122**	**2**	114	2
Company and noncontrolling interest	**880**	**13**	761	12
Net value added	**6,992**	**100**	6,182	100

our value added went to our employees. Lenders came next with € 580 million (8 %) and governments with € 529 million (7 %). Shareholders received € 122 million and noncontrolling interests of € 495 million. The Company retained € 385 million for reinvestment.

FINANCIAL POSITION

FINANCIAL MANAGEMENT POLICIES AND GOALS

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

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

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

FINANCING

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

In 2009, the Group's **financing activities** mainly involved the refinancing of existing and maturing financing instruments.

In January 2009, Fresenius issued unsecured Senior Notes in two tranches through its subsidiary Fresenius US Finance II, Inc. The proceeds were US$ 800 million. The euro tranche was issued in a principal amount of € 275 million and was priced at 93.024 %. With a coupon of 8.75 %, the euro tranche has a yield to maturity of 10.25 %. The US dollar tranche was issued in a principal amount of US$ 500 million and was priced at 93.076 %. With a coupon of 9.00 %, its yield to maturity is 10.50 %. Both tranches are due in 2015 and are non-callable. Fresenius used the proceeds to refinance the existing US$ 650 million bridge facility, which was taken up to finance the APP Pharmaceuticals acquisition, and to repay short-term debt. The financing of the APP Pharmaceuticals acquisition was completed with this transaction.

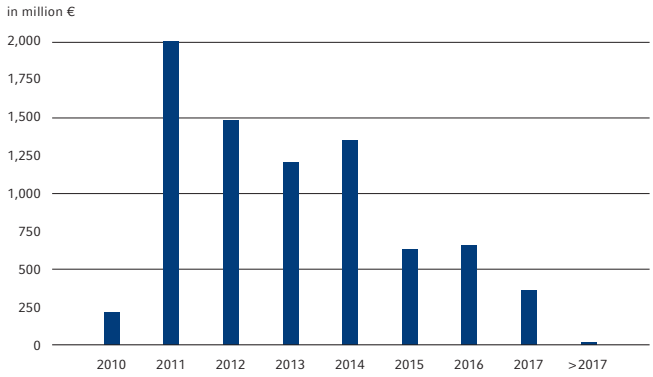
In April 2009, Fresenius Medical Care issued Euro Notes in the principal amount of € 200 million in a private placement with European investors. These new Euro Notes, which are senior and unsecured, were issued by Fresenius Medical Care AG & Co. KGaA in four tranches, with maturities of 3.5 and 5.5 years and fixed and floating interest rates. The proceeds were used to redeem Euro Notes that were due in July 2009.

In June 2009, Fresenius placed a tap to its 2006 Senior Notes by Fresenius Finance B.V. This transaction had a principal amount of € 150 million and was priced at 92.0 %. With a coupon of 5.5 %, the yield to maturity is 7.0 %. The Notes were also offered in a private placement to institutional investors, which was well oversubscribed. The proceeds were used to repay short-term debt. This has lengthened the maturity profile of our debt.

In January 2010, Fresenius Medical Care issued unsecured Senior Notes due in 2016 in the principal amount of € 250 million. The coupon is 5.5 %. With an issue price of 98.6636 %, the yield to maturity is 5.75 %. The proceeds were used to repay short-term debt and for general corporate purposes.

As the chart shows, further larger scale **refinancing** within the Fresenius Group is only due in 2011.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2009; major financing instruments, excluding the accounts receivables program of Fresenius Medical Care.

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, 2009 and December 31, 2008.

The Fresenius Group has drawn about € 4.7 billion of bilateral and syndicated credit lines. In addition, the Group had approximately € 1.3 billion in unused credit lines as of December 31, 2009 (including committed credit lines of € 0.8 billion) available. These credit facilities are generally used for covering working capital needs and are – with the exception of the Fresenius SE 2008 credit agreement and the Fresenius Medical Care 2006 credit agreement – usually unsecured.

As of December 31, 2009, 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 105 to 114 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 2009, key sources of liquidity were operating cash flows and short, medium, and long-term debt. **Cash flow from operations** is influenced by the profitability of Fresenius' business and by net working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program, and by drawing on bilateral bank credit agreements. Medium and long-term

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

in million €	**2009**	2008	2007	2006	2005
Operating Cash flow	**1,564**	1,080	1,303	1,058	784
as % of sales	**11.0**	8.7	11.4	9.8	9.9
Working Capital [1]	**3,088**	2,937	2,467	2,322	2,159
in % of sales	**21.8**	23.8	21.7	21.5	27.4
Investments in property, plant and equipment, net	**672**	744	669	577	335
Cash flow before acquisitions und dividends	**892**	336	634	481	449
as % of sales	**6.3**	2.7	5.6	4.5	5.7

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

funding is provided by the revolving credit facilities of Fresenius Medical Care and Fresenius SE and by bonds, as well as by various other financing instruments. Fresenius believes that its existing credit facilities, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

DIVIDEND

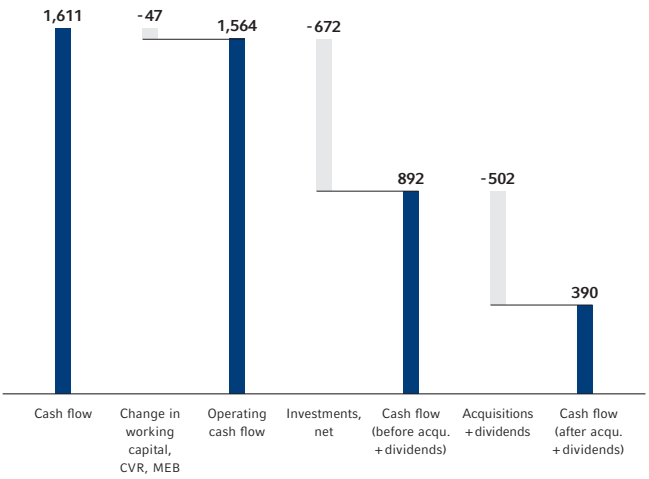
The Management and Supervisory Boards will propose a dividend increase to the Annual General Meeting. For 2009, a dividend of € 0.75 per ordinary share and € 0.76 per preference share is proposed. This is an increase of 7 %. The total dividend distribution will increase by 7 % to € 121.8 million (2008: € 113.6 million).

CASH FLOW ANALYSIS

The cash flow statement shows a very positive development. Cash flow increased by 10 % to € 1,611 million in 2009 (2008: € 1,469 million). This was mainly due to the Group's excellent earnings performance. The change in working capital in 2009 was € -67 million (2008: € -294 million). This improvement was due to strict working capital management, driven mainly by the decline in trade accounts receivable.

Operating cash flow increased by 45 % to € 1,564 million in 2009 (2008: € 1,080 million). The cash flow margin rose to 11.0 % (2008: 8.7 %). 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 € 687 million, and proceeds from the sale of property, plant and equipment were € 15 million (2008: € 767 million and € 23 million, respectively). **Cash flow before acquisitions and dividends** more than doubled to € 892 million (2008: € 336 million). This was sufficient to fully finance the net acquisitions of € 227 million and the Group dividends of € 275 million. Group dividends consisted of dividend payments of € 114 million to the shareholders of Fresenius SE, payments of € 173 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of € 50 million. Set against this, there was the dividend of € 62 million which Fresenius SE received as a shareholder of Fresenius Medical Care.

CASH FLOW IN MILLION €



Cash from financing activities (excluding dividend payments) was € -337 million (2008: € 2,868 million, driven by the equity and debt financing for the APP Pharmaceuticals acquisition). In addition to the acquisition expenditure, Group dividend payments led to a cash outflow of € 275 million in 2009

CASH FLOW STATEMENT (SUMMARY)

in million €	2009	2008
Net income[1]	**971**	943
Depreciation and amortization	**624**	521
Change in pension provisions	**16**	5
Cash flow	**1,611**	1,469
Change in working capital	**-67**	-294
Change in mark-to-market valuation of the MEB and CVR	**20**	-95
Operating cash flow	**1,564**	1,080
Property, plant and equipment	**-687**	-767
Proceeds from the sale of property, plant and equipment	**15**	23
Cash flow before acquisitions and dividends	**892**	336
Cash used for acquisitions/proceeds from disposals	**-227**	-2.954
Dividends	**-275**	-245
Cash flow after acquisitions and dividends	**390**	-2,863
Cash provided by/used for financing activities (without dividends paid)	**-337**	2,868
Effect of exchange rate changes on cash and cash equivalents	**-3**	4
Change in cash and cash equivalents	**50**	9

[1] Net income attributable to Fresenius SE

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

(2008: € 245 million). Cash and cash equivalents increased to € 420 million as of December 31, 2009 (December 31, 2008: € 370 million).

INVESTMENTS AND ACQUISITIONS

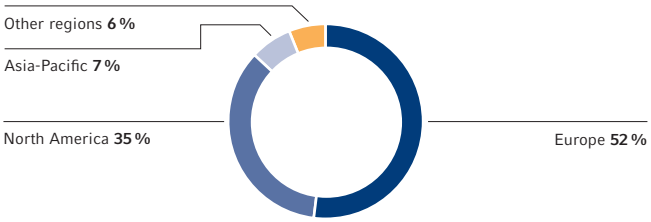
The Fresenius Group invested € 940 million in 2009 (2008: € 4,623 million, driven by the acquisition of APP Pharmaceuticals). At € 681 million (2008: € 772 million), **investments in property, plant and equipment** was well above the level of depreciation of € 624 million and serves as the basis for preserving the Company's value over the long term and for expansion. At 4.8 % of sales, investments returned to our targeted long-term level in 2009 after the high capital expenditure in 2007 and 2008, equivalent to 6.2 % of sales in each case. € 259 million was invested in **acquisitions** (2008: € 3,851 million). Of the total capital expenditure in 2009, 72 % was invested in property, plant and equipment; 28 % was spent on acquisitions.

INVESTMENTS AND ACQUISITIONS

in million €	2009	2008	Change
Investment in property, plant and equipment	**681**	772	-12 %
thereof maintenance	**49 %**	48 %	
thereof expansion	**51 %**	52 %	
Investment in property, plant and equipment as % of sales	**4.8 %**	6.2 %	
Acquisitions	**259**	3,851	-93%
Total investments and acquisitions	**940**	4,623	-80 %

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

INVESTMENTS BY REGION



2009: € 940 million

The cash outflows for acquisitions related mainly to the acquisition of dialysis clinics at Fresenius Medical Care. At Fresenius Helios, expenditure was for the acquisition of five acute care hospitals. Fresenius Kabi and Fresenius Vamed made no significant acquisitions in 2009.

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

- start-up of 118 de novo dialysis clinics, of which 85 were in the United States, and expansion and modernization of existing clinics for Fresenius Medical Care
- expansion and modernization of production facilities for Fresenius Medical Care, including the expansion of production capacities for dialysis products in Germany in response to strong global demand, and for Fresenius Kabi in different regions
- hospital modernization at Fresenius Helios. The largest single projects were the HELIOS clinics in Berlin-Buch, Krefeld, and Schwerin.

INVESTMENTS BY BUSINESS SEGMENT [1]

in million €	2009	2008	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**549**	687	411	138	-20 %	58 %
Fresenius Kabi	**157**	3,749	125	32	-96 %	17 %
Fresenius Helios	**203**	140	124	79	45 %	22 %
Fresenius Vamed	**7**	39	5	2	-82%	1 %
Corporate/Other	**15**	2	6	9	--	1 %
IFRS Reconciliation	**9**	6	10	-1	50 %	1 %
Total	**940**	4,623	681	259	-80 %	100 %

[1] According to US GAAP

Investments in property, plant and equipment of € 181 million will be made in 2010 to continue with major **ongoing investment projects on the reporting date**. These are chiefly investment obligations for hospitals at Fresenius Helios as well as investments to expand and optimize production plants for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

ASSETS AND LIABILITIES

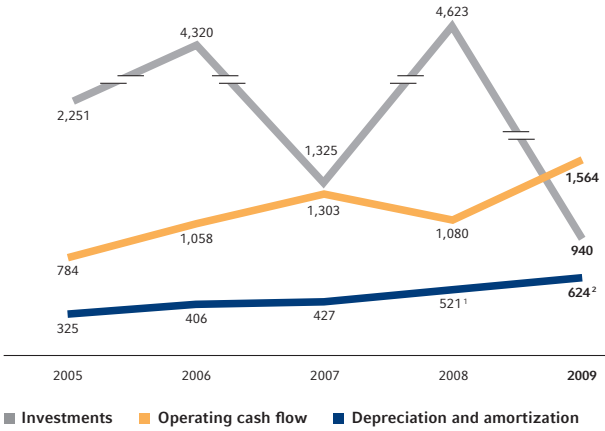
ASSET AND LIABILITY STRUCTURE

The **total assets** of the Group rose by € 332 million (2 %) to € 21,148 million (December 31, 2008: € 20,826 million). In constant currency, this was an increase of 3 %. The growth of the balance sheet was mainly due to the expansion of existing business activities. Inflation had no significant impact on the assets of Fresenius in 2009.

Non-current assets were € 16,018 million (2008: € 16,004 million). The increase was driven by additions to property, plant and equipment.

Current assets rose by 6 % to € 5,130 million (2008: € 4,822 million). Within current assets, trade accounts receivable rose by 1 % to € 2,509 million (2008: € 2,477 million); the increase was well below the growth of 15 % in sales. At 65 days, average days sales outstanding was 6 days lower than in 2008; reductions were achieved across all business segments. Inventories rose by 10 % to € 1,235 million (2008: € 1,127 million). The 48 days scope of inventory in 2009 was unchanged compared to 2008. The ratio of inventories to total assets slightly increased to 5.8 % as of December 31, 2009 (December 31, 2008: 5.4 %).

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



[1] Includes special items of € 35 million from the acquisition of APP Pharmaceuticals.
[2] Includes one-time write downs of € 46 million of capitalized in-process R & D activities.

Shareholders' equity rose by 9 %, or € 671 million, to € 7,908 million (2008: € 7,237 million). Group net income (net income attributable to Fresenius SE) increased shareholders' equity by € 476 million. The equity ratio rose to 37.4 % as of December 31, 2009 (December 31, 2008: 34.7 %).

The liabilities and equity side of the balance sheet shows a solid financing structure. Shareholders' equity of the Group covers 49 % of non-current assets (2008: 45 %). Shareholders' equity and long-term liabilities cover all non-current assets and inventories.

Long-term liabilities were € 9,716 million as of December 31, 2009, an increase of 3 % (December 31, 2008: € 9,420 million). **Short-term liabilities** declined by 15 % to € 3,524 million (2008: € 4,169 million).

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

in million €	2009	2008	2007	2006	2005
Total assets	**20,148**	20,826	15,308	15,024	11,602
Shareholders' equity	**7,908**	7,237	6,099	5,798	5,204
as % of total assets	**37**	35	40	39	45
Shareholders' equity/non-current assets, in %	**49**	45	54	52	63
Debt	**8,196**	8,677	5,655	5,879	3,502
as % of total assets	**39**	42	37	39	30
Gearing in %	**98**	115	87	98	62

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 (€ 80 million). Please see page 125 of the Notes for details.

Group **debt** was € 8,196 million (2008: € 8,677 million). Its relative weight in the balance sheet declined to 38.8 % (2008: 41.7 %). Approximately 57 % of the Group's debt is in US dollars. Liabilities due in less than one year were € 552 million (2008: € 1,264 million), while liabilities with a remaining tenor of one to five years and over five years were € 7,644 million (2008: € 7,413 million).

The net debt to equity ratio including noncontrolling interest (gearing) has improved and is 98.3 % (2008: 114.8 %). The return on equity after taxes (equity attributable to shareholders of Fresenius SE) rose to 11.0 % (2008: 9.6 %). The return on total assets after taxes and before noncontrolling interest increased to 4.7 % in 2009 (2008: 3.9 %); figures for 2009 adjusted for the effects of the mark-to-market accounting of the MEB and the CVR; figures for 2008 pro forma APP Pharmaceuticals and before special items relating to the acquisition.

The table below shows other key asset and capital ratios:

in million €	Dec 31, 2009	Dec 31, 2008
Debt/EBITDA [1]	**3.1**	3.7
Net debt/EBITDA [1]	**3.0**	3.6
EBITDA/interest ratio [1]	**4.5**	4.0

[1] 2008: Pro forma APP Pharmaceuticals and before special items related to the acquisition.

CURRENCY AND INTEREST RISK MANAGEMENT

The nominal value of all foreign currency hedging contracts was € 2,442 million as of December 31, 2009. These contracts had a market value of € 19 million. The nominal value of interest rate hedging contracts was € 2,698 million. These contracts had a market value of € -134 million. Please see the Risk Report on page 51 and the Notes on pages 126 to 132 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

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

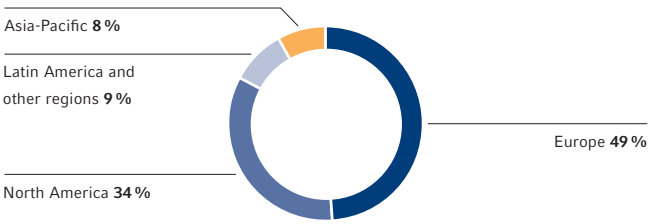
The Fresenius Group had 130,510 employees worldwide at the end of 2009, an increase of 8,293 or 7 % (December 31, 2008: 122,217). Acquisitions accounted for 3 % of the increase.

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

Number of employees	Dec 31, 2009	Dec 31, 2008	Change
Fresenius Medical Care	**71,617**	68,050	5 %
Fresenius Kabi	**21,872**	20,457	7 %
Fresenius Helios	**33,364**	30,088	11 %
Fresenius Vamed	**2,849**	2,802	2 %
Corporate/Other	**808**	820	-1 %
Total	**130,510**	122,217	7 %

At the end of 2009, there were 40,416 employees in Germany, an increase of 9 % (2008: 37,078). 90,094 employees (69 %) are employed at our foreign companies. 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 Europe. This was mainly due to the hospital acquisitions at HELIOS. The number of employees also rose strongly in Asia-Pacific, with an increase of 14 %. This largely reflects our fast-growing business in this region, where sales growth was 13 % in constant currency.

EMPLOYEES BY REGION



2009: 130,510

Personnel expenses for the Fresenius Group were € 4,881 million in 2009 (2008: € 4,328 million), equivalent to 34.4 % of sales (2008: 35.0 %). Personnel expenses per employee were € 38.2 thousand (2008: € 36.5 thousand). There were no significant changes to compensation or employment agreements in 2009. The increase was mainly due to collectively bargained pay increases and the higher overall number of employees.

HUMAN RESOURCES MANAGEMENT

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

We are constantly adapting our human resources tools to future needs. In 2010, for instance, we are introducing life work time accounts to supplement our work time models in some business segments and in the Fresenius SE corporate center divisions in Germany. Under this scheme, employees can also credit their own contributions, such as holiday leave or parts of their compensation, into a life work time account in addition to their collectively bargained employment benefits. These accumulated credit balances can then be drawn on later flexibly for sabbaticals for higher education, further training measures, or for phased early retirement.

TALENT MANAGEMENT

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

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

in a way that we are able to meet future challenges. Our focus is on the professional development of employees in an international and dynamic environment marked by change and the resulting opportunities. Since the demands of our business segments with respect to personnel development concepts and measures differ – depending on their customer and market structure – they are coordinated, developed, and executed on a segment-specific basis. All measures are oriented to overarching corporate goals on the one hand, and to individual development needs on the other.

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

An outstanding example is our innovative program for the development of dialysis nursing staff. In 2008, the first entrants began their **dialysis nursing training** at the Fresenius Medical Care Institute of Dialysis Nursing (F.I.D.N.), the world's leading education center of its kind. The training program lasts twelve months and includes theoretical courses at the academic level as well as practical experience in a teaching clinic. The institute began regular operations in 2009.

The **Fresenius Advanced Management Program**, which has been conducted for many years in cooperation with the INSEAD business school, is a firmly established component in our development of top management executives. In 2009, the focuses of this program were on imparting leadership skills in a global corporate context and facing challenges constructively – against the backdrop of the current economic situation.

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

The HELIOS trainee programs, which were considerably widened in 2008, serve to prepare university graduates for future management positions within the HELIOS-Kliniken Group so as also to meet the demand for management resources created by the Group's ongoing growth. The trainees spend their two-year training at different hospital locations. Working directly with the respective administration and department heads, they learn how to run a clinic or specialist department both strategically and operationally. HELIOS offers these trainee programs in the fields of Hospital Management, Medical Equipment, Controlling & Finance, Purchasing, Pharmaceuticals, Logistics, and IT. Additional programs in the areas of Human Resources, Nursing Care, and Building and Technical Facilities are being introduced in 2010.

Other measures are special development programs for middle-management medical and nursing staff. As in the past, HELIOS offers employees specially tailored programs for the development of management skills. The focus is on preparing them for positions of greater responsibility.

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

In 2009, we intensified the exchange and interaction between employees from different business segments. Trainees at Fresenius Kabi, for instance, were given the opportunity to get to know the day-to-day routines at the hospitals of the HELIOS-Kliniken Group through first-hand experience. In addition, HELIOS invited all employees of the Fresenius Group to take advantage of the seminars and workshops offered by the HELIOS Academy, such as the "Medical Seminar for Non-Medics", which attracted strong interest.

JOB APPLICATION MANAGEMENT

Fresenius' goal is to be the employer of choice for high-potential applicants. We have therefore extended our personnel marketing activities with the addition of a **target university concept**, intensifying our contacts with 16 selected universities by taking part at careers guidance fairs and through presentations by our staff. This is designed to inform potential applicants even more effectively about the opportunities that our Group of companies offers and to encourage them to start a career with Fresenius.

The **online application management system** introduced in 2008 has established itself as a modern recruitment instrument and effectively supports the application process. In its first full year, over 400 job offers were published and over 15,600 applications were received through this system. In addition, we received over 4,600 unsolicited applications. We also used the system for the first time to advertise and fill apprenticeship places for 2010. We have also started to use it as an international internal job vacancies platform in individual business segments. In future, we intend to expand the functions for managing the extensive pool of unsolicited applications and to enter new recruitment channels, especially in the social networking area. For more information: www.fresenius.com/Career. The HELIOS careers portal that was launched in 2008 is also very popular, with over 7,000 applications received in 2009. More information is available on the website at www.helios-kliniken.de/Karriere.

IDEA MANAGEMENT

The aim of our **team@work award** is to further a common identity and to promote teamwork. It also encourages the optimization of work processes and the identification and realization of cost-cutting potential. The award's third round in 2009 again drew an excellent response, with over 100 contestants from all over the world competing with 19 projects – impressive evidence of the energy with which many employees are working together within the Fresenius Group.

We want to further strengthen and foster this team spirit. So the motto for the fourth round is "Working Together, Winning Together". Any form of interdepartmental or interdisciplinary cooperation that results in more sales, less costs, or other measurable improvements is eligible for the award.

VOCATIONAL TRAINING MANAGEMENT

The transfer of knowledge to the next generation, and thus the professional training of young people, is an important element to secure Fresenius' future over the long term. In this regard we are in a very good position. In Germany at the end of 2009, we employed about 1,500 **apprentices** in 34 different job specifications as well as over 30 students pursuing courses of study at vocational training academies. In 2009, we were therefore again able to increase the number of apprenticeship places offered at all our training locations by over 5 %, after already increasing our intake by over 10 % in 2008.

We regularly offer students interested in the provided job specifications the opportunity to gain first-hand experience in working life through periods of practical work and information days. This enables students to start thinking about their career early on and provides them with valuable guidance in choosing the right profession or course of study. Through intensive marketing in and with schools, we want to attract even more young people to do apprenticeships with Fresenius. We address students as well as teachers. We invite school students to visit us and provide job application guidance and offer teachers various training courses within the Arbeitskreis *Schule*Wirtschaft (School and Industry Working Group).

At the start of the vocational training there is a six-week course during which the apprentices not only learn computer skills; a special focus is also placed on developing their personal skills, with the emphasis on improving communication skills and teamwork as well as project management. The apprentices at our corporate headquarters also have the opportunity to attend a free English language course.

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

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Our policy is that our employees should share directly in the Company's financial success through a profit-sharing scheme and certain executives through our stock option plan.

Through benefits in the form of shares we provide employees in Germany with a long-term, value-oriented performance incentive. This is based on Group operating profit (EBIT). Employees can receive either the full amount of their profit-sharing bonus in shares or two-thirds of the amount in shares and the rest in cash. The bonus paid in 2009 for fiscal year 2008 was € 1,586 gross for full-time employees. At foreign companies there are also attractive compensation systems aligned with the local schemes in the particular country.

Our executives have already been sharing in Fresenius' growth since 1998 through another value-based compensation component. With our **stock option plan**, we have an internationally recognized compensation instrument linking management's entrepreneurial responsibility to future opportunities and risks. Under the 2008 stock option plan, a total of up to 6,200,000 options on Fresenius SE ordinary and preference shares can be issued to members of the Management Board and certain other executive officers over a period of five years. The stock options can be exercised after a three-year vesting period if Group net income has been increased at an annual

PROFIT-SHARING BONUS

	2008	2007	2006	2005	2004
Profit-sharing bonus[1] in €	1,586	1,526	1,444	1,000	1,000
Eligible employees	1,630	1,690	1,830	1,780	1,690

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

rate of at least 8 % during the vesting period. Otherwise, the options granted are forfeited proportionally. In 2009, 1,067,248 stock options were issued under this plan. For further information please see pages 136 to 140 of the Notes.

RESEARCH AND DEVELOPMENT

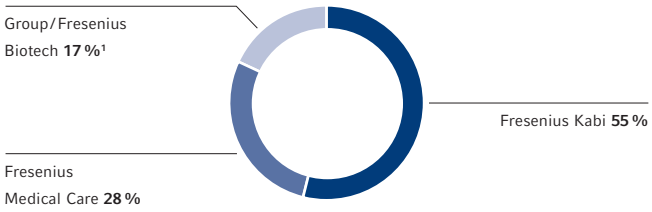
Fresenius focuses its R & D efforts on its core competencies:

- Dialysis
- Infusion and nutrition therapies, generic IV drugs, and medical devices
- Antibody therapies

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2009 we again successfully continued numerous projects and a number of new products were launched.

Expenses on research and development were € 282 million in 2009, including € 46 million of a one-time write-down of capitalized in-process R & D activities (2008: € 206 million). Adjusted for this effect, we invested about 5 % of our product sales in R & D. This matched the previous year's figure excluding the in-process R & D activities acquired. The chart shows R & D expenses by segment. In 2009, Fresenius Medical Care increased its R & D spending by 22 %, and Fresenius Kabi by 18 %. In the segment Corporate / Other, € 44 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was slightly above the € 43 million spent in the previous year. Detailed figures are included in the segment reporting on pages 74 to 75.

R & D EXPENSES BY SEGMENT



As of December 31, 2009, there were 1,421 employees in research and development in the Group (2008: 1,336). Of that number, 494 were employed at Fresenius Medical Care (2008: 427), 829 at Fresenius Kabi (2008: 793), and 98 at Fresenius Biotech (2008: 116).

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

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

We now inform you about the R & D activities in our business segments:

	2009	2008	2007	2006	2005
R & D expenses in million €	**282**	206	182	166	147
as % of product sales	**4.6**[1]	4.7	4.8	4.8	4.7
R & D employees	**1,421**	1,336	999	911	856

[1] Excluding one-time write downs of capitalized in-process R & D activities of € 46 million.

FRESENIUS MEDICAL CARE

Fresenius Medical Care focuses its research and development strategy on three essential objectives:

- to continuously enhance the quality of life of patients with chronic kidney disease using innovative products and treatment concepts
- to offer our customers high-quality services while keeping our prices as low as possible, and,
- on this basis, to continue to expand our global leadership in the dialysis market.

In 2009, Fresenius Medical Care expanded its activities in its key areas of strategic development – for example in the field of **online-hemodiafiltration** (Online-HDF) and the 5008 therapy system based on it. In May 2009, we presented another innovation built on this development platform at the industry congress ERA-EDTA (European Renal Association/European Dialysis and Transplant Association): **MIXED HDF**. This treatment method, which is probably the most advanced dialysis treatment available in the world, is a new form of Online-HDF and can be tailored even more precisely to the medical needs of individual patients thanks to a complex new control technology. Fresenius Medical Care was the first company to get MIXED HDF ready for market launch. We are convinced that this innovation will further contribute to establishing Online-HDF as the treatment of choice for dialysis patients, and expect to achieve a clear market edge with this trend-setting technology. Just like the 5008 therapy system, MIXED HDF also saves on resources: the device uses up to 30 % less energy, water and concentrate than traditional hemodialysis methods during treatment. Due to its considerable potential for the medical world, Fresenius Medical Care uses Online-HDF as a long-term innovation platform.

We also continued to develop our portfolio in the area of **home dialysis** in 2009 – another of our strategic development platforms. In 2008, we introduced the Liberty Cycler, our therapy system for peritoneal dialysis (PD), in the US. It was a resounding success: over 2,500 patients are now being treated with the device. We will have a stronger focus on this product in North America in the future. We have continued to improve the Liberty Cycler ever since we introduced it – for instance with an expanded alarm system to help users avoid application errors. With the further development of the device's software, patients' individual treatment settings and results can now be processed even more comprehensively and transmitted to the attending clinic. There, the data is regularly checked to adapt the treatment to individual patients in the best possible way.

As a home dialysis treatment method – i. e., a treatment that is performed in the patient's home environment –, PD requires a high level of individual responsibility from patients as they usually carry it out themselves. It is therefore crucial that these patients receive intensive training on hygiene and safety matters. With its intuitive user interface and easy-to-understand instructions, which guide patients through the device settings step-by-step via a screen, the Liberty Cycler is one of the simplest and safest devices in this respect. To further increase the user-friendliness of the cycler, we are currently working on new help software, which uses short instructional videos and text information to demonstrate how the device should be used. It will also allow patients to receive prompt answers to their questions via a help menu, even during treatment. We plan to make this new feature standard for the device in 2011.

Another development focus at Fresenius Medical Care is the **Body Composition Monitor** (BCM) diagnosis machine, which we successfully launched in additional markets in 2009. The BCM can determine the exact make-up of the human body and its fluids (body water, fat, and fat-free body mass). This provides doctors with information on the patients' general health – for instance on the constitution of their blood vessels – and helps them to determine to what extent a patient may be suffering from overhydration. Such information can substantially improve the treatment quality of dialysis, as both heart and vascular diseases and overhydration are common side effects of chronic kidney disease. We are currently working on making the advantages of BCM technology, which to this point have only been documented in the treatment of hemodialysis patients, available to other patient groups. Initial studies have shown, that peritoneal dialysis patients can also benefit from professional fluid management, a regular check of their fluid status with the treatment adjusted accordingly. Another group of patients whose treatment could be improved with the use of BCM technology are people who suffer from acute kidney failure.

Besides the activities in our strategic focal areas, Fresenius Medical Care has also improved and continued to develop our traditional hemodialysis products. The **4008S** classic, for instance, is a new addition to our range of hemodialysis machines. This device offers exceptional treatment quality along with high reliability and safety at an affordable price thanks to its high-quality basic configuration. Thanks to its cost effectiveness and simple operability, it should provide access to high-quality dialysis treatment for even more dialysis patients, especially in areas with a poor infrastructure.

In the United States, we have also tailored our range of products to the needs of our patients and customers. This puts us in an excellent position to cope with the planned introduction of a new quality-oriented lump-sum reimbursement system for dialysis. A good example is the **2008T**, a new product generation of the 2008 hemodialysis series, which gained approval from the FDA (U. S. Food and Drug Administration) in the United States in 2009. In addition to further improving the machine's usability and safety, and thus its treatment performance, the 2008T is the first hemodialysis machine on the US market to use an integrated computer system, which automatically compiles clinical treatment data. The reimbursement reform, which will come into effect in 2011, requires dialysis treatment to fulfill certain quality criteria, among other things. This means that the 2008T, which automatically compiles data, offers a distinct advantage as it can measure the success of the treatment and improve it even more effectively. We presented the new 2008T at the American Society of Nephrology Conference in 2009, and are aiming to launch the device in 2010.

An important partner for Fresenius Medical Care in clinical research is the **Renal Research Institute (RRI)**. The RRI was founded in 1997 as a joint venture between Fresenius Medical Care North America and the Beth Israel Medical Center, a hospital in New York, and is widely recognized as a leading research facility in the field of nephrology. In 2009, the RRI continued research in the field of SORB technology, among others. This project focuses on so-called sorbents – particular substances that bind toxins in liquids so that they can be removed. These sorbents can be used, for example, to recycle dialysis solution, which absorbs toxins during PD or HD treatment that have been filtered out of the patients' blood. By cleansing and then recycling the dialysate with the help of sorbents, the amount of water typically needed during dialysis treatment can be reduced from 120 to 200 liters to approximately six to ten liters. This innovative sorbent technology is particularly important for our "wearable kidney" project, as a device of this kind must be able to function with a substantially smaller amount of liquid to be light and small enough to be worn on the body. This is an objective we are also working on. Other research projects pursued by the RRI are centered on the lifespan of red blood cells in connection with inflammatory processes in the body, and on citrate anticoagulation, a method which can be used as an alternative to or together with the substance heparin for hemodilution. A more in-depth knowledge of the characteristics of red blood cells can be advantageous for treating dialysis patients more effectively with the erythropoiesis stimulating agent EPO or with iron compounds.

FRESENIUS KABI

Fresenius Kabi is focused on developing products that significantly support medical advancements in the acute and post-acute treatment of critically and chronically ill patients and on helping to improve their quality of life. At the same time, we want to make high-quality treatments available to patients worldwide.

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

- develop innovative products in areas where we hold a leading position, such as blood volume replacement and clinical nutrition
- develop new formulations for drugs no longer protected by patent
- continue to develop and refine our existing portfolio of pharmaceuticals and medical devices

Our development competency encompasses all the relevant components: the pharmaceutical solution, the primary packaging, the medical device for application, and the production technology. We are also one of the few companies in the world that cover the entire production chain for IV drugs: from the processing of the raw materials and the production of the active pharmaceutical ingredient through to the manufacture of the drug.

A key focus of our R & D work is to expand global distribution of our product portfolio. We continuously apply for authorization to market our products in major sales regions throughout the world – including the United States, where our acquisition of APP Pharmaceuticals will grant us key access to the North American market.

Infusion therapies

In 2009, we continued our research and development efforts in the area of **blood volume replacement**. More than 130 published studies support the efficacy and safety of our product Voluven®. In the course of our R & D activities we also continued to support randomized, double-blind studies with Voluven® 6 % for sepsis, trauma, and caesarian section. In 2009, we also started a clinical study that examines our product Voluven® 6 % in comparison with crystalloids in the treatment of about 7,000 intensive care patients.

We also intensified our development work on **HESylation® technology**. This technology enables an active pharmaceutical ingredient to be coupled to specific hydroxyethyl starch molecules, decisively modifying a drug's profile. Such coupled products show a longer half-life and a better safety profile than unmodified drugs. In 2009, we entered into partnerships with Bayer Schering Pharma and the Swiss company Octapharma.

Intravenously administered drugs

In the field of IV drugs we focus on high-quality **generics** for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and drugs for the treatment of critical diseases.

Our long experience in developing infusion therapies enables us to transfer our extensive expertise in this field, as well as modern pharmaceutical technologies, to the development of generics and achieve specifically targeted improvements in known drugs. The safe application of our products in day-to-day medical care is another important focus for us. Intelligent packaging concepts, like our color code safety concept for instance, enable all products and their different active substance concentrations to be easily distinguished. This guarantees a high degree of safety for the patient and the nursing staff. The clear, safe, and readily transparent system complies with national and international standards.

Our **R & D pipeline** contains an extensive portfolio of active drugs that will be coming to market in the next few years. We currently have about 125 products at different stages of development.

In 2009, we worked intensively on dossiers for the registration of new generics in order to obtain marketing authorization quickly once originator drugs go off-patent. In line with our internationalization strategy for generic IV drugs, we are placing priority on marketing approvals for Europe, North America, Asia-Pacific, and Latin America.

In 2009, our US subsidiary APP Pharmaceuticals obtained marketing authorization for seven generics for the US market. APP currently has 35 ANDAs (Abbreviated New Drug Applications) pending at the FDA.

In the area of generics for critical diseases, we are working intensively on broadening our product portfolio for the European market. In 2009, we filed for four drug applications for this market, and plan to launch nine products in different presentation forms and for various countries in 2010 and 2011.

We also see the launch of new oncology generics as an important driver of future growth. In oncology, we offer an extensive range of drugs in different formulations and dosage forms. In 2009, we filed applications worldwide for the marketing authorization of 15 drugs for products in different formulations and dosage forms. We plan to launch these products in 2010 and 2011.

Clinical nutrition

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

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

One of our core development areas is the use of lipids in parenteral nutrition therapy. SMOFlipid®, for instance, is a lipid emulsion which has clinical benefits over ordinary lipid emulsions due to its composition and the fact it contains four different lipid components.

The product has become successfully established for severely ill adult patients. Nutrition is also particularly important in pediatric care as only an adequate supply of nutrients suited to the child's age can assure normal growth and proper development. Undeveloped or severe gastrointestinal defects at birth and acute ailments are indications for parenteral nutrition in pediatric patients. In 2009, we obtained approval for SMOFlipid® for use in pediatric care. This product can provide the fat component of a parenteral nutrition therapy supplying all nutrients necessary to prevent malnutrition and support the growth and development of pediatric patients.

In 2009, we introduced a dosage increase of our product Dipeptiven® on the market. Dipeptiven® is a concentrate of alanyl glutamine that, when compatible, can be added to any parenteral nutrition regime. Glutamine is administered to patients in a highly catabolic metabolic condition, which can occur for instance in intensive-care or after major surgery. In such cases glutamine is required in large amounts by the intestinal and immune cells as an essential source of energy and nitrogen to maintain their functioning. Glutamine deficiencies otherwise can lead to functional disorders.

The high relevance of glutamine in parenteral nutrition for the clinical outcomes of intensive care patients was also confirmed by the European Society for Clinical Nutrition and Metabolism (ESPEN) in its updated guidelines, which recommend that intensive-care patients with an indication for parenteral nutrition receive glutamine.

In our development activities in the area of **enteral nutrition**, we are focusing on sip and tube feed nutrition products for malnourished patients and on therapeutic products for dysphagia, diabetes, oncology, and critical illness. We are thus combining the latest insights in both medical and nutritional science and food and process technology into our product development. This approach enables us to offer innovative nutrition products matched to the specific patient profile. At the same time, we are countering side-effects that arise during long-term therapy, e. g. patients growing tired of the taste, with a broad range of sip feed products featuring different flavors.

In 2009, we continued work on our new product concept in diabetic therapy that can be used especially for diabetes mellitus patients with impaired glucose tolerance and insulin resistance. We plan to launch our new products in 2010.

We also continued to broaden our product offering for dysphagia patients and worked on the development of further Fresubin® products. We plan to launch these new products in the market in 2010. Dysphagia is a term used to refer to difficulties in controlling the swallowing process, which can have a wide range of causes, for instance stroke, cancer diseases, neurological ailments, and Parkinson's disease. In patients with dysphagia the swallowing reflex is delayed or completely inoperative. About 60 % of elderly people in hospitals or living in nursing homes suffer from dysphagia[1]. Nutritional deficiencies and dehydration can be effectively remedied with a product line specially designed for this group of patients.

[1] Clavé P et al. Rev Esp Enferm Dig 2004; 96: 119–131

In the field of medical devices for the application of enteral nutrition, we are constantly working on new technologies that ensure necessary nutrients are supplied safely, efficiently, and conveniently. In 2009, one focus was the development of an innovative connector system for the application of enteral nutrition products. In infusion therapy, connectors are the connecting devices to syringes, canulas, and infusion lines. To avoid the risk of misconnections of enteral nutrition lines in day-to-day medical care, we are working on a novel connector system that excludes accidental connection with intravenous application techniques. A patent application has been filed for the system and we plan to successfully complete development work in the course of 2010.

FRESENIUS BIOTECH

Fresenius Biotech develops and commercializes innovative therapies with immunotherapeutic products. In 2009, the trifunctional antibody Removab was approved as anti-cancer therapy, thus validating this targeted, immunological approach. For many years, Fresenius Biotech has been successfully marketing ATG-Fresenius S, a polyclonal antibody. This is an immunosuppressive agent used to control immune reactions in transplantation medicine.

Trifunctional antibodies

After we filed the application for Removab at the end of 2007, the European Commission issued its approval for the intraperitoneal treatment of patients with **malignant ascites** in April 2009. This approval is valid for all 27 member states of the European Union as well as Iceland, Liechtenstein, and Norway. Removab is the first trifunctional antibody in the world to be approved and is also the first drug for malignant ascites. We began marketing Removab in Germany and Austria in May 2009. In 2009, we achieved sales of more than € 1.6 million with the product. The pricing and market introduction procedures were initiated in other European countries.

Parallel to the market introduction, the CASIMAS study, a randomized phase IIIb study, is being carried out in key European countries. This study is examining the tolerability, safety, and effectiveness of treating ascites patients with Removab, applied as a three-hour infusion versus without a corticosteroid pre-medication. So far approval has been issued for an infusion time of six hours. This study is supporting the market entry of Removab and, if the results are positive, can facilitate application.

New data from further evaluations of the pivotal study for malignant ascites supporting the clinical benefits of Removab were presented at a number of international cancer congresses, such as ASCO, WCGIC, and ESMO in 2009. Removab has been significantly shown to improve clinical progress in patients with malignant ascites independently of the underlying tumor or other prognostic factors. In addition, in gastric cancer patients with malignant ascites, treatment with Removab has been observed to prolong survival to a statistically significant extent, while a trend towards prolonged survival was shown for the overall population of all patients treated.

The clinical studies in the different settings of gastric and ovarian cancer were continued and have produced initial results on the use of Removab in earlier stages of treatment, for instance as intra-operative medication in adjuvant treatment situations. An adjuvant therapy following complete removal of tumor tissue aims to destroy any unapparent tumor cells that might still exist. The results of these phase II studies show that Removab is safe to use perioperatively in an adjuvant setting of gastric cancer as well as in first-line therapy and consolidation therapy in advanced ovarian cancer.

Studies on the trifunctional antibody ertumaxomab for the treatment of metastasized breast cancer were, or are being, terminated prematurely. We have shelved these development activities in order to concentrate more intensively on the further development of Removab.

Immunosuppressive agent ATG–Fresenius S

Sales of ATG-Fresenius S rose by 14 % to € 24 million. The preclinical and clinical development for other applications and distribution in new markets was continued. A clinical study is currently being conducted on the use of ATG-Fresenius S in the prophylaxis of acute Graft-versus-Host disease in stem cell transplantation. The one-year results on its efficacy and safety were very promising. They were published in the medical journal Lancet Oncology 10/2009. The final report on the two-year data is in preparation. Fresenius Biotech filed the marketing authorization application with several European authorities for approval for the prophylaxis of Graft-versus-Host disease.

The study with ATG-Fresenius S in lung transplantation in the United States was continued. The study compares the effects of two different ATG dosage regimes and a placebo (double-blind and placebo-controlled) on organ rejection and mortality rates among patients six months and twelve months after transplantation. One dosage regime arm of the study was closed due to the results of the intermediate analysis.

PROCUREMENT

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

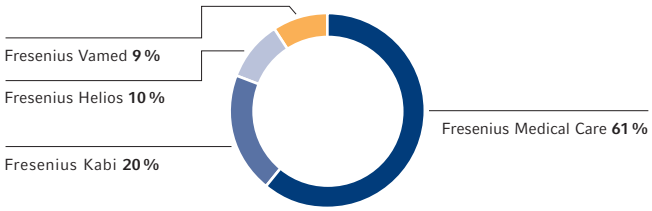
Global **procurement processes** are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. These central coordinating offices organize purchases for the production sites and arrange comprehensive quality and safety checks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

In 2009, the cost of raw materials and supplies and of purchased components and services was € 4,649 million (2008: € 4,207 million), as the table shows:

in million €	2009	2008
Cost of raw materials and supplies	**4,077**	3,668
Depreciation of raw materials, supplies and purchased components	**1**	3
Reversals of write downs of raw materials, supplies and purchased components	**0**	0
Cost of purchased components and services	**571**	536
Total	**4,649**	4,207

The cost of raw materials and supplies increased by 11 % to € 4,077 million (2008: € 3,668 million). Purchased components and services accounted for 12 % of the Group's total cost of materials (2008: 13 %).

COST OF MATERIAL BY BUSINESS SEGMENT [1]



[1] All figures according to US GAAP and before consolidation.

FRESENIUS MEDICAL CARE

In 2009, Fresenius Medical Care profited from lower energy and raw material prices.

Outside North America, in the **International segment**, we reached agreements with selected suppliers on high supply volumes and secured long-term supply guarantees. In Europe we benefitted from successful pricing contracts. Due to the weak economic environment, risk management was of great importance at our global procurement processes. In Europe, we implemented a new system with the aim to early identify financial risks at our most important suppliers.

Through an efficient **supplier management system**, we carefully select suitable suppliers, with which long-term relationships are established and nurtured. In the International segment, Fresenius Medical Care classifies and evaluates the performance of new and existing suppliers on the basis of **strict quality criteria**. This includes compliance with labor regulations and environmental standards.

Audits are conducted to monitor compliance with these standards. The resulting ratings serve as a key planning and decision-taking basis for our sourcing. In 2009, the quality criteria of our supplier rating system was expanded and further harmonized.

The long-term SCALE project was launched, too. Its aim is to align the supply chain management organizational structure and processes more closely to the demand planning in the production and sales divisions. As a first step, a new, standardized IT system for production planning and inventory management was introduced. This increases the planning precision and transparency for optimized inventory management, especially when new products are launched, older product generations are phased out, or new customer contracts are won.

FRESENIUS KABI

In 2009, Fresenius Kabi identified and partially realized attractive cost-cutting potentials. The focus of the procurement activities at Fresenius Kabi was on the **"Global Sourcing Initiative"** project. The project covered all production locations. Several teams were set up at each location to analyze the input materials used, energy consumption, and purchased services. The aim is to identify further potential for optimizing procurement, and for substituting input materials or harmonizing them Group-wide. The project was very successful; the potentials identified will be realized over the long term.

In 2009, the global economic situation strongly affected Fresenius Kabi's **purchase prices**. After the prices of almost all the relevant raw materials reached all-time highs in mid-2008, most of them then fell to their lows for the year. The prices of individual raw materials were still at a very low level at the beginning of 2009. In the later course of the year their prices picked up again. All in all, raw material prices in 2009 were below their corresponding average 2008 levels.

The prices of plastic granulate (for primary packaging and medical devices), foil (for primary and secondary packaging), and cardboard boxes and bag materials (for medical devices) were adjusted at regular intervals to the **development of the underlying commodity prices**. This also applied to glass bottles whose manufacturing processes are very energy-intensive. Their prices fell owing to the lower prices for heating oil and gas. We fixed the prices of products derived from corn by contract in 2009; under our framework agreements these prices will be reduced in 2010 into line with the fallen corn and energy costs. As had been expected, the level of supply on the world market for the processed milk products relevant for Fresenius Kabi was very high until the middle of 2009. We were therefore able to negotiate favorable purchase prices. All in all, the development of raw material prices had a positive effect on our cost of materials in 2009: we reduced our costs compared to 2008.

As expected, the cost of **electricity and natural gas** rose in 2009. As a result, Fresenius Kabi conducted consumption analyses at several production locations aiming to reduce energy consumption or to identify cost-cutting potential.

Fresenius Kabi has made a number of acquisitions in the area of IV drugs over the past years in order to extend its coverage of the supply chain. On this basis, Fresenius Kabi conducted a large number of **make-or-buy projects** in 2009. This analysis of numerous active substances and finished products indicates whether it would be best to manufacture them in-house at one of its own production locations or whether they should continue to be purchased in the market. Fresenius Kabi has already realized initial results and will be continuing these activities in the coming years.

FRESENIUS HELIOS

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

Medical devices and drugs have direct relevance for the standard of medical quality. The HELIOS clinics therefore place value on close cooperation with their suppliers and a high level of **standardization** of the products used. The strategic selection of suppliers also serves to **minimize risks** in the sourcing process: only suppliers that have an adequate defects management process, a convincing defects reporting process, and a low risk of business failure can be considered as a business partner for HELIOS.

Today, over 85 % of our **medical supplies** are standardized Group-wide at HELIOS. A system of more than 300 product groups promotes transparency, planning efficiency, and competition. The aim of standardization is to optimize quality. The quality standards are defined from a professional perspective: teams of medical experts from the clinics set binding Group-wide product standards together with the procurement officers. The level of standardization depends on the particular product group. Due to the binding product standards, HELIOS can bundle large volumes and is thus in a very good position to negotiate excellent procurement terms.

In 2009, HELIOS reorganized the pharmacy IT infrastructure at all the clinics. The outcome of this measure is that we have established a **high-quality drug supply** as a guaranteed standard service. 75 % of all the clinics' drug requirements are covered by the in-house pharmacies. HELIOS is supplied with reliable local and central administrative data that enables valuable knowledge to be generated for the benefit of the patients. It is conceivable, for instance, to monitor drugs in order to document their effect on the success of the treatment.

An online ordering system, developed especially for hospitals, was installed at some of the clinics. With this system, staff on the wards can order drugs and medical supplies from the hospital pharmacies via a standard user interface. Their materials management unit and the local purchasing departments use the same system together. This also allows a more efficient controlling of the order processes. The materials management unit can generate monthly ABC analyses for the individual chief medical officer. Clinic or Group-wide analyses, indication group comparisons, trend analyses, and consumption forecasts are also possible. The analyses also incorporate defined benchmarks of the departments and the annual budgeting for drugs. With approximately € 90 million spent on drugs each year, they represent an important part of the expenditure on medical supplies at the HELIOS clinics.

Hospitals' energy requirements are a key cost factor. In 2009, HELIOS spent a total of € 53 million on energy, i. e. for energy, water, and fuels. That does not include the newly acquired clinics. HELIOS has created an energy benchmark database and a web-based sourcing platform, enPortal, which provides transparency on all utilities at all clinic locations. Variances in consumption and costs are promptly detected and directly acted upon. HELIOS monitors the latest price trends on the energy exchanges daily. 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. The enPortal online platform, to which over 200 energy utilities in Germany are linked, is used by other Fresenius business segments besides HELIOS. Thanks to the transparency created and to monitoring current price trends, HELIOS is in a position to buy energy at the best possible times after weighing the opportunities and risks. If HELIOS tags all 61 clinic locations on this platform as buyers of electricity and natural gas, all potential suppliers can quote within a day for each location. While negotiations conducted in the conventional way without the enPortal platform would take about ten to twelve weeks, HELIOS can complete the bidding process and the placement of contracts within three to four days.

QUALITY MANAGEMENT

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

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

These objectives overlay the quality of our products as well as all services and therapies that we provide. Our quality management system integrates all product groups – such as drugs, medical devices, and nutrition – as well as our clinics. The quality management system is regularly evaluated through internal audits and external certification bodies. Our products are already closely controlled at the development stage. Our drugs are subject to regulatory approval, so appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo a **conformity assessment procedure** that documents compliance with the appropriate norms. In enteral nutrition, we already follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process. The HACCP principle is a generally acknowledged method of identifying and examining risk areas in the food production industry. We have established a **quality assurance system** 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 quality assurance system also includes measures for protecting employees, for instance when handling hazardous substances. Our production facilities are regularly inspected by regulatory authorities or other independent institutions. Sales and marketing are also an integral part of the quality management system. For example, at any given time we are able to trace where every batch has been supplied.

In recent years, HELIOS has initiated and further developed a **performance indicator system** to evaluate the quality of medical results in hospitals. Within the hospital market this system is acknowledged as a highly innovative procedure. The system is even used as a quality standard in more than 300 German hospitals outside the HELIOS Group. Furthermore, in 2008 the Swiss Federal Office of Public Health (Bundesamt für Gesundheit) started a project based on the HELIOS quality management system to evaluate quality indicators in the hospital market. Those performance indicators are also already in use in Austria.

FRESENIUS MEDICAL CARE

As the world's leading provider of dialysis care and products, Fresenius Medical Care has a special commitment to maintaining the best possible quality standards for its patients and customers. To meet these demands and the numerous regulatory requirements, Fresenius Medical Care has implemented comprehensive quality management systems in its regions, which reflect both the specific local conditions and the company's global responsibility.

These systems regulate and monitor compliance with **quality and safety standards** for all products and procedures, from development, production, and regulatory approval to clinical application, customer training and handling complaints. The quality management system combines internal regulations and processes with the specification of external standards – such as ISO 9001:2000 for quality management systems and ISO 13485:2003 for medical products. In Europe, for instance, a growing number of dialysis clinics are undergoing the ISO 9001:2000 certification process. In the countries of Latin America and Asia, we are also having our clinics certified to this standard, for instance in Colombia and Ecuador. Most of the production sites in Europe are also certified to ISO 9001:2000 standards. Our North America production sites in Ogden, Utah, and Walnut Creek, California, as well as our Mexican site in Reynosa are certified to ISO Standard 13485:2003 for medical products, as are the production plant in Buzen, Japan and the production facility in Jiangsu, China, which produces bloodlines.

To assess quality in dialysis care, Fresenius Medical Care uses **quality parameters** that are generally recognized throughout the dialysis industry. One example is the so-called Kt/V value, which shows the cleansing performance of the dialysis treatment. This is calculated by analyzing the relationship between the duration of treatment and the amount of specific toxic molecules that were removed from the blood. The number of days patients are hospitalized is also crucial for determining treatment quality, because they are particularly cost-intensive and can significantly reduce the quality of life of dialysis patients. Constantly measuring these and other parameters helps us to further improve our standards in providing dialysis treatment.

The quality management implemented at our sites and at our dialysis clinics is regularly audited. In Europe, this is handled by the TÜV. These conformance and certification experts check our corporate headquarters, the production plants as well as sales organization and clinical organizations as part of their annual audits. In the United States, Fresenius Medical Care's production facilities are regularly audited by the U.S. Food and Drug Administration. We also monitor the effective implementation of our quality management systems through regular internal audits performed by employees who are specially qualified and trained for this purpose. Furthermore, through regular patient and customer surveys, we obtain valuable feedback, for instance, on the acceptance of our customer, delivery, and technical customer service, on our vacation and travel service, as well as on its home visits and on the general quality of the care provided.

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) for drugs and ISO Standard 13485:2003 for medical products. All of these requirements have been integrated into a **quality management system** conforming to ISO Standard 9001:2008 to ensure that the applicable regulations are reliably complied with.

With the exception of the companies acquired in 2008, Fresenius Kabi has included most of the global production facilities and the local sales organizations in the external certification process. Quality management at our production sites, in the sales organizations, and at a cross-functional level is reviewed regularly by both national and international regulatory authorities and by customers.

The **matrix certification** to ISO 9001 was continued as planned in 2009. The focus of the new certification was on the Fresenius Kabi compounding centers. The certification process now covers the entire value chain: from the production of the active substances, the manufacturing of the finished drugs, and the patient-specific compounding through to distribution.

The integration of the quality management systems of Fresenius Kabi Oncology (formerly Dabur Pharma) and APP Pharmaceuticals, started in 2008, was continued in 2009. Fresenius Kabi is concentrating on **"best practice" solutions** perfected to the Group-wide standard in the sense of a continuous improvement of our quality management system. The harmonized standards are being developed at regular meetings of international experts at Fresenius Kabi.

Another special focus is careful and proper handling of hazardous substances. Fresenius Kabi Oncology is a leading supplier of generic drugs and active substances 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.

FRESENIUS HELIOS

The HELIOS **quality management system** is committed to a continuous improvement in patient care. Now, over 1,200 indicators (2008: over 900) cover all the **main diseases and surgical procedures**, so that the number of performed services, partially the use of different surgical methods, and, where possible, indicators for the quality of the outcomes can be recorded. Utilizing over 140 indicators, HELIOS regularly publishes the 30 most important diseases and surgical procedures for the HELIOS Group. The individual clinics provide this information in their hospital guidebooks. Further information can be found on the website at www.helios-kliniken.de (German only). 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 the clinics to match best-in-class international standards in surgical medicine. The Group met or significantly exceeded

the targets for 27 of these indicators (2008: 23, including the newly-acquired clinics). An extract is shown by the table below.

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR) [1]	2009 SMR	2008 SMR [2]
Acute myocardial infarction (AMI)	**0.78**	0.75
Heart failure	**0.69**	0.77
Stroke	**0.86**	0.86
Ischemic stroke	**0.86**	0.86
Pneumonia	**0.78**	0.79
Hip fracture	**0.88**	0.98

[1] SMR of 1 corresponds to the German average.
SMR <1 means that the mortality is below the German average.
[2] Adjusted for the newly acquired clinics and adjusted German average.

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

In 2009, HELIOS achieved an excellent SMR of 0.69 for heart failure. This indicates that the mortality in the HELIOS clinics was 31 % below the average of all German clinics. Where the targets were not achieved, the deviation from the German average was so small as to be statistically insignificant. The medical teams at HELIOS are also pursuing goals relating to many details of the care in their various specialist areas.

HELIOS launched the **Initiative of Quality Medicine (IQ^{M})** in collaboration with six other hospital operators in 2008. The aim of the initiative is to further improve internal hospital quality management on the basis of performance indicators. Around 1.5 million acute care patients and 4 million ambulatory care patients are treated at the over 100 clinics now covered by this initiative. The members undertake to conduct standardized quality measurements 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. IQ^{M} 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. Further information can be found on the initiative's website at www.initiative-qualitaetsmedizin.de (German only).

HELIOS has developed **methods for measuring the long-term results** of medical treatments in collaboration with the National AOK Association and the AOK's research institute. 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. Indicators for long-term quality results can be derived from the reports. They are currently being used not only in the IQ^{M} project, but also by other hospitals and by AOK. The QSR results also show HELIOS clinics to have a quality lead over the German average in many areas. The extensive AOK hospital reports for our clinics can be found on the website at www.helios-kliniken.de/qsr under "Quality Reports" (German only). HELIOS believes that these methods might possibly be incorporated in the new overarching quality assurance sector that is due to be created at the federal level in Germany.

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

FRESENIUS VAMED

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

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

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

Internally, the processes are also designed for efficiency and sustainability, using **interdisciplinary quality standards**. These standards are mostly based on ISO 9001:2000 and ISO 13485:2003 standards, as well as the standards of the European Foundation for Quality Management (EFQM). VAMED received the Austrian State Quality Award in the large company category in 2009. In 2008, VAMED had not only qualified for the Austrian State Quality Award, but had also won a jury prize for special achievements. That was the first time ever that a company had received two awards in one year from the Austrian Foundation for Quality Management (AFQM). This prize, which has been in existence since 1996, is awarded to Austrian organizations for their consistent application of excellent, quality-oriented management, for outstanding achievements, and for the generally high standard of the organization and its performance.

Internationally, VAMED has implemented the established JCI certification model (Joint Commission International). The certification was granted to reference projects such as the Neurological Therapy Center Kapfenberg, Austria and the Prince Court Medical Center in Kuala Lumpur, Malaysia.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

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

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

FRESENIUS MEDICAL CARE

Fresenius Medical Care is committed to promoting environmental awareness and protecting the environment through a wide range of initiatives and projects at its sites. We are continuously improving our operational efficiency, for instance through saving energy or by reducing the amount of raw materials needed in production.

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

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

Fresenius Medical Care already established an environmental program in these regions. It was launched in 2007, identifying environmental goals to be achieved by 2010.

Our five largest **production sites in Europe** are already certified to ISO 14001 environmental standards. In 2009, we rolled out the environmental management system at another production plant in Germany and at a production plant in Vrsac, Serbia. We expect these two sites to receive ISO 14001 and TÜV certification in 2010. We also continued with the implementation of the EU chemicals directive REACH at our European plants. In 2009, we drew up internal guidelines for compliance with REACH requirements.

In Poland, we carried out a project for developing a set of environmental guidelines for dialysis clinics in 2009. The purpose of these guidelines is to support responsible environmental management officers to further improve the efficiency of the dialysis clinics, for instance with regard to water, electricity, and acid concentrate, and in waste management. In a first step, all the environmental-relevant processes are analyzed. The environmental managers then compile a catalog of environmental targets on the basis of the results.

At the production plant in St. Wendel, Germany, we saved about 400,000 m^3 of natural gas through energy efficiency projects in 2009. That is equivalent to the annual energy consumption of about 170 households. As the production buildings were largely switched over to low-energy lighting, the site was commended as a partner of the European Commission's "Greenlight" program. This project reduced the plant's electricity consumption by over 40 %. In 2009, we also invested in environment-friendly processes and systems for the site. For instance, older steam boilers were replaced with modern, low-emission boilers. This has reduced nitrogen oxide emissions and energy consumption.

At a German plant for dialysis concentrates, we introduced a system for monitoring and controlling the production processes and implemented a new packaging process for our pallets in 2009. These measures will enable us to reduce the consumption of raw materials, water, energy, and packaging materials in future.

In **North America**, we have established a formal, certified program for monitoring environmental and safety standards which reviews all the production processes at our US plants each year. At our largest production site in North America, Ogden, we have been undertaking process optimizations with the aim of reducing energy consumption, like natural gas or electricity. In the coming years we have set ourselves the target to reduce energy consumption by a further 5 % annually. We also launched a recycling program at the Californian site in Walnut Creek, aimed at reusing parts from our dialysis machines.

FRESENIUS KABI

In 2009, Fresenius Kabi extended the certification of its environmental management. It was certified by an external organization that the environmental management system at two more **production sites in Europe and Asia** conformed to the requirements of ISO Standard 14001:2004. The certification of further sites is planned.

At our **production sites in Friedberg and Bad Homburg**, Germany, the recycling rate was at the previous year's level of about 95 %. About 5,200 t of waste were recycled (2008: approximately 5,900 t). The volume of waste at the two locations was reduced by about 25 % at the Friedberg plant and by about 17 % at our location in Bad Homburg.

Numerous measures were implemented in 2009 to reduce **energy consumption**, **CO_2 emissions**, and the **consumption of natural resources** such as water. The building control system at the Friedberg site was extensively overhauled. This enabled Fresenius Kabi to reduce energy consumption at the plant by about 700,000 KWh a year. That represents a reduction of CO_2 emissions by about 180 t.

The useful life of fully demineralized water (FD water) in production was extended. This reduced the use of chemicals and flushing water in the water treatment process. FD water is a preliminary stage of distilled water; both types of water are produced directly at the production site. Fresenius Kabi uses FD water for cleaning processes in production, e. g. for cleaning production lines and equipment. Distilled water is used directly in the production of drugs.

An energy concept was developed for the Friedberg production site in collaboration with an external partner. The aim was to identify potential for further energy savings. First measures are due to be implemented in 2010.

All these measures not only serve the primary purpose of environmental protection, but also helped to reduce energy costs considerably in 2009.

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

In 2009, we were able to increase the **recycling rate** by about 10 % to 70 %. The remaining 30 % serves as a source of energy and is used for this purpose in thermal waste treatment plants. A basic prerequisite for proper recycling is strict, sort-clean waste separation. Other environmental indicators are, for instance, **energy consumption** – by type of energy – and **water consumption**, relative to production output in each case.

The environmental protection measures at the Graz site are continuously optimized through environmental training schemes for employees. Internal audits are carried out to monitor and evaluate their success.

At the **production site in Linz** environmental management had the following focuses in 2009. Firstly, we implemented the environmental management system to ISO 14001:2004 standards and, secondly, an **energy and resource conservation project** was continued. Internal audits were conducted to evaluate the general environmental impact in the individual departments. Here we concentrated above all on waste disposal and the handling of hazardous substances. A number of measures were already successfully implemented in 2009. We achieved reductions in energy and water consumption and in the volume of waste water. In the production of lactulose, for instance, the existing agitator motors in the production vessels were replaced with motors of a higher efficiency rating. This measure reduced the level of energy consumption by about 25 %. The Linz plant is one of the biggest producers of lactulose in the world. Lactulose is produced from lactose through processes of chemical conversion. Due to its detoxifying effect, the product is used in the treatment of diseases of the liver or intestine.

Other long-term measures are planned that will save energy and other resources in future.

At our plants in **Uppsala and Brunna, Sweden**, the total **volume of waste** in 2009 was 3,337 t (2008: 3,412 t). Over the past years we have initiated a number of waste management projects aimed at reducing the volume of waste and, equally, at organizing the disposal of the waste in the most environmentally sound and efficient manner. **Water consumption** increased compared to 2008, due among other reasons to the increase of production output.

In 2009, measures were continued to reduce **energy consumption** at the locations. The operation of ventilation and air-conditioning systems has been much reduced outside production times. A vapor condenser was installed to reduce energy losses in the steam heating system. The condenser recovers the energy from the steam heating system that is released to the atmosphere as vapor after the heating process. In addition, more energy-efficient pumps were installed in the system as well. Furthermore, at the Brunna site the refrigerant HCFC R22 (Hydro chlorofluorocarbons) was replaced by the much more environment-friendly refrigerant HFC R407C (Hydro Fluorocarbons). We are also working on a plan of action to identify potential for further savings.

FRESENIUS HELIOS

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

In the area of **waste disposal**, the goal is a cost-efficient and environmentally compatible solution. We see waste management as a process that begins already at the purchasing stage and ends with systematic recycling, for example, recycling solvents or the resale of infusion glass bottles. All waste materials are recorded using a standardized system and are classified into corresponding waste categories. We use this data, for instance, as a basis for deciding whether to conclude

contracts with regional waste management companies or to have a Group-wide contract with one company.

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

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

A major source of **energy consumption** at hospitals is the need for air-conditioning in the working areas and in patients' rooms. For instance, medical equipment that generates heat, such as a magnetic resonance tomograph, needs to be cooled. The structural condition of a hospital building also has an important influence on energy consumption. HELIOS invests in environmental protection on an ongoing basis through structural measures. All new construction projects and modernizations conform to the latest standards of efficient heat insulation. In 2009, € 82 million was spent on maintenance (2008: € 75 million).

HELIOS sources the energy for all the Group's 61 clinics centrally through an online purchasing platform. This platform not only supplies data on consumption at the clinics, but also benchmarks that enable higher-than-average levels of energy consumption to be detected.

A **pilot environmental and energy-saving project** launched at the HELIOS site Bad Berleburg in 2008 was continued. Under this project HELIOS highlighted numerous ways in which energy could be saved in order to encourage staff to be environmentally conscious. HELIOS achieved significant savings in the project's first year. Gas consumption was reduced by about 13 %, to which structural measures to improve the insulation of the buildings also contributed. Electricity consumption was reduced by 8 %, thanks mainly to this environmental awareness drive. HELIOS is considering whether to roll out the campaign to other HELIOS clinics.

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.

For instance, in its design of a hospital and modern cancer clinic that is being constructed on a turnkey basis in Gabon, VAMED provided for the waste water from the hospital to be cleaned in a proprietary sewage treatment plant. Clinical waste is disposed of in the hospital's own high-temperature incinerator designed to European standards.

For many years, VAMED has been responsible 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. In 2009, the AKH's **greenhouse gas emissions** were reduced by about 12 % versus 1998, i. e. from approximately 134,000 t to about 118,000 t of CO_2 per year. The international target set by the Kyoto Protocol, to reduce emissions by 5.2 %, has therefore been well exceeded. 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.

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 us to integrate concepts and ideas generated by the sales force with respect to product development. Fresenius has its own sales organizations with trained sales personnel. The 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 the regional warehouses, which then distribute them to the clinics and other customers, or directly to a patient's home. The business segments offer after-sales services, training in the local language, technical support, servicing, and maintenance and warranty arrangements in every country in which Fresenius sells its products. Product training is also provided 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 33 % of Fresenius Medical Care's revenues are derived from the US government's Medicare and Medicaid programs, with about 67 % 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 any one source of revenue. In the United States, the products of APP Pharmaceuticals are distributed primarily through group purchasing organizations (GPOs). In international business, Fresenius Kabi is increasingly bidding in public tenders that are generally issued by government entities.

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 2010 has been in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

Through the complexity and dynamics of our business, the Fresenius Group is exposed to a number of risks. These risks are inevitable consequences of active entrepreneurial activities. However, the willingness to take risks has 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. The diversification through our four business segments, which operate in different segments of the health care market, further minimize the Group's risk profile. Our experience in the development and manufacture of products, as well as in our markets, serves as a solid basis for a reliable assessment of risks.

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

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. 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 among the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 54.

RISK MANAGEMENT

Like opportunities management, risk management is a continuous process. Identifying, controlling, and managing risks are key tools of solid corporate governance. **Fresenius risk management** is closely linked to corporate strategy. It's main part is our **control system**, with which we can identify and counteract at an early stage those developments that might threaten the company's 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 reports are used to identify and analyze deviations of the actual compared to the planned business development. In addition, the risk management comprises a control system that oversees organizational processes and measures, as well as internal controls and audits. Our risk management system is regularly evaluated and, if necessary, adjusted to allow prompt reaction to changes in the markets. This system has proved effective to date.

The functionality and effectiveness of the risk management is reviewed as part of the audit of the annual financial statements, and regularly by the Management Board and the internal auditing department. Conclusions arising from the audits are taken into account in the ongoing refinement of our risk management system. The control management is also reviewed regularly by the Management Board and the internal auditing department.

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

INTERNAL FINANCIAL REPORTING CONTROLS

Correctness and reliability of accounting processes and financial reporting, and thus preparation of annual financial statements, consolidated financial statements and management reports for Fresenius SE and the Group in compliance with applicable rules, is assured by numerous measures and internal controls. Especially our **four-tier reporting process** makes for intensive discussion and controls of the financial results. At each reporting level (local entity, region, business segment, Group), financial data and key figures are discussed and compared regularly on a monthly and quarterly basis with the prior-year figures, the budget, and the latest forecast. In addition, all parameters, assumptions, and estimates that are of relevance for the externally reported Group and segment results are discussed intensively with the department responsible

for preparing the Group's consolidated financial statements. These matters are also reviewed and discussed quarterly in the Supervisory Board's Audit Committee.

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

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

RISK AREAS

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

GENERAL ECONOMIC RISKS

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2010, overall economic growth should pick up again compared to 2009. Moreover, Fresenius is not affected by general economic fluctuations as much as other sectors. We also expect continued growing demand for our life-saving and life-sustaining products and services.

RISKS IN THE GENERAL OPERATING FRAMEWORK

The risk situation for each business segment also depends on the development of its markets. 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. In our largely regulated business environment, changes in the law – also with respect to reimbursement – can have decisive consequences for our business progress. This applies especially in the United States, where a large portion of our sales are generated, and where e. g. changes in the reimbursement system could have an impact on our business. Furthermore, a portion of our dialysis service business is currently reimbursed by private insurers or managed care organizations. Any reductions in reimbursement from private insurers and managed care organizations could adversely impact our revenues for products and services. The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care spending. The Company constantly monitors further legislative developments of the DRG system. Discussions about 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 also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. APP Pharmaceuticals currently derives, and expects to continue to derive, a large percentage of its revenue through a small number of GPOs. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. APP Pharmaceuticals has purchasing agreements with the major GPOs. To maintain these business relationships, APP Pharmaceuticals believes it needs to be a reliable supplier, offer a comprehensive high-quality product line, remain price competitive, and comply with the regulations of the U.S. Food and Drug Administration (FDA). The GPOs also have purchasing agreements with other manufacturers and

the bid process for products is highly competitive. Most of APP Pharmaceuticals' GPO agreements can be terminated at short notice.

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

OPERATING RISKS

Production, products, and services

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

Performing **medical treatments** on patients in our hospitals, rehabilitation clinics, and dialysis clinics presents inherent risks; in addition, operational risks, for example the need for strict hygiene and sterile conditions, can arise. We counteract these risks with strict operating procedures, continuous personnel training, and patient-oriented working procedures. Furthermore, through our quality management systems we are constantly striving to improve the standard of patient treatment.

Risks can also arise from increasing pressure on our product **prices** and from price increases on the procurement side. For instance, changes in the regulations concerning the reimbursement for erythropoietin (EPO) in the United States, or a change in the dosage, 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. 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 2009.

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 one or more of our products and services 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 results of operations.

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, repayments, letters of credit, and secured credits.

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

Research and development

The development of new products and therapies always carries the risk that the ultimate goal might not be achieved. 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. The product development process can be controlled on the basis of detailed project roadmaps and a tight focus on the achievement of specific milestones. If the defined targets are not achieved, counter-measures can be initiated.

Risks from the integration of acquisitions

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

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

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

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

Personnel risks

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

Financial risks

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

The Fresenius Group's **currency and interest rate risk management** 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 the regular reporting of risk management. 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 ensures that the Management Board is fully informed of all significant risks and current hedging activities.

The Fresenius Group is protected to a large extent against currency and **interest rate risks**. As of December 31, 2009, approximately 68 % of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 32 %, or € 2,656 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5 % in the reference rates relevant for Fresenius would have a less than 1 % impact on Group net income.

As an international company, Fresenius is widely exposed to **translation effects** due to foreign exchange rate fluctuations. The exchange rate of the US dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the US dollar to the euro would have an annualized effect of about € 44 million on Group sales and about € 1 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In our service businesses, the revenue and cost base largely coincide. The exposure to currency risks arising from our business activities (**transaction risks**) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of 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 € 9 million. Information can be found on pages 130 to 132 of the Notes.

Potential financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for **impairment** each year. Further information can be found on page 84 of the Notes.

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

Fresenius' **debt** has increased significantly as a result of the financing of the APP Pharmaceuticals acquisition in 2008, reaching € 8,196 million as of December 31, 2009. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. We reduce these risks through a high proportion of medium and long-term funding with a balanced maturity profile. Furthermore, the Group has only limited short-term funding requirements.

Government reimbursement payments

Fresenius is subject to comprehensive government **regulation** in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius has to comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations. A large part of Group revenue derives from government reimbursement programs, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. Changes in the law or the reimbursement method could affect the scope of the payments for services as well as of the insurance cover. This could have a significant adverse impact on the assets and liabilities, financial position, and results of operations of the Group.

Legal risks

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

In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent 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 subpoenas from the U.S. Department of Justice in St. Louis (Missouri) in connection with civil and criminal investigations in 2005 (RCG in August 2005). 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. 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.

In June 2009, FMCH received a subpoena from the U.S. Department of Justice, the Attorney General for the District of Massachusetts. Information must be submitted on the results of certain laboratory tests conducted from 2004 to 2009 for patients treated at FMCH dialysis centers.

Further information can be found on pages 121 to 125 of the Notes.

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

Other risks

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

ASSESSMENT OF OVERALL RISK

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

CORPORATE RATING

Fresenius' credit quality is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Standard & Poor's rating for Fresenius SE is BB, Moody's rating is Ba1 and Fitch's rating is BB. Following the financing of the APP Pharmaceuticals acquisition, Standard & Poor's and Fitch changed its rating outlook to "negative" in 2008.

Based on its new assessments they raised it again to "stable" in 2009. Moody's had confirmed its rating, which was raised from Ba2 to Ba1 in May 2008 following the acquisition announcement; its outlook was adjusted from "stable" to "negative". This was confirmed by Moody's in 2009.

RATING OF FRESENIUS SE

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

SUBSEQUENT EVENTS

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2009. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future. 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 47 ff.

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

GENERAL AND MID-TERM OUTLOOK

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

- The sustained **growth of the markets** in which we operate: Fresenius sees very good opportunities to profit from the considerable health care needs due to aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average and sustained growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Appropriate reimbursement structures and efficient health care systems will evolve over time in these countries as economic conditions improve. We will strengthen our local business activities in these regions and successively introduce further products from our portfolio to these markets.
- The **development of innovative products and therapies**: these will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and convenience of our products and therapies are key to being able to exploit opportunities for expansion. Although the research is still in its infancy, the development of portable artificial kidneys is conceivable in the long term at Fresenius Medical Care, for instance
- The **expansion of our regional presence**: the fast-growing markets in Asia-Pacific and Latin America especially offer further potential for increasing our market shares. China, for instance, which has the world's biggest population, offers excellent growth opportunities not only in clinical

nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.

We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, will enable us to introduce infusion and nutrition therapy products to the US market and also APP Pharmaceutical's products through Fresenius' international marketing and sales network 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 revenue potential for Fresenius Medical Care.
- **Selective acquisitions**: besides good organic growth, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for tapping potential** within our operations for cost management and efficiency and profitability enhancement measures. These include plans for a further optimized procurement process and cost-efficient production.

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 further improve the Group's **leverage ratios**. As of December 31, 2009, the net debt/EBITDA ratio was 3.0. We expect to achieve <3.0 by the end of 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 2010 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 150 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 – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up for Fresenius as we successively roll out our existing product portfolio in other regions. For instance, because of different regional and legal conditions, Fresenius Medical Care only supplies dialysis products in some countries. If conditions change, the company might provide dialysis care in these countries as well.

ECONOMIC OUTLOOK

The brightening economic outlook in the last months of 2009 – especially in private demand – could help the world economy to recover in 2010. The situation in the financial sector, where challenges and uncertainty still persist, remains critical.

The current recovery of the world economy is driven by the positive momentum in many emerging countries. Industrial countries are also expected to recover in 2010. However, this improvement will probably be modest since some of the positive stimulus currently emanating from the government economic programs should decline. The decisive factor will therefore be whether the emerging economies can step up their role as growth drivers. This appears unlikely at present, however. The world economy is expected to grow by 4.1 % in 2010.

The outlook for inflation in the coming years should continue to stabilize in 2010 and 2011. Experts reckon with global inflation of 3.1 % and 2.9 % in 2010 and 2011, respectively, so there is no acute inflation threat in the mid term despite the monetary expansion. Moreover, because of political pressure, central banks are likely to raise rates only gradually in the coming years.

EUROPE

A moderate recovery is expected in the Eurozone in 2010. The expansion of government economic programs should continue to provide support in the coming year. Very low short-term interest rates in the Eurozone and reviving export demand will also have an expansionary effect. However, all in all, factors suggesting only modest economic development predominate: firstly, the situation on the labor market is expected to worsen. Secondly, the real estate markets in many countries are still having a dampening effect because real estate prices could stagnate or fall. Thirdly, most countries in Eastern Europe have been hit even harder by the crisis than Western Europe. Fourthly, in Europe the real economy, which is more dependent on bank funding than in other economic regions, is overshadowed by the adjustments still hidden in many financial institutions' balance sheets. Fifthly, at the beginning of the year 2010, the high deficit of some countries in the Eurozone, e. g. Greece, came into the focus of investors and the risk of a potential national bankruptcy increased. The resulting uncertainty can have negative consequences for the economic growth of the entire Eurozone. A continued weakening of the euro could have, however, positive effects, especially for the highly export-linked countries of the Eurozone. GDP growth is expected to be positive at 1.5 % for the Eurozone.

The outlook for **Germany's economy** will mainly depend on two factors: export dynamic and domestic economic effects. The key factors here will be the trend for the labor market and the availability of finance. A recovery is expected for Germany, with GDP growth of 2.1 %.

UNITED STATES

At the beginning of the year 2010, the economic situation in the United States showed increasing evidence of recovery. Capacity utilization improved and is expected to positively influence the labor market. Improvements in inventories and capital spending are further signs of economic recovery. If the growth prospects continue in the United States, also investor concerns about the sustainability and durability of economic growth should dissipate.

The current economic recovery, however, remains at risk. The fiscal stimulus initiated in the year 2009 will significantly weaken in 2010. Although the real estate market is starting to bottom out, no significant stimulus can be expected as yet from residential construction given the market's continued oversupply. Moreover, households should adjust their spending to the sharp increase in debt over the past years.

In these circumstances, growth of 3.8 % is expected in 2010.

ASIA

It appears unlikely at present that the emerging economies in Asia can act as key growth drivers for the world economy in the short term. In 2007, the year before the crisis, private consumption in China was just one-eighth the US level. Moreover, a further rise in unemployment is expected in the Asian emerging economies in 2010 and investment activity will remain low as capacity utilization is well below pre-crisis levels in most countries. For Asia (excluding Japan) a GDP growth of 7.7 % is expected in 2010.

In **Japan**, the economic outlook for 2010 will depend very largely on the development of the international environment and foreign demand. GDP growth will probably be 1.7 %. A rigorous consolidation of public finances is necessary given the very high level of government debt.

Sources: German Council of Economic Experts – Annual Report 2009/10, bank research

GDP growth of 9.0 % is forecast for **China** in 2010. Rising inflation, the reduction of industrial overcapacity, and fiscal policy will be the key economic issues. The Chinese government's public investment, which was stepped up strongly in 2009 to stimulate the economy, is likely to become less extensive in the year 2010.

LATIN AMERICA

Positive growth of 3.9 % is expected for the region in 2010, driven mainly by **Brazil** and **Chile**. Falling commodity prices are the biggest risk for these two countries. Experts currently predict stable commodity prices in 2010.

The economic outlook for **Mexico** will continue to be influenced largely by growth in the United States. GDP growth of 2.6 % is forecast for Mexico in 2010. For **Brazil**, GDP growth of 5.8 % is expected after a small decrease in 2009. In **Argentina**, GDP growth of 1.5 % is forecast after a sharp decline in 2009.

HEALTH CARE SECTOR AND MARKETS

The health care sector will continue to be one of the world's largest industries. The demand for life-saving and life-sustaining products and services will especially remain intact as they are medically needed.

However, experts estimate that a prolonged economic downswing could result in more pricing pressure and slowdown in revenue growth as governments seek to ease their healthcare spending – especially in the United States.

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

However, in the mid to long term, funds channeled into economic programs to contend with the financial and economic crisis in other sectors may not be available for the health industry.

THE DIALYSIS MARKET

We expect the number of dialysis patients worldwide to rise by about 6 % p. a. in the coming years, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast slightly below-average patient growth. In many developing countries, however, where needs are still not met sufficiently, we expect above-average growth in patient numbers of up to 10 %, and in some countries even higher rates. This growth is driven by steadily evolving health care systems that are providing broader patient care. As more than 80 % of the world's population lives in these countries, this opens up strong potential for the entire spectrum of dialysis care and dialysis products.

We expect that the total dialysis market could reach more than US$ 70 billion in 2011 (unchanged currency relations assumed), almost doubling its volume over a period of just ten years.

We intend to maintain our market leadership at a very high level in the major product groups, such as dialyzers and hemodialysis machines, and to improve it where possible.

In the United States, our biggest market, a new flat-rate reimbursement system for dialysis patients covered by the public health care program (Medicare) is due to be introduced in January 2011. The legislation was passed in July 2008 under the "Medicare Improvements for Patients and Providers Act of 2008". All products and services currently reimbursed according to the so-called composite rate as well as services that have so far been reimbursed separately, such as the administration of certain drugs and the performance of diagnostic laboratory tests, will be reimbursed in future as a single, flat-rate payment. This so-called bundled rate will take individual patient parameters, such as age and weight, into account. Adjustments are also provided for patients who require exceptional medical care, with correspondingly high costs.

Source: Moody's – Global Pharmaceutical Industry, June 2009

Besides being inflation-linked, another special feature of the new reimbursement scheme is its orientation to certain quality parameters. For instance, if dialysis clinics do not meet set quality standards, their reimbursement rates will be reduced. The quality parameters include factors such as patient satisfaction, the control of blood hemoglobin levels (anemia management), and bone mineral metabolism.

The composite rate was already increased in 2009 and is being raised by a further 1 % in 2010.

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

The market for **infusion therapies and clinical nutrition** in Central and Western Europe will probably grow at a low single-digit rate in the coming years. There continues to be high growth potential in Asia-Pacific – especially China – and in Latin America and Eastern Europe. We expect the market in these regions to continue growing at high single to double-digit rates.

With **intravenously administered generic drugs** the growth dynamic will continue to be driven by original preparations going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Central and Western Europe to grow at a mid single-digit rate. In the United States, a key factor will be the direction of the planned health care reform. Given the high cost of the reforms, it can be generally assumed that the US government will encourage the use of low-cost generics, among other things through incentive mechanisms and initiatives to promote cost consciousness. In addition, generics manufacturers should benefit from faster market access. On the other hand, however, it looks as if the pharmaceutical industry will have to grant higher rebates to public payors in future. It has also been proposed that hospital reimbursement rates should be reduced. That could increase pressure on the pharmaceutical industry.

All things considered, we therefore currently expect the US market for IV generics to grow at a mid single-digit rate in 2010, driven by a number of important original preparations going off-patent.

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

THE GERMAN HOSPITAL MARKET

Although the reimbursement schemes are largely regulated by law, German hospitals will not completely escape the effects of the financial and economic crisis in 2010, after an overall positive year in 2009. Experts see an increasing risk of insolvency for German hospitals in 2010. Due to the further worsening financial situation in the public sector, privatization activities are expected to increase in 2010.

Health insurers' revenues are expected to decrease. Furthermore, negative impact will stem from the health care fund introduced in 2009 and for which a budget deficit of € 4 billion is anticipated. Moreover, the financial situation of local governments has worsened, reducing their ability to cover their hospitals' operating losses and to finance investments. This will further limit the financial scope for supporting loss-making hospitals and investment in public health care facilities.

Another challenge for hospitals is financing investments. Given their high investment needs but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization.

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

It is generally expected that the privatization process will accelerate further, especially among public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. Also, they have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures.

There are no signs as yet that the new coalition government will bring decisive changes for clinics in the German acute care and post-acute care market as the political discussion has been confined so far to long-term financing issues. As in the past, a focus on cost-cutting in a future health care reform cannot be ruled out. On the one hand, health insurers' revenues are expected to decline subsequent to the economic crisis. And on the other hand, the health care system is faced with rising costs.

In Germany the new reimbursement system on the basis of the standardized base rates in the individual federal states will enter into force from the beginning of 2010. It remains to be seen how additional services over and above the budgets agreed for 2009 will be negotiated with the health insurers. The different base rates from state to state are to be successively harmonized over a period of five years, starting in 2010, toward a standardized, nationwide base rate corridor.

However, in light of the experience with the DRG system, the above-average increase in the number of admissions, and the convergence steps already completed, HELIOS does not expect any major changes in the reimbursement policy.

Under the Hospital Funding Reform Act (KHRG), the criteria for the introduction of flat-rate investment allowances should be agreed by 2012. Instead of the previous application-based financing of hospital investments, state governments can decide to fund investments in an entrepreneurial way on the basis of performance-oriented investment allowances. However, important details have still to be resolved, especially the structure of the flat-rate investment allowances.

No consequences from changes in the law are expected in the **post-acute** segment. However, pricing and other controls by health insurers will continue to increase. As a result of growth in acute care cases and continuous improvements in HELIOS' internal referral management, we expect to be able to leverage potentials from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

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

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

In the emerging countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. In many markets, the focus now is therefore on building up secondary care, developing tertiary health care structures in the form of "centers of excellence", and creating training and research structures. All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2010.

Source: German Federal (Social) Insurance Office – Report December 2009

GROUP SALES AND 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 2010, we therefore expect to increase **Group sales** by 7 to 9 % in constant currency.

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

We expect to increase **Group net income**[1] once again in 2010. We aim to achieve this through the growth in sales discussed and by ongoing measures to optimize costs. Despite a market environment which continues to be marked by cost containment and price pressure, we expect to increase net income[1] by 8 to 10 % in constant currency.

SALES AND EARNINGS BY BUSINESS SEGMENT

We expect further improvements in sales and earnings in 2010 in each of our business segments. The table gives an overview.

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2010 (US GAAP)	Fiscal year 2009 (US GAAP)
Fresenius Medical Care		
Sales	> US$ 12 billion	US$ 11,247 billion
Net income[1]	US$ 950 – 980 million	US$ 891 billion
Fresenius Kabi		
Sales, growth (organic)	7 – 9 %	€ 3,086 million[2]
EBIT margin	18 – 19 %	19.7 %
Fresenius Helios		
Sales, growth (organic)	3 – 5 %	€ 2,416 million[2]
EBIT	€ 220 – 230 million	€ 205 million
Fresenius Vamed		
Sales, growth	5 – 10 %	€ 618 million[2]
EBIT, growth	5 – 10 %	€ 36 million[3]
Fresenius Biotech		
EBIT	€ -35 – -40 million	€ -44 milliion

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

The number of dialysis patients worldwide should rise by about 6 % in 2010, leading to continued growth in demand for dialysis products and a higher number of treatments. In 2010, Fresenius Medical Care expects to achieve revenue of more than US$ 12 billion. Net income is expected to be between US$ 950 million and US$ 980 million in 2010.

GROUP FINANCIAL TARGETS

	Targets 2010 (US GAAP)	Fiscal year 2009 (US GAAP)	Fiscal year 2009 (IFRS)
Sales, growth (in constant currency)	7 – 9 %	€ 14,164 million	€ 14,165 million
Net income, growth[1], (in constant currency)	8 – 10 %	€ 514 million	€ 496 million
Capital expenditure	~5 % of sales	€ 671 million	€ 681 million
Dividend	Earnings-driven dividend policy	Proposal: +7 % per ordinary and preference share	Proposal: +7 % per ordinary and preference share

[1] Net income attributable to Fresenius SE; adjusted for the effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals.

Fresenius Kabi expects its positive operating performance to continue in 2010. The company estimates organic sales growth of 7 to 9 % in constant currency. Good growth potential is expected again in the Asia-Pacific region and in Latin America. Based on the positive sales projection, further cost optimizations, especially in production, and an improved product mix, Fresenius Kabi again expects to increase earnings in 2010. Fresenius Kabi forecasts an EBIT margin of 18 to 19 %. Whilst still at an excellent level, the slightly reduced margin guidance reflects delayed IV drug market launches, lower Heparin product sales and the expectation of further increased price competition in the US IV generics market.

Fresenius Helios expects a continued good performance in the hospital operations business. The company forecasts an organic sales growth of 3 % to 5 % in 2010. EBIT is expected to increase to € 220 to 230 million.

Given its excellent order backlog of € 679 million and long-term agreements in its service business, Fresenius Vamed expects continued good performance in 2010. In 2010, Fresenius Vamed expects to achieve both sales and EBIT growth between 5 % and 10 %.

Fresenius Biotech will continue its targeted clinical study program, which will result in significant research and development expenditures. Although positive earnings contributions from the antibody Removab® that was launched on the market in 2009 will offset these expenditures for our biotechnology projects to some extent, we still expect negative EBIT between € -35 and € -40 million in 2010.

FINANCING

In 2009, we generated an excellent operating cash flow of € 1,564 million. The key drivers were our good earnings performance and tight working capital management. The cash flow margin was 11.0 %. In 2010, we expect to achieve a **cash flow margin** at a high single-digit rate of sales.

The **net debt/EBITDA** ratio is a key financial figure for the Fresenius Group. Financing of the APP Pharmaceuticals acquisition caused this ratio to rise to 3.6 as of December 31, 2008. It was improved significantly to 3.0 in 2009. In 2010 our goal is to achieve a ratio of < 3.0, primarily through earnings improvements and continued positive cash flows.

Unused credit lines under syndicated or bilateral credit facilities from banks will generally provide us with a sufficient **financial cushion**. Fresenius SE's € 250 million commercial paper program was not utilized. For further details please see page 22.

There will be only limited **refinancing requirements** in 2010. These can be met from cash flow and, if necessary, from existing credit facilities. Of the total refinancing requirements of about € 2 billion in 2011, about € 1.8 billion relates to the Fresenius Medical Care credit facility from 2006, which we intend to refinance through a renewal of the credit agreement and, if necessary, through various capital market transactions.

INVESTMENTS

We will continue to invest in our future growth. In 2010, we expect to invest about 5 % of sales in property, plant and equipment. This will be, relative to sales, in line with the 2009 level.

About 60 % of the capital expenditure budgeted will be invested at Fresenius Medical Care, while Fresenius Kabi and Fresenius Helios will each account for about 20 %. Investments at Fresenius Medical Care will focus on the construction of dialysis clinics and on expanding production capacities. 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 Group's 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

We will continue optimizing our procurement management in 2010: prices, terms, and especially quality are key factors for securing further earnings growth.

Fresenius Medical Care secured long-term supply guarantees and considerable cost reductions in the International segment for the current year. Especially for strategically important raw materials supplies have been secured through framework agreements.

The logistics processes in the International segment are also being further standardized and streamlined. Over the long term, the aim of the SCALE project described on page 37 is to improve flexibility and efficiency of our supply chain management, to harmonize it globally and to enhance profitability.

The high volatility of **commodity prices** makes it difficult to predict the price trends in the coming years for the **Fresenius Kabi business segment**. Producers in the various industrial segments are evidently adjusting their capacities, and thus supply, to the expectation of continued low global demand. This will probably cause raw material prices to rise. It remains to be seen how demand generally will develop in 2010. If it should pick up significantly, this is likely to have an additional price-driving effect given the resulting low supply. We have already fixed the prices for processed corn products for 2010 through purchasing agreements. They are lower than the 2009 prices. For all other products whose prices are linked to those of the underlying commodities, the prices will be fixed at already scheduled dates in 2010. We will continue to pursue projects of the **Global Sourcing Initiative** and implement cost reductions in 2010. The same applies to all **make-or-buy projects**.

At our **HELIOS clinics**, the central materials management currently only covers our own HELIOS hospital pharmacies, and thus 75 % of their total pharmaceutical sourcing. HELIOS intends to integrate the approximately 20 external supply pharmacies into its own IT system. In addition, it is planned to introduce the online ordering system at other clinics and/or pharmacies for their materials management. The project for implementing the master article database, which we discussed in last year's annual report, has taken longer than expected and is now due to be completed in 2010.

We already contracted our electricity supplies for 2010 in the fourth quarter of 2008 and for 2011 in the first quarter of 2009. We were able to reduce our electricity costs by over 7 % for 2010, and by a further 6 % versus 2010 for 2011. The last phase of the liberalization of the natural gas market was completed in 2009. We achieved very good results in our natural gas sourcing thanks to the enPortal online platform and have now covered our natural gas requirements until December 31, 2012. We reduced our natural gas costs for the period 2009/2010 (October 31, 2009 to October 31, 2010) by 13.5 % and for the period 2010/2011 by 10.8 % versus the 2009/2010 period. For the period 2011/2012, we reduced our costs by a further 4.5 %.

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 further improving our products for the treatment of patients with chronic kidney failure or on broadening their functions. The use of platform technologies, such as our therapy system 5008 and the Online-HDF, will also play an important future role in further developing and improving our products.

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

We are also concentrating on targeted development of antibody therapies in the biotechnology sector. 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. Here we will be focusing on the further clinical development of the antibody catumaxomab. More information can be found on page 35 f.

We plan to increase the Group's **R & D spending** in 2010. As in 2009, about 5 % of our product sales (2009: adjusted for a one-time write-down of capitalized in-process R & D activities) will therefore be reinvested in research and development. The number of employees in research and development will also be increased.

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

CORPORATE STRUCTURE AND ORGANIZATION

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, we expect the growth in the number of employees will be held below the expected rate of organic sales growth. The regional distribution of our employees will not change significantly – about 50 % will be located in Europe and one-third in North America – with the remainder spread over Asia-Pacific, Latin America, and Africa.

DIVIDEND

Continuity in our dividend policy remains an important priority, clearly demonstrated by dividend increases over the last 16 years. On average, we have passed on about half of the percentage growth in Group net income to our shareholders as a percentage **dividend increase**. Based on our positive earnings forecasts we want to remain true to our dividend policy in the 2010 fiscal year and expect to offer our shareholders again an earnings-linked dividend.

CONTENTS CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

in million €	Note	2009	2008
Sales	4	**14,165**	12,353
Cost of sales	5	**-9,521**	-8,410
Gross profit		**4,644**	3,943
Selling, general and administrative expenses	9	**-2,358**	-1,977
Research and development expenses	8	**-282**	-206
Operating income (EBIT)		**2,004**	1,760
Interest income	10	**22**	25
Interest expenses	10	**-602**	-456
Other financial result	11	**-31**	68
Financial result		**-611**	-363
Income before income taxes		**1,393**	1,397
Income taxes	12	**-422**	-454
Net income		**971**	943
Noncontrolling interest	27	**495**	414
Net income attributable to Fresenius SE		**476**	529
Earnings per ordinary share in €	13	**2.95**	3.35
Fully diluted earnings per ordinary share in €	13	**2.93**	3.21
Earnings per preference share in €	13	**2.96**	3.36
Fully diluted earnings per preference share in €	13	**2.94**	3.22

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in million €	Note	2009	2008
Net income		**971**	943
Other comprehensive income (loss)			
Foreign currency translation	29, 31	**-148**	139
Cash flow hedges	29, 31	**2**	-147
Income taxes related to components of other comprehensive income (loss)	29	**-5**	52
Other comprehensive income (loss)		**-151**	44
Total comprehensive income		**820**	987
Comprehensive income attributable to noncontrolling interest		**390**	457
Comprehensive income attributable to Fresenius SE		**430**	530

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

as of December 31, in million €	Note	2009	2008
Cash and cash equivalents	14	**420**	370
Trade accounts receivable, less allowance for doubtful accounts	15	**2,509**	2,477
Accounts receivable from and loans to related parties		**26**	22
Inventories	16	**1,235**	1,127
Other current assets	17	**940**	826
I. Total current assets		**5,130**	4,822
Property, plant and equipment	18	**3,561**	3,422
Goodwill	19	**10,453**	10,473
Other intangible assets	19	**1,291**	1,368
Other non-current assets	17	**348**	333
Deferred taxes	12	**365**	408
II. Total non-current assets		**16,018**	16,004
Total assets		**21,148**	20,826

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, in million €	Note	2009	2008
Trade accounts payable		**601**	598
Short-term accounts payable to related parties		**7**	6
Short-term accrued expenses and other short-term liabilities	20, 21	**2,253**	2,197
Short-term debt	22	**287**	729
Short-term loans from related parties		**2**	2
Current portion of long-term debt and capital lease obligations	22	**263**	433
Current portion of Senior Notes	23	**0**	100
Short-term accruals for income taxes		**122**	104
A. Total short-term liabilities		**3,535**	4,169
Long-term debt and capital lease obligations, less current portion	22	**5,123**	5,604
Senior Notes, less current portion	23	**2,066**	1,354
Mandatory Exchangeable Bonds	24	**554**	554
Long-term accrued expenses and other long-term liabilities	20, 21	**455**	423
Trust preferred securities of Fresenius Medical Care Capital Trusts	25	**455**	455
Pension liabilities	26	**300**	283
Long-term accruals for income taxes		**194**	147
Deferred taxes	12	**558**	600
B. Total long-term liabilities		**9,705**	9,420
I. Total liabilities		**13,240**	13,589
A. Noncontrolling interest	27	**3,400**	3,070
Subscribed capital	28	**161**	161
Capital reserve	28	**2,120**	2,095
Other reserves	28	**2,360**	1,998
Accumulated other comprehensive loss	29	**-133**	-87
B. Total Fresenius SE shareholders' equity		**4,508**	4,167
II. Total shareholders' equity		**7,908**	7,237
Total liabilities and shareholders' equity		**21,148**	20,826

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

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, in million €	Note	2009	2008
Operating activities			
Net income		**971**	943
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**624**	521
Change in deferred taxes	12	**-4**	128
Gain on sale of fixed assets		**–**	-71
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-7**	-230
Inventories	16	**-92**	-107
Other current and non-current assets	17	**-96**	-167
Accounts receivable from/payable to related parties		**-4**	-10
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**106**	73
Accruals for income taxes		**66**	0
Net cash provided by operating activities		**1,564**	1,080
Investing activities			
Purchase of property, plant and equipment		**-687**	-767
Proceeds from sales of property, plant and equipment		**15**	23
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 33	**-236**	-3,050
Proceeds from divestitures		**9**	96
Net cash used in investing activities		**-899**	-3,698

January 1 to December 31, in million €	Note	2009	2008
Financing activities			
Proceeds from short-term borrowings	22	**73**	141
Repayments of short-term borrowings	22	**-296**	-186
Proceeds from long-term debt and capital lease obligations	22	**700**	2,417
Repayments of long-term debt and capital lease obligations	22	**-1,289**	-232
Proceeds from the issuance of Senior Notes	23	**753**	0
Repayments of liabilities from Senior Notes	23	**-100**	0
Redemption of trust preferred securities of Fresenius Medical Care Capital Trusts	25	**0**	-461
Proceeds from the issuance of bearer ordinary shares	28	**0**	143
Proceeds from the issuance of bearer preference shares	28	**0**	146
Payments of additional costs of capital increase	28	**0**	-6
Proceeds from the issuance of mandatory exchangeable bonds	24	**0**	554
Changes of accounts receivable securitization program	22	**-233**	309
Proceeds from the exercise of stock options	35	**56**	43
Dividends paid		**-275**	-245
Change in noncontrolling interest	27	**-2**	-2
Exchange rate effect due to corporate financing		**1**	2
Net cash used in/provided by financing activities		**-612**	2,623
Effect of exchange rate changes on cash and cash equivalents		**-3**	4
Net increase in cash and cash equivalents		**50**	9
Cash and cash equivalents at the beginning of the reporting period	14	**370**	361
Cash and cash equivalents at the end of the reporting period	14	**420**	370

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

January 1 to December 31, in million €	Note	2009	2008
Received interest		**23**	25
Paid interest		**-554**	-410
Income taxes paid		**-393**	-334

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

STATEMENT OF CHANGES IN 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, 2007		77,582	77,582	77,582	77,582	155,164	155
Issuance of bearer ordinary and bearer preference shares	28	2,748	2,748	2,748	2,748	5,496	5
Proceeds from the exercise of stock options	35	242	242	242	242	484	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Purchase/sale of noncontrolling interest	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income (loss)							
As of December 31, 2008		80,572	80,572	80,572	80,572	161,144	161
Proceeds from the exercise of stock options	35	86	86	86	86	172	–
Compensation expense related to stock options	35						
Dividends paid	28						
Purchase/sale of noncontrolling interest	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income (loss)							
As of December 31, 2009		**80,658**	**80,658**	**80,658**	**80,658**	**161,316**	**161**

	Note	Reserves		Accumulated other comprehensive income (loss) in million €	Total Fresenius SE shareholders' equity in million €	Non-controlling interest in million €	Total shareholders' equity in million €
		Capital reserve in million €	Other reserves in million €				
As of December 31, 2007		1,786	1,572	-88	3,425	2,674	6,099
Issuance of bearer ordinary and bearer preference shares	28	278			283	0	283
Proceeds from the exercise of stock options	35	12			13	30	43
Compensation expense related to stock options	35	19			19	14	33
Minimum dividend of ordinary shareholders		–			–	0	–
Dividends paid	28		-103		-103	-142	-245
Purchase/sale of noncontrolling interest	27				0	37	37
Comprehensive income (loss)							
Net income			529		529	414	943
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-95	-95	0	-95
Foreign currency translation	29, 31			96	96	43	139
Comprehensive income (loss)			529	1	530	457	987
As of December 31, 2008		2,095	1,998	-87	4,167	3,070	7,237
Proceeds from the exercise of stock options	35	4			4	52	56
Compensation expense related to stock options	35	21			21	15	36
Dividends paid	28		-114		-114	-166	-280
Purchase/sale of noncontrolling interest	27				0	39	39
Comprehensive income (loss)							
Net income			476		476	495	971
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-8	-8	0	-8
Foreign currency translation	29, 31			-38	-38	-105	-143
Comprehensive income (loss)			476	-46	430	390	820
As of December 31, 2009		**2,120**	**2,360**	**-133**	**4,508**	**3,400**	**7,908**

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

SEGMENT REPORTING

by business segment

in million €	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios		
	2009	2008	Change	**2009**	2008	Change	**2009**	2008	Change
Sales	**8,064**	7,213	12 %	**3,086**	2,495	24 %	**2,416**	2,123	14 %
thereof contribution to consolidated sales	**8,061**	7,209	12 %	**3,046**	2,458	24 %	**2,416**	2,123	14 %
thereof intercompany sales	**3**	4	-25 %	**40**	37	8 %	**0**	0	
contribution to consolidated sales	**57 %**	59 %		**22 %**	20 %		**17 %**	17 %	
EBITDA	**1,586**	1,419	12 %	**742**	544	36 %	**286**	251	14 %
Depreciation and amortization	**327**	282	16 %	**135**	101	34 %	**81**	76	7 %
EBIT	**1,259**	1,137	11 %	**607**	443	37 %	**205**	175	17 %
Net interest	**-215**	-229	6 %	**-302**	-145	-108 %	**-55**	-60	8 %
Income taxes	**-352**	-324	-9 %	**-89**	-88	-1 %	**-32**	-23	-39 %
Net income attributable to Fresenius SE	**639**	556	15 %	**200**	200	0 %	**107**	80	34 %
Operating cash flow	**960**	691	39 %	**397**	205	94 %	**219**	225	-3 %
Cash flow before acquisitions and dividends	**557**	233	139 %	**272**	83	--	**95**	94	1 %
Total assets	**10,982**	10,720	2 %	**6,335**	6,240	2 %	**3,199**	3,092	3 %
Debt	**3,865**	4,123	-6 %	**4,184**	4,288	-2 %	**1,099**	1,090	1 %
Other operating liabilities	**1,918**	1,871	3 %	**909**	841	8 %	**746**	694	7 %
Capital expenditure	**411**	467	-12 %	**125**	137	-9 %	**124**	135	-8 %
Acquisitions	**138**	220	-37 %	**32**	3,612	-99 %	**79**	5	--
Research and development expenses	**67**	55	22 %	**129**	109	18 %	–	–	--
Employees (per capita on balance sheet date)	**71,617**	68,050	5 %	**21,872**	20,457	7 %	**33,364**	30,088	11 %
Key figures									
EBITDA margin	**19.7 %**	19.7 %		**24.0 %**	21.8 %		**11.8 %**	11.8 %	
EBIT margin	**15.6 %**	15.8 %		**19.7 %**	17.8 %		**8.5 %**	8.2 %	
Depreciation and amortization in % of sales	**4.1 %**	3.9 %		**4.4 %**	4.0 %		**3.4 %**	3.6 %	
Operating cash flow in % of sales	**11.9 %**	9.6 %		**12.9 %**	8.2 %		**9.1 %**	10.6 %	
ROOA	**12.2 %**	12.3 %		**10.2 %**	8.9 %[1]		**7.1 %**	6.3 %	

[1] The underlying pro-forma EBIT does not include special items from the acquisition of APP Pharmaceuticals, Inc. (APP).
[2] Including special items from the APP acquisition
[3] Before special items from the APP acquisition

Fresenius Vamed			Corporate/Other[2]			IFRS-Reconciliation			Fresenius Group		
2009	2008	Change	**2009**	2008	Change	**2009**	2008[2]	Change	**2009**	2008	Change
618	524	18 %	**-20**	-19	-5 %	**1**	17	-94 %	**14,165**	12,353	15 %
618	524	18 %	**23**	22	5 %	**1**	17	-94 %	**14,165**	12,353	15 %
–	–	--	**-43**	-41	-5 %	**0**	0		**0**	0	
4 %	4 %		**0 %**	0 %		**0 %**	0 %		**100 %**	100 %	
42	35	20 %	**-40**	11	--	**12**	21	-43 %	**2,628**	2,281	15 %
6	5	20 %	**13**	319	-96 %	**62**	-262	124 %	**624**	521	20 %
36	30	20 %	**-53**	-308	83 %	**-50**	283	-118 %	**2,004**	1,760	14 %
3	6	-50 %	**-11**	-3	--	**0**	0		**-580**	-431	-35 %
-12	-10	-20 %	**33**	14	136 %	**30**	-23	--	**-422**	-454	7 %
27	26	4 %	**-479**	-592	19 %	**-18**	259	-107 %	**476**	529	-10 %
29	27	7 %	**-52**	-74	30 %	**11**	6	83 %	**1,564**	1,080	45 %
24	23	4 %	**-57**	-95	40 %	**1**	-2	150 %	**892**	336	165 %
456	469	-3 %	**-90**	23	--	**266**	282	-6 %	**21,148**	20,826	2 %
2	2	0 %	**-851**	-716	-19 %	**-103**	-110	6 %	**8,196**	8,677	-6 %
266	293	-9 %	**626**	596	5 %	**21**	17	24 %	**4,486**	4,312	4 %
5	4	25 %	**6**	21	-71 %	**10**	8	25 %	**681**	772	-12 %
2	35	-94 %	**9**	-19	147 %	**-1**	-2	50 %	**259**	3,851	-93 %
0	0		**44**	315	-86 %	**42**	-273	115 %	**282**	206	37 %
2,849	2,802	2 %	**808**	820	-1 %	**0**	0		**130,510**	122,217	7 %
6.8 %	6.7 %								**18.6 %**	18.0 %[3]	
5.8 %	5.7 %								**14.1 %**	14.1 %[3]	
1.0 %	1.0 %								**4.4 %**	3.9 %[3]	
4.7 %	5.2 %								**11.0 %**	8.7 %	
22.8 %	22.2 %								**10.1 %**	9.7 %[1]	

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

SEGMENT REPORTING

by region

	Europe			North America		
in million €	**2009**	2008	Change	**2009**	2008	Change
Sales	**6,045**	5,549	9 %	**6,114**	5,046	21 %
contribution to consolidated sales	**42 %**	45 %		**43 %**	41 %	
EBIT	**681**	639	7 %	**1,034**	886[1]	17 %
Depreciation and amortization	**277**	261	6 %	**287**	210[2]	37 %
Total assets	**7,776**	7,525	3 %	**11,429**	11,653	-2 %
Capital expenditure	**358**	398	-10 %	**230**	271	-15 %
Acquisitions	**135**	272	-50 %	**98**	3,276	-97 %
Employees (per capita on balance sheet date)	**63,602**	59,310	7 %	**44,590**	42,885	4 %

[1] Before special items from the APP acquisition, EBIT was € 863 million.
[2] Before special items from the APP acquisition, depreciation and amortization were € 176 million.

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2009	2008	Change	**2009**	2008	Change	**2009**	2008	Change	**2009**	2008	Change
	1,088	935	16 %	**641**	582	10 %	**277**	241	15 %	**14,165**	12,353	15 %
	8 %	7 %		**5 %**	5 %		**2 %**	2 %		**100 %**	100 %	
	173	129	34 %	**87**	71	23 %	**29**	35	- 17 %	**2,004**	1,760	14 %
	36	30	20 %	**20**	17	18 %	**4**	3	33 %	**624**	521	20 %
	1,233	1,082	14 %	**616**	492	25 %	**94**	74	27 %	**21,148**	20,826	2 %
	51	42	21 %	**37**	55	- 33 %	**5**	6	- 17 %	**681**	772	- 12 %
	12	269	- 96 %	**13**	34	- 62 %	**1**	0		**259**	3,851	- 93 %
	10,356	9,114	14 %	**10,804**	10,021	8 %	**1,158**	887	31 %	**130,510**	122,217	7 %

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

CONTENT NOTES

GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of Fresenius SE, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2009:

- 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 195,651 patients in its 2,553 own dialysis clinics.

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

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

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

Fresenius SE owned 36.05 % of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 35.58 % of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2009. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly-owned subsidiary of Fresenius SE. Therefore, 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, 2009. 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 under € 1 million after rounding are marked with "–".

II. BASIS OF PRESENTATION

Fresenius SE as a stock exchange listed company with a domicile in a member state of the European Union (EU) fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE at December 31, 2009 have been prepared and will be published in accordance with the Standards valid on the date of the statement of financial position issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which are binding to be applied in the EU. At the same time, the Fresenius Group voluntarily continues to prepare and publish consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP).

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

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

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

At February 24, 2010, the Management Board authorized the consolidated financial statements for issue and passed it through to the Supervisory Board. The Supervisory Board has to control and approve the consolidated financial statements.

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 by offsetting investments in subsidiaries against the underlying revaluated 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.

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

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.

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

b) Composition of the Group

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

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

The consolidated financial statements of 2009 include, in addition to Fresenius SE, 136 (2008: 132) German and 912 (2008: 898) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2008	**132**	**898**	**1,030**
Additions	**11**	**71**	**82**
of which newly founded	2	37	39
of which acquired	5	28	33
Disposals	**7**	**57**	**64**
of which no longer consolidated	4	27	31
of which merged	3	30	33
December 31, 2009	**136**	**912**	**1,048**

10 companies (2008: 16) 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 2009, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

Name of the company	Registered office
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	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.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungsgesellschaft mbH & Co.KG	München
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	Bochum
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Versorgungszentrum Bad Saarow GmbH	Frankfurt a. d. Oder
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum

c) Classifications

Certain items in the consolidated financial statements of 2008 have been reclassified to conform with the presentation in 2009.

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under the reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the 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 for long-term production contracts are recognized using the percentage of completion (PoC) method when the accounting conditions are met. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, milestones laid down in the contract or the percentage of completion. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably.

Any tax assessed by governmental authorities that is incurred as a result of a revenue transaction is reported on a net basis, i. e. excluded from revenues.

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 the grant 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 expenses are expensed as incurred. Development expenses that fully meet the criteria for the recognition of an intangible asset are capitalized as intangible asset.

g) Impairment

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

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

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

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. For the fiscal years 2009 and 2008, interest of € 8 million and € 6 million, based on an average interest rate of 5.56 % and 5.52 %, respectively, was recognized as a component of the cost of assets.

i) Deferred taxes

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income attributable to Fresenius SE. Deferred tax assets also include claims to future tax reductions which arise from the probably expected usage of existing tax losses available for carryforward.

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

The recoverability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the recoverability of deferred tax assets, the Management considers whether it is probable 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.

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

j) Earnings per ordinary share and preference share

Basic earnings per ordinary share is computed by dividing net income attributable to Fresenius SE 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.

k) 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.

l) 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.

m) Inventories

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

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

n) Property, plant and equipment

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

o) Intangible assets with finite useful lives

Intangible assets with finite useful lives, for example patents, product and distribution rights, 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 (see note 1. III g, Impairment). The useful lives of patents, product and distribution rights range from 5 to 20 years. Non-compete agreements with finite useful lives have useful lives ranging from 2 to 25 years with an average useful life of 8 years. The useful life of management contracts with finite useful lives ranges from 5 to 40 years. Technology has a useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical

drugs are amortized over the contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

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

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

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

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected utilization period. In 2009, an impairment loss was recorded on in-process R & D projects, which were not pursued (see note 8, Research and development expenses).

p) Goodwill and other intangible assets with indefinite useful lives

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

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

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2009 and 2008.

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

q) Leases

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

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

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

r) Financial instruments

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

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

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

s) Liabilities

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

t) Legal contingencies

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

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

u) Other accrued expenses

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

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

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

v) Pension liabilities and similar obligations

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

w) Debt issuance costs

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

x) Stock option plans

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

y) 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.

z) Foreign currency translation

The reporting currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries are translated at mid-closing rate on the date of the statement of financial position, while 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. In the fiscal year 2009, only immaterial gains resulted out of this transaction.

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

	Year-end exchange rate[1]		Average exchange rate	
	Dec 31, 2009	Dec 31, 2008	**2009**	2008
US-Dollar per €	**1.4406**	1.3917	**1.3948**	1.4713
Pound sterling per €	**0.8881**	0.9525	**0.8909**	0.7961
Swedish krona per €	**10.2520**	10.8700	**10.6191**	9.6138
Chinese renminbi per €	**9.8350**	9.4956	**9.5277**	10.2287
Japanese yen per €	**133.16**	126.14	**130.34**	152.47

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

aa) Fair value hierarchy

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

bb) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires 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 19 % and 21 % of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2009 and 2008, respectively.

dd) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2009 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2009, or IFRS that can be applied earlier on a voluntary basis.

The Fresenius Group applied the following standards, as far as they are relevant for Fresenius Group's business, for the first time in 2009:

The Fresenius Group adopted the revised **IAS 1**, Presentation of Financial Statements: A revised Presentation, as of January 1, 2009. In general, IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The main changes are the presentation of all non-owner changes in equity in two statements (a separate statement of income and a statement of comprehensive income).

In January 2008, the IASB issued an amendment to **IAS 27**, Consolidated and Separate Financial Statements. The revised Standard requires to derecognize all assets and liabilities when control is lost and to remeasure any retained interests to fair value. It also requires that the impact of all transactions between controlling and non-controlling shareholders, which do not involve a loss of control, must be recognized directly in the equity.

Also in January 2008, the IASB issued an amendment to **IFRS 3,** Business Combinations. The amendment requires, among others, that any contingent consideration payable must be measured at fair value at the date of acquisition. Subsequent changes to the value of this measurement are generally recognized in profit and loss. Other changes include that costs incurred in an acquisition are generally expensed as incurred and will therefore affect profit or loss.

Both, revised IAS 27 and revised IFRS 3, are mandatory for accounting periods beginning on or after July 1, 2009. Early application is permitted but depending on certain requirements. The Fresenius Group opted for an early application from January 1, 2009. The application of revised IAS 27 and revised IFRS 3 did not have a material impact on the consolidated financial statements.

In March 2009, the IASB issued an amendment to **IFRS 7**, Financial Instruments Disclosures. The revised standard introduces a three level fair value hierarchy and requires enhanced disclosures for financial instruments. The Fresenius Group applies the revised standard in the annual consolidated financial statements as of December 31, 2009 in note 31, Financial instruments.

ee) Recent pronouncements, not yet applied

The IASB issued the following for the Fresenius Group relevant new standard, which is mandatory for fiscal years commencing on or after January 1, 2010:

In November 2009, the IASB issued **IFRS 9**, Financial Instruments. The standard is the first step towards substituting IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 replaces the IAS 39 categories with two categories. Financial assets that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial assets are measured at fair value through profit and loss, whereby for strategic equity investments there is an option to record changes in fair value through other comprehensive income (loss). IFRS 9 is effective for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements and considering the most appropriate implementation date.

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

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

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 judgements as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the Fresenius Group.

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2009 and December 31, 2008, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was € 10,767 million and € 10,797 million, respectively. This represented 51 % and 52 %, respectively, of total assets.

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

To determine possible impairments of these assets, the fair value of the CGUs is compared to their carrying amount. The fair value of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its three-year budget, projections for years four to ten and a corresponding growth rate for all remaining years. Projections for up to ten years are possible due to the stability of Fresenius Group's business, which is largely independent from the economic cycle. These growth rates are 0 % to 4 % for Fresenius Medical Care, 3 % for Fresenius Kabi and 1 % for Fresenius Helios and Fresenius Vamed. This discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.45 % for 2009. This basic rate is then adjusted by a country-specific risk rate within each CGU. In 2009, WACCs for the reporting units of Fresenius Medical Care ranged from 6.45 % to 12.05 %. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC was 6.61 %, country-specific adjustments did not occur. If the fair value of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in 2009.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care

services could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect 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 30, Commitments and contingent liabilities.

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were € 2,509 million and € 2,477 million in 2009 and 2008, 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 12 % as well as private insurers in the US with 14 % at December 31, 2009. 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 € 285 million and € 257 million as of December 31, 2009 and December 31, 2008, respectively.

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

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

d) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of 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 y, Self-insurance programs.

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of € 259 million and € 3,851 million in 2009 and 2008, respectively. Of this amount, € 236 million were paid in cash and € 23 million were assumed obligations in 2009.

Fresenius Medical Care

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

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 19, Goodwill and other intangible assets.

Fresenius Kabi

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

In the year 2008, Fresenius Kabi spent € 3,612 million which mainly referred to the acquisitions of APP Pharmaceuticals, Inc. (APP), United States, and Fresenius Kabi Oncology Ltd. (former: 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 in North America.

Fresenius Kabi has completed the acquisition on September 10, 2008. The acquisition of APP has been accounted for applying the purchase method and has been first-time consolidated starting September 1, 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. In addition, US$ 0.9 billion of net debt was assumed and refinanced.

The acquisition was financed with a mix of debt and equity by launching Mandatory Exchangeable Bonds, capital increase and entering into a syndicated credit agreement and into a bridge credit agreement. The latter was redeemed using proceeds of the issuance of new Senior Notes in January 2009 (see note 23, Senior Notes).

The final purchase price allocation is as follows:

	Book value before acquisition		Fair value at acquisition date	
	in million US$	in million €	in million US$	in million €
Net working capital and other assets/liabilities	204	145	66	47
Property, plant and equipment	133	94	119	84
Identifiable intangible assets	442	314	908	644
Goodwill	160	114	3,815	2,707
Total	**939**	**667**	**4,908**	**3,482**

In comparison to the preliminary purchase price allocation, changes incurred in property, plant and equipment, goodwill as well as in net working capital and other assets/liabilities resulted from the finalization of a plan to close a manufacturing facility and to transfer its production operations to other plants.

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. The adjusted net income attributable to Fresenius SE includes corresponding pro forma adjustments mainly for interest expense on acquisition debt as well as 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	
in million €	as reported	pro forma
Sales	12,353	12,658
Adjusted net income attributable to Fresenius SE [1]	437	399
Net income attributable to Fresenius SE	529	491
Basic earnings per ordinary share in €	3.35	3.11
Fully diluted earnings per ordinary share in €	3.21	3.12 [2]
Basic earnings per preference share in €	3.36	3.12
Fully diluted earnings per preference share in €	3.22	3.13 [2]

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

Acquisition of Fresenius Kabi Oncology Ltd. (former: Dabur Pharma Ltd.)

In April 2008, Fresenius Kabi has entered into agreements to acquire 73.3 % of the share capital of the Indian company Fresenius Kabi Oncology Ltd. (former: 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. After the successful completion in the third quarter of 2008, the transaction was closed on August 11, 2008. Fresenius Kabi holds 90 % of the shares. The total cash purchase price of Fresenius Kabi Oncology Ltd. (former: Dabur Pharma Ltd.) was € 177 million.

Fresenius Helios

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

Fresenius Vamed

In 2009, Fresenius Vamed did not make any material acquisition.

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

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.

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

In the fiscal year 2009, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was € 310 million and € 4,038 million in 2009 and 2008, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was € 229 million and the other intangible assets were € 81 million. Of this goodwill, € 124 million is attributable to the acquisitions of Fresenius Medical Care, € 43 million to Fresenius Kabi's acquisitions and € 62 million to the acquisitions of Fresenius Helios.

The acquisitions completed in 2009 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:

	2009	
in million €	as reported	before special items
Sales	683	683
EBITDA	161	161
EBIT	125	125
Net interest	-163	-163
Other financial result	-31	0
Net income attributable to Fresenius SE	-53	-33

The acquisitions increased the total assets of the Fresenius Group by € 338 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

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

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

in million €	EBIT	Other financial result	Net income attributable to Fresenius SE
Earnings 2008, adjusted	1,738		437
Purchase accounting adjustments			
Inventory step-up	-35		-22
Foreign exchange gain	57		41
Other financial result			
Mandatory Exchangeable Bonds (mark-to-market)		28	20
Contingent Value Rights (mark-to-market)		75	75
One-time financing expenses		-35	-22
Earnings 2008 according to IFRS	**1,760**		**529**

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

For further information regarding Mandatory Exchangeable Bonds (MEB), Contingent Value Rights (CVR) and one-time financing expenses see note 11, Other financial result.

4. SALES

Sales by activity were as follows:

in million €	2009	2008
Sales of services	**8,644**	7,631
Sales of products and related goods	**5,097**	4,380
Sales from long-term production contracts	**423**	341
Other sales	**1**	1
Sales	**14,165**	12,353

A sales analysis by business segment and region is shown in the segment information on pages 74 to 77.

5. COST OF SALES

Cost of sales comprised the following:

in million €	2009	2008
Costs of services	**6,516**	5,785
Manufacturing cost of products and related goods	**2,651**	2,341
Cost of long-term production contracts	**354**	284
Other cost of sales	**–**	–
Cost of sales	**9,521**	8,410

6. COST OF MATERIALS

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

in million €	2009	2008
Costs of raw materials, supplies and purchased components	**4,077**	3,668
Depreciation of raw materials, supplies and purchased components	**1**	3
Reversals of write-downs of raw materials, supplies and purchased components	**0**	0
Cost of purchased services	**571**	536
Cost of materials	**4,649**	4,207

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of € 4,881 million and € 4,328 million in 2009 and 2008, respectively.

Personnel expenses comprised the following:

in million €	2009	2008
Wages and salaries	**3,882**	3,508
Social security contributions, cost of retirement pensions and social assistance	**999**	820
thereof retirement pensions	**121**	95
Personnel expenses	**4,881**	4,328

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

	2009	2008
Production and service	**102,003**	95,723
Administration	**16,131**	13,858
Sales and marketing	**8,397**	7,931
Research and development	**1,372**	1,156
Total employees (per capita)	**127,903**	118,668

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of € 282 million (2008: € 206 million) included expenditure for research and non-capitalizable development costs as well as depreciation and amortization expenses referring to capitalized development costs of € 53 million (2008: € 6 million). In 2009, research and development expenses include impairment on capitalized development expenses of € 46 million. This relates to in-process R & D mainly of two product approval projects, which were acquired through the APP acquisition.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were € 561 million (2008: € 513 million) and mainly included expenditures for sales personnel of € 270 million (2008: € 250 million).

General and administrative expenses amounted to € 1,797 million (2008: € 1,464 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

10. NET INTEREST

The net interest expenses of € -580 million included interest expenses of € 602 million and interest income of € 22 million. Interest expenses resulted from Fresenius Group's financial liabilities (see note 31, Financial instruments).

11. OTHER FINANCIAL RESULT

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

The 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 an income of € 6 million in 2009 (2008: income of € 75 million).

Due to its contractual definition, the issued MEB include derivative financial instruments that have to be measured at fair value. This measurement resulted in an expense (before tax) of € 37 million in 2009 (2008: income of € 28 million). However, this measurement does not cause a change of the MEB's nominal amount of € 554.4 million that has to be settled in ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) upon maturity, but mainly reflects the share price development of these shares (see note 24, Mandatory Exchangeable Bonds).

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

12. TAXES

INCOME TAXES

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

in million €	2009	2008
Germany	**340**	455
International	**1,053**	942
Total	**1,393**	1,397

Income tax expenses (benefits) for 2009 and 2008 consisted of the following:

in million €	Current taxes	Deferred taxes	**Income taxes**
2008			
Germany	77	69	146
International	249	59	308
Total	326	128	454
2009			
Germany	**83**	**–**	**83**
International	**343**	**-4**	**339**
Total	**426**	**-4**	**422**

In 2009 and 2008, Fresenius SE was subject to German federal corporation income tax at a base rate of 15 % plus a solidarity surcharge of 5.5 % on federal corporation taxes payable.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 29.0 % for the fiscal years 2009 and 2008.

in million €	**2009**	2008
Computed "expected" income tax expense	**404**	405
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**11**	21
Foreign tax rate differential	**49**	28
Tax-free income	**-32**	-29
Taxes for prior years	**19**	26
Book income of consolidated partnership attributable to non-controlling interest	**-19**	-9
Other	**-10**	12
Income tax	**422**	454
Effective tax rate	**30.3 %**	32.5 %

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 €	**2009**	2008
Deferred tax assets		
Accounts receivable	**33**	33
Inventories	**54**	52
Other current assets	**38**	17
Other non-current assets	**52**	44
Accrued expenses	**198**	207
Other short-term liabilities	**61**	78
Other liabilities	**40**	28
Benefit obligations	**17**	15
Losses carried forward from prior years	**32**	51
Deferred tax assets, before valuation allowance	**525**	525
Deferred tax liabilities		
Accounts receivable	**10**	9
Inventories	**13**	7
Other current assets	**58**	66
Other non-current assets	**492**	444
Accrued expenses	**44**	70
Other short-term liabilities	**7**	8
Other liabilities	**94**	113
Deferred tax liabilities	**718**	717
Accumulated deferred taxes	**-193**	-192

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

in million €	**2009**	2008
Deferred tax assets	**365**	408
Deferred tax liabilities	**558**	600
Accumulated deferred taxes	**-193**	-192

As of December 31, 2009, Fresenius Medical Care has not recognized a deferred tax liability on approximately € 1.9 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 €
2010	34
2011	6
2012	7
2013	10
2014	17
2015	11
2016	10
2017	17
2018	8
2019	5
Thereafter	19
Total	**144**

The total remaining operating losses of € 208 million can mainly be carried forward for an unlimited period.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is probable that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2009.

TAX AUDITS

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. All results of the completed tax audits are already sufficiently recognized in the financial statements as of December 31, 2008. The fiscal years 2002 to 2005 are currently under audit. All further fiscal years are open to tax audits. For the tax year 1997, Fresenius Medical Care recognized an impairment of one of its subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. Fresenius Medical Care has filed a complaint with the appropriate German court to challenge the tax authority's decision.

In the United States, Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of Fresenius Medical Care Holdings, Inc.'s (FMCH) civil settlement payment deductions in prior year tax returns. As a result of a settlement agreement with the IRS to resolve Fresenius Medical Care's appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators (see note 30, Commitments and Contingent Liabilities) in connection with the resolution of the 2000 US government 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 refunds of all other disallowed deductions. The IRS tax audits of FMCH in the United States for the years 2002 through 2006 have been completed. The IRS has disallowed all deductions taken during these audit periods related to intercompany mandatorily redeemable preference shares. In addition, the IRS proposed other adjustments which have been recognized in the financial statements. Fresenius Medical Care has protested the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to the disallowed deductions related to the intercompany mandatorily redeemable preference shares could have a material adverse effect on Fresenius Medical Care's results of operations and liquidity. Fiscal years 2007, 2008 and 2009 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.

13. EARNINGS PER SHARE

The following table shows the earnings per ordinary and preference share including and excluding the dilutive effect from stock options issued and the MEB.

	2009	2008
Numerators in million €		
Net income attributable to Fresenius SE	**476**	529
less preference on preference shares	**1**	1
less effect from dilution due to Fresenius Medical Care shares and MEB	**1**	18
Income available to all classes of shares	**474**	510
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**80,595,319**	78,855,197
Weighted-average number of preference shares outstanding	**80,595,319**	78,855,197
Weighted-average number of shares outstanding of all classes	**161,190,638**	157,710,394
Potentially dilutive ordinary shares	**268,447**	592,526
Potentially dilutive preference shares	**268,447**	592,526
Weighted-average number of ordinary shares outstanding assuming dilution	**80,863,766**	79,447,723
Weighted-average number of preference shares outstanding assuming dilution	**80,863,766**	79,447,723
Weighted-average number of shares outstanding of all classes assuming dilution	**161,727,532**	158,895,446
Basic earnings per ordinary share in €	**2.95**	3.35
Preference per preference share in €	**0.01**	0.01
Basic earnings per preference share in €	**2.96**	3.36
Fully diluted earnings per ordinary share in €	**2.93**	3.21
Preference per preference share in €	**0.01**	0.01
Fully diluted earnings per preference share in €	**2.94**	3.22

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

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

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

in million €	2009	2008
Cash	**411**	361
Time deposits and securities (with a maturity of up to 90 days)	**9**	9
Total cash and cash equivalents	**420**	370

As of December 31, 2009 and December 31, 2008, earmarked funds of € 17 million and € 78 million, respectively, were included in cash and cash equivalents.

15. TRADE ACCOUNTS RECEIVABLE

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

in million €	2009	2008
Trade accounts receivable	**2,794**	2,734
less allowance for doubtful accounts	**285**	257
Trade accounts receivable, net	**2,509**	2,477

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 €	2009	2008
Allowance for doubtful accounts at the beginning of the year	**257**	223
Change in valuation allowances as recorded in the consolidated statement of income	**174**	159
Write-offs and recoveries of amounts previously written-off	**-141**	-129
Foreign currency translation	**-5**	4
Allowance for doubtful accounts at the end of the year	**285**	257

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	1,648	450	225	187	284	**2,794**
less allowance for doubtful accounts	7	32	27	45	174	**285**
Trade accounts receivable, net	1,641	418	198	142	110	**2,509**

16. INVENTORIES

As of December 31, inventories consisted of the following:

in million €	2009	2008
Raw materials and purchased components	**311**	289
Work in process	**188**	180
Finished goods	**794**	713
less reserves	**58**	55
Inventories, net	**1,235**	1,127

In 2009 and 2008, no reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately € 1,739 million of raw materials and purchased components under fixed terms, of which € 334 million was committed at December 31, 2009 for 2010. The terms of these agreements run one to nine years. Advance payments from customers of € 186 million (2008: € 83 million) have been offset against inventories.

Inventories as of December 31, 2009 and December 31, 2008 included approximately € 24 million and approximately € 25 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 % of total sales of the Fresenius Group in 2009 and 2008, respectively.

17. OTHER CURRENT AND NON-CURRENT ASSETS

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

	2009		2008	
in million €		thereof short-term		thereof short-term
Tax receivables	**253**	**242**	170	164
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**145**	**89**	128	101
Discounts	**129**	**129**	116	116
Investments and long-term loans	**74**	**5**	98	3
Leasing receivables	**55**	**22**	48	26
Derivative financial instruments	**49**	**29**	87	74
Advances made	**41**	**39**	32	32
Prepaid expenses	**32**	**16**	39	13
Re-insurance claims	**23**	**0**	27	0
Accounts receivable from management contracts in clinics	**6**	**6**	10	10
Other assets	**494**	**375**	413	296
Other assets, gross	**1,301**	**952**	1,168	835
less allowances	**13**	**12**	9	9
Other assets, net	**1,288**	**940**	1,159	826

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

Depreciation on other non-current assets in an amount of € 1 million and € 4 million was recognized in the fiscal years 2009 and 2008, respectively.

18. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

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

DEPRECIATION

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

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	–	26	6	0	1	**199**
Buildings and improvements	2,108	19	60	201	51	15	**2,424**
Machinery and equipment	2,596	-19	129	321	95	101	**3,021**
Machinery, equipment and rental equipment under capital leases	137	1	–	4	0	4	**138**
Construction in progress	300	-2	22	217	-189	2	**346**
Property, plant and equipment	5,309	-1	237	749	-43	123	**6,128**

DEPRECIATION

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	2	–	0	–	–	–	**2**
Buildings and improvements	750	11	9	136	–	10	**896**
Machinery and equipment	1,524	-11	44	276	-2	89	**1,742**
Machinery, equipment and rental equipment under capital leases	59	–	0	9	–	3	**65**
Construction in progress	1	–	0	–	–	0	**1**
Property, plant and equipment	2,336	–	53	421	-2	102	**2,706**

CARRYING AMOUNTS

in million €	December 31, 2009	December 31, 2008
Land and land facilities	**204**	197
Buildings and improvements	**1,592**	1,528
Machinery and equipment	**1,354**	1,279
Machinery, equipment and rental equipment under capital leases	**72**	73
Construction in progress	**339**	345
Property, plant and equipment	**3,561**	3,422

Depreciation on property, plant and equipment for the years 2009 and 2008 was € 481 million and € 421 million, respectively. It is 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, 2009 and 2008 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 € 253 million and € 215 million, respectively.

To a lesser extent, property, plant and equipment are also leased for the treatment of patients by other business segments.

For details of minimum lease payments see note 22, Debt and capital lease obligations.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, the acquisition cost and accumulated amortization of intangible assets consisted of the following:

ACQUISITION COST

in million €	As of January 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2009**
Goodwill	10,477	-256	220	13	-1	0	**10,453**
Patents, product and distribution rights	540	-14	–	12	1	1	**538**
Tradenames	166	-5	0	–	–	–	**161**
Management contracts	158	-5	0	0	–	0	**153**
Technology	71	-2	0	0	0	0	**69**
Non-compete agreements	158	-5	3	1	0	0	**157**
Capitalized development costs	312	-8	0	11	0	1	**314**
Other	371	-4	11	54	6	6	**432**
Goodwill and other intangible assets	12,253	-299	234	91	6	8	**12,277**

AMORTIZATION

in million €	As of January 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2009**
Goodwill	4	0	-4	0	0	0	**0**
Patents, product and distribution rights	54	-1	–	41	0	1	**93**
Tradenames	0	0	0	0	0	0	**0**
Management contracts	0	0	0	0	0	0	**0**
Technology	8	–	0	4	0	0	**12**
Non-compete agreements	102	-4	0	11	–	0	**109**
Capitalized development costs	24	-1	0	53	0	1	**75**
Other	220	-2	–	33	–	7	**244**
Goodwill and other intangible assets	412	-8	-4	142	–	9	**533**

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	7,097	162	3,187	41	8	18	**10,477**
Patents, product and distribution rights	64	-15	403	89	–	1	**540**
Tradenames	168	7	1	–	-9	1	**166**
Management contracts	149	9	0	0	0	0	**158**
Technology	68	3	0	0	0	0	**71**
Non-compete agreements	144	9	5	–	0	0	**158**
Capitalized development costs	42	-10	272	8	0	0	**312**
Other	283	10	11	29	42	4	**371**
Goodwill and other intangible assets	8,015	175	3,879	167	41	24	**12,253**

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	–	–	15	0	0	**54**
Tradenames	0	0	0	0	0	0	**0**
Management contracts	0	0	0	0	0	0	**0**
Technology	3	–	0	5	0	0	**8**
Non-compete agreements	88	4	0	10	0	0	**102**
Capitalized development costs	18	0	0	6	0	0	**24**
Other	198	2	1	25	–	6	**220**
Goodwill and other intangible assets	350	6	1	61	–	6	**412**

CARRYING AMOUNTS

in million €	**December 31, 2009**	December 31, 2008
Goodwill	**10,453**	10,473
Patents, product and distribution rights	**445**	486
Tradenames	**161**	166
Management contracts	**153**	158
Technology	**57**	63
Non-compete agreements	**48**	56
Capitalized development costs	**239**	288
Other	**188**	151
Goodwill and other intangible assets	**11,744**	11,841

The split of intangible assets into amortizable and non-amortizable intangible assets is shown in the following table:

AMORTIZABLE INTANGIBLE ASSETS

	December 31, 2009			December 31, 2008		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**538**	**93**	**445**	540	54	486
Technology	**69**	**12**	**57**	71	8	63
Non-compete agreements	**157**	**109**	**48**	158	102	56
Capitalized development costs	**314**	**75**	**239**	312	24	288
Other	**432**	**244**	**188**	371	220	151
Total	**1,510**	**533**	**977**	1,452	408	1,044

Fresenius Medical Care capitalized development costs in an amount of € 11 million for the fiscal year 2009 (2008: € 12 million). Capitalized development costs are amortized on a straight-line basis over a useful life of eleven years. The amortization expense for the fiscal year 2009 amounted to € 2 million (2008: € 1 million). In the case of Fresenius Kabi, development costs capitalized amounted to € 228 million in the fiscal year 2009 (2008: € 276 million). The amortization is recorded on a straight-line basis over a useful life of five years and amounted to € 5 million for the fiscal year 2009 (2008: € 5 million). Furthermore an impairment loss of € 46 million was recorded in 2009 (see note 8, Research and development expenses).

NON-AMORTIZABLE INTANGIBLE ASSETS

	December 31, 2009			December 31, 2008		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**161**	**0**	**161**	166	0	166
Management contracts	**153**	**0**	**153**	158	0	158
Goodwill	**10,453**	**0**	**10,453**	10,477	4	10,473
Total	**10,767**	**0**	**10,767**	10,801	4	10,797

Amortization on intangible assets amounted to € 142 million and € 61 million for the years 2009 and 2008, respectively. It is 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 €	2010	2011	2012	2013	2014
Estimated amortization expenses	91	87	83	79	76

The carrying amount of goodwill has developed as follows:

in million €	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	Total
Carrying amount as of January 1, 2008	**4,927**	**594**	**1,533**	**34**	**5**	**7,093**
Additions	63	3,123	32	10	0	3,228
Disposals	0	-9	-9	0	0	-18
Reclassifications	8	0	0	0	0	8
Foreign currency translation	256	-96	1	0	1	162
Carrying amount as of December 31, 2008	**5,254**	**3,612**	**1,557**	**44**	**6**	**10,473**
Additions	124	51	62	0	–	237
Reclassifications	-1	0	–	0	0	-1
Foreign currency translation	-164	-92	0	0	0	-256
Carrying amount as of December 31, 2009	**5,213**	**3,571**	**1,619**	**44**	**6**	**10,453**

LICENSE AND DISTRIBUTION AGREEMENTS

In July 2008, Fresenius Medical Care entered into two separate licence and distribution agreements, one for the US (the US Agreement) and one for certain countries in Europe and the Middle East (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. Thereof, in 2009 and 2008 payments were made in an amount of US$ 6 million (€ 4 million) and US$ 22 million (€ 15 million), respectively. Fresenius Medical Care recorded a liability 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, of which € 15 million of milestone payments was paid in 2009.

20. OTHER ACCRUED EXPENSES

As of December 31, other accrued expenses consisted of the following:

in million €	2009	thereof short-term	2008	thereof short-term
Personnel expenses	**394**	**335**	378	323
Invoices outstanding	**147**	**147**	137	137
Self-insurance programs	**119**	**119**	93	93
Special charge for legal matters	**80**	**80**	83	83
Bonuses and discounts	**78**	**78**	76	76
Legal matters, advisory and audit fees	**42**	**42**	40	40
Warranties and complaints	**28**	**24**	27	23
Commissions	**18**	**18**	17	17
Physician compensation	**5**	**5**	9	9
All other accrued expenses	**376**	**338**	381	350
Other accrued expenses	**1,287**	**1,186**	1,241	1,151

The following table shows the development of other accrued expenses in the fiscal year:

in million €	As of January 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	As of December 31, 2009
Personnel expenses	378	-3	4	195	-4	-149	-27	**394**
Invoices outstanding	137	1	–	115	2	-94	-14	**147**
Self-insurance programs	93	-4	0	33	–	-2	-1	**119**
Special charge for legal matters	83	-3	0	0	0	0	0	**80**
Bonuses and discounts	76	-1	0	83	1	-78	-3	**78**
Legal matters, advisory and audit fees	40	–	1	32	–	-29	-2	**42**
Warranties and complaints	27	–	–	16	-1	-11	-3	**28**
Commissions	17	–	0	18	–	-16	-1	**18**
Physician compensation	9	-1	0	-3	0	0	0	**5**
All other accrued expenses	381	1	5	273	–	-256	-28	**376**
Total	1,241	-10	10	762	-2	-635	-79	**1,287**

Accruals for personnel expenses mainly refer to bonus, severance payments, contribution of partial retirement and holiday entitlements.

In 2001, Fresenius Medical Care recorded a US$ 258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into

among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$ 115 million (€ 80 million), without interest, upon plan confirmation (see note 30, Commitments and contingent liabilities). With the exception of the proposed US$ 115 million settlement payment, all other matters included in the special charge have been resolved.

21. OTHER LIABILITIES

As of December 31, other liabilities consisted of the following:

	2009		2008	
in million €		thereof short-term		thereof short-term
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**215**	**203**	187	174
Derivative financial instruments	**185**	**28**	239	100
Interest liabilities	**117**	**117**	98	98
Tax liabilities	**117**	**114**	96	93
Personnel liabilities	**90**	**86**	73	70
Advance payments from customers	**55**	**49**	69	32
Leasing liabilities	**46**	**46**	39	39
Accounts receivable credit balance	**26**	**14**	26	15
All other liabilities	**570**	**410**	552	425
Other liabilities	**1,421**	**1,067**	1,379	1,046

The payables resulting from the German "Krankenhausfinanzierungsgesetz" primarily contain earmarked subsidies received but not yet spent appropriately by Fresenius Helios. The amount not yet spent appropriately is classified as liability.

At December 31, 2009, the total amount of other non-current liabilities was € 354 million, thereof € 260 million were due between one and five years and € 94 million were due later than five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of € 455 million also included long-term accrued expenses of € 101 million as of December 31, 2009.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

Borrowings

Short-term debt of € 287 million and € 729 million at December 31, 2009 and 2008, respectively, consisted of € 138 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and € 149 million outstanding short-term borrowings under the accounts receivable facility described in the following. The average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2009 and 2008 were 5.03 % and 5.17 %, respectively.

Accounts receivable facility

Fresenius Medical Care has an asset securitization facility (accounts receivable facility), which was extended to October 15, 2010 and increased by US$ 100 million to US$ 650 million in November 2009. Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on Fresenius Medical Care's consolidated statement of financial position and the proceeds from the transfer of percentage ownership interests are recorded as short-term debt.

At December 31, 2009, there were outstanding short-term borrowings under the accounts receivable facility of US$ 214 million (€ 149 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2009 was 2.90 %. Annual refinancing fees, which include legal costs and bank fees (if any), are amortized over the term of the facility.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, long-term debt and capital lease obligations consisted of the following:

in million €	2009	2008
Fresenius Medical Care 2006 Senior Credit Agreement	**2,445**	2,419
2008 Senior Credit Agreement	**1,602**	1,896
Euro Notes	**800**	800
European Investment Bank Agreements	**424**	309
Capital lease obligations	**45**	42
Bridge Credit Agreement	**0**	467
Other	**177**	220
Subtotal	**5,493**	6,153
less current portion	**263**	433
less financing cost	**107**	116
Long-term debt and capital lease obligations, less current portion	**5,123**	5,604

Maturities of long-term debt and 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	93	2,352	0
2008 Senior Credit Agreement	110	1,492	0
Euro Notes	0	800	0
European Investment Bank Agreements	8	376	40
Capital lease obligations	12	22	11
Other	40	87	50
Long-term debt and capital lease obligations	**263**	**5,129**	**101**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the five years subsequent to December 31, 2009 are:

for the fiscal years	in million €
2010	263
2011	1,524
2012	1,511
2013	727
2014	1,367
Subsequent years	101
Total	**5,493**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care, Fresenius Medical Care Holdings, and certain other subsidiaries of Fresenius Medical Care that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH, entered into a US$ 4.6 billion syndicated credit facility (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$	**2009**	2008	**2009**	2008
Revolving Credit	**1,000**	1,000	**595**	305
Term Loan A	**1,373**	1,491	**1,373**	1,491
Term Loan B	**1,554**	1,570	**1,554**	1,570
Total	**3,927**	4,061	**3,522**	3,366

In addition, at December 31, 2009, US$ 97 million and at December 31, 2008, US$ 112 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 five-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 five-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, which reduced the principal balance outstanding, the quarterly payments were reduced to US$ 29 million beginning with the payment for September 30, 2008.
- A seven-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, the balance of the remaining payments of US$ 4.4 million was 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 31, Financial instruments).

In addition to scheduled principal payments, indebtedness outstanding under the Fresenius Medical Care 2006 Senior Credit Agreement will be reduced by mandatory prepayments utilizing portions of the net cash proceeds from certain sales of assets, securitization transactions other than Fresenius Medical Care's existing accounts receivable facility, the issuance of subordinated debt other than certain intercompany transactions, certain issuances of equity and excess cash flow.

The obligations under the Fresenius Medical Care 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The Fresenius Medical Care 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is US$ 300 million (€ 208 million) for dividends paid in 2010, and increases in subsequent years. Fresenius Medical Care paid dividends of US$ 232 million (€ 173 million) in May of 2009 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, 2009, 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.

On January 31, 2008, the Fresenius Medical Care 2006 Senior Credit Agreement was amended to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

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.

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 following table shows the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31, 2009:

	Maximum amount available		**Balance outstanding**	
		in million €		**in million €**
Revolving Credit Facilities	US$ 550 million	382	US$ 0 million	**0**
Term Loan A	US$ 925 million	642	US$ 925 million	**642**
Term Loan B (in US$)	US$ 1,117 million	775	US$ 1,117 million	**775**
Term Loan B (in €)	€ 185 million	185	€ 185 million	**185**
Total		1,984		**1,602**

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 ten unequal semi-annual installments that commenced 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 eleven substantially equal semi-annual installments that commenced on June 10, 2009 with a final bullet payment 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).

In December 2009, US$ 78.7 million and € 13 million were used to voluntarily prepay parts of the existing Term Loan B.

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. 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 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 euros, 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.

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 refinanced 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, 2009, Fresenius SE was in compliance with all covenants under the 2008 Senior Credit Agreement.

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 Bridge Credit Agreement was fully drawn down on September 10, 2008. In October 2008, the Bridge Credit Agreement was reduced to US$ 650 million using the proceeds of the increase of Term Loan B under the 2008 Senior Credit Agreement and funds obtained under other existing credit facilities.

On January 21, 2009, the residual amount of the Bridge Credit Agreement was redeemed using the proceeds of new Senior Notes (see note 23, Senior Notes).

Euro Notes

As of December 31, 2009, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	Book value/ nominal value in million €
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. 2007/2012	July 2, 2012	5.51 %	**26**
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98 %	**112**
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75 %	**38**
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	7.41 %	**36**
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	variable	**119**
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38 %	**15**
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**30**
Euro Notes			**800**

On April 27, 2009, Fresenius Medical Care issued new senior and unsecured Euro Notes in a total amount of € 200 million. They consist of four tranches having terms of 3.5 and 5.5 years with fixed and floating interest rate tranches. Proceeds were used to liquidate the balance of the existing Euro Notes of FMC Finance IV Luxembourg which were due in July 2009.

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 debt and to redeem Euro Notes of € 40 million that were due in May 2008.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE. The Euro Notes of FMC-AG & Co. KGaA are guaranteed by Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH).

Interest of the floating rate tranches of the Euro Notes is based on EURIBOR plus applicable margin. For a large portion of these tranches, interest rate swaps have been arranged (see note 31, Financial instruments). Only the floating rate tranches of the Euro Notes of FMC-AG & Co. KGaA in an amount of € 149 million are exposed to the risk of interest rate increases.

European Investment Bank Agreements

Various subsidiaries of the Fresenius Group maintain credit facilities with the European Investment Bank (EIB). The following table shows the outstanding amounts under the EIB facilities as of December 31, 2009:

	Maximum amount available in million €	Maturity	Book value in million €
Fresenius SE	196	2013	**196**
Fresenius Medical Care AG & Co. KGaA	271	2013/2014	**148**
HELIOS Kliniken GmbH	80	2019	**80**
Loans from EIB	547		**424**

The EIB is the not-for-profit long-term lending institution of the European Union and loans funds at favorable rates for the purpose of specific capital investment and research and development projects. The facilities were granted to finance certain research and development projects, to invest in expansion and the optimization of existing production facilities in Germany and for the construction of a hospital.

In December 2009, an additional loan agreement of € 50 million was entered by FMC-AG & Co. KGaA. This loan has a four-year term. The loan is guaranteed by FMCH and FMC D-GmbH.

In August 2009, Fresenius SE entered into an additional credit agreement with the EIB of € 100 million having a four-year term. Disbursement of the loan took place on September 10, 2009. The loan is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Some advances under these agreements can be denominated in certain foreign currencies including US dollars. Accordingly, the liabilities of FMC-AG & Co. KGaA comprise loans of US$ 84 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.

Repayment of the loan of HELIOS Kliniken GmbH already started in December 2007 and will continue through December 2019 with constant half-yearly payments.

The above mentioned loans bear variable interest rates which are based on EURIBOR or LIBOR plus applicable margin. These interest rates change quarterly. To some extent, the borrowers may opt to convert those interest rates into fixed rates. The loans under the EIB Agreements entered before 2009 are secured by bank guarantees. All credit agreements with the EIB have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

in million €	2009
Capital lease obligations (minimum lease payments)	**50**
due within one year	13
due between one and five years	25
due later than five years	12
Interest component included in future minimum lease payments	**5**
due within one year	1
due between one and five years	3
due later than five years	1
Present value of capital lease obligations (minimum lease payments)	**45**
due within one year	12
due between one and five years	22
due later than five years	11

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of reporting date. As of December 31, 2009, the additional financial cushion resulting from unutilized credit facilities was approximately € 1.3 billion.

Syndicated credit facilities accounted for € 596 million. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$ 308 million (€ 214 million) and the 2008 Senior Credit Agreement in the amount of US$ 550 million (€ 382 million). Furthermore, bilateral facilities of approximately € 750 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, 2009, no commercial papers were outstanding.

Additional financing of up to US$ 650 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$ 214 million as of December 31, 2009.

23. SENIOR NOTES

As of December 31, 2009, Senior Notes of the Fresenius Group consisted of the following:

				Book value in million €	
	Notional amount	Maturity	Interest rate	2009	2008
Fresenius Finance B.V. 2003/2009	€ 100 million	April 30, 2009	7.50 %	**0**	100
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan 31, 2013	5.00 %	**500**	500
Fresenius Finance B.V. 2006/2016	€ 650 million	Jan 31, 2016	5.50 %	**639**	500
Fresenius US Finance II, Inc. 2009/2015	€ 275 million	July 15, 2015	8.75 %	**259**	0
Fresenius US Finance II, Inc. 2009/2015	US$ 500 million	July 15, 2015	9.00 %	**326**	0
FMC Finance III S.A. 2007/2017	US$ 500 million	July 15, 2017	6 7/8 %	**342**	354
Senior Notes				**2,066**	1,454

In June 2009, Fresenius Finance B.V. has placed a tap in an amount of € 150 million to the Senior Notes which are due in 2016. The proceeds were used to repay short-term debt.

The Senior Notes issued by Fresenius Finance B.V. which matured on April 30, 2009 were repaid on schedule.

Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE, has issued unsecured Senior Notes in January 2009. The Notes comprise a US dollar tranche with a notional amount of US$ 500 million and a euro tranche with a notional amount of € 275 million. Both tranches will mature in 2015. Proceeds of the Senior Notes offering in an amount of approximately US$ 800 million were used to repay the Bridge Credit Agreement entered into in connection with the acquisition of APP, to repay other debt and for general corporate purposes.

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. and of Fresenius US Finance II, Inc. 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 the respective Notes reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bondholders (owning in aggregate more than 25 % of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayments plus interest. As of December 31, 2009, the Fresenius Group was in compliance with all of its covenants.

The Senior Notes of FMC Finance III S.A., a wholly-owned subsidiary of FMC-AG & Co. KGaA, are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA and by its subsidiaries FMCH and 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.

On January 20, 2010, FMC-AG & Co. KGaA's wholly-owned subsidiary, FMC Finance VI S.A. (Finance VI), issued € 250 million of senior unsecured notes with a coupon of 5.50 % at an issue price of 98.66 %. The Senior Notes have a yield to maturity of 5.75 % and are due July 15, 2016. Finance VI may redeem the Senior Notes at any time at 100 % of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have a right to request that Finance VI repurchase the Senior Notes at 101 % of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the Senior Notes.

Proceeds were used to repay short-term indebtedness and for general corporate purposes. The Senior Notes will be guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA, FMCH and FMC D-GmbH.

24. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP, Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million were launched in July 2008. Fresenius Finance B.V. subscribed for these MEB issued by Fresenius Finance (Jersey) Ltd. at 100 % of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE 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 17.14 million and a minimum of 14.53 million shares (based on the current exchange price) being deliverable, subject to anti-dilution adjustments with respect to FMC-AG & Co. KGaA (e. g. in case of corporate actions). The MEB are not redeemable in cash.

The initial minimum exchange price was set to € 33.00 and the initial maximum exchange price was set to € 38.94 (i. e. 118 % of the initial minimum exchange price). Due to the dividend payments in May 2009, the minimum exchange price and the maximum exchange price were decreased to € 32.34 and € 38.16, respectively. Pursuant to the terms and conditions of the MEB, both the holder and the issuer may procure for the exchange of the bonds before maturity. In principal, the issuer, Fresenius Finance (Jersey) Ltd., may procure the exchange of all of the outstanding MEB for shares of FMC-AG & Co. KGaA at the maximum exchange ratio calculated on the relevant exchange date plus payment of any accrued and unpaid interest and a make-whole amount. Furthermore, the MEB shall be mandatorily exchangeable at the maximum exchange ratio plus such payments if the corporate rating of Fresenius SE falls 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 in the statement of financial position as long-term accrued expenses and other long-term liabilities (in 2008 as: other non-current assets).

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, 2009, 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, 2009 and 2008 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2009 in million €**	2008 in million €
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7 7/8 %	June 15, 2011	**156**	156
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7 3/8 %	June 15, 2011	**299**	299
Trust preferred securities					**455**	455

26. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Fresenius Group currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands and Austria. Unfunded defined benefit plans are located in Germany and France.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized

as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and differences between the actual and the estimated return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the statement of financial position if the defined benefit obligation exceeds the fair value of plan assets plus unrecognized actuarial gains (minus unrecognized actuarial losses) and minus unrecognized past service cost. An asset is recognized and reported under other assets in the statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund. Furthermore, an asset may arise if the unrecognized actuarial losses and unrecognized past service cost exceed the funded status.

Under defined contribution plans, the Fresenius Group pays defined contributions during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The Fresenius Group has a main defined contribution plan in North America.

DEFINED BENEFIT PENSION PLANS

At December 31, 2009, the defined benefit obligation (DBO) of the Fresenius Group of € 556 million (2008: € 505 million) included € 237 million (2008: € 213 million) funded by plan assets and € 310 million (2008: € 293 million) covered by pension provisions. The current portion of the pension liability in an amount of € 10 million is recognized in the statement of financial position as short-term accrued expenses and other short-term liabilities. The non-current portion of € 300 million is recorded as pension liability. At December 31, 2009, prepaid pension costs in an amount of € 8 million (2008: € 9 million) related to the North American pension plan and are recorded within other non-current assets.

68 % of the pension liabilities in an amount of € 310 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 2009. FMCH voluntarily contributed US$ 0.8 million (€ 0.5 million) during the year 2009. Expected funding for 2010 is US$ 0.6 million (€ 0.4 million).

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were € 263 million. Benefit obligations relating to unfunded pension plans were € 293 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 €	2009	2008
Benefit obligations at the beginning of the year	**505**	498
Changes in entities consolidated	**6**	–
Foreign currency translation	**-4**	2
Service cost	**14**	15
Prior service cost	**1**	2
Interest cost	**31**	28
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-5**	-1
Actuarial losses/gains	**23**	-25
Benefits paid	**-16**	-15
Amendments	**–**	–
Benefit obligations at the end of the year	**556**	505
thereof vested	**463**	437
Fair value of plan assets at the beginning of the year	**213**	226
Changes in entities consolidated	**4**	1
Foreign currency translation	**-4**	1
Actual return on plan assets	**27**	-15
Contributions by the employer	**4**	6
Contributions by plan participants	**1**	1
Settlements	**-2**	-1
Transfers	**0**	–
Benefits paid	**-6**	-6
Fair value of plan assets at the end of the year	**237**	213
Funded status as of December 31	**319**	292

The plan assets are neither used by the employees of the Fresenius Group nor invested in the Fresenius Group.

As of December 31, 2009 and 2008, respectively, the net amount recognized (pension liability less recognized assets) was calculated as follows:

in million €	2009	2008
Funded status	**319**	292
Unrecognized actuarial loss	**-20**	-12
Unrecognized past service cost	**3**	4
Net amount recognized as of December 31	**302**	284

As of December 31, 2009, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of € 8 million (2008: € 9 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 € 310 million (2008: € 293 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 %	2009	2008
Discount rate	**5.86**	6.21
Rate of compensation increase	**3.30**	3.56
Rate of pension increase	**1.81**	1.94

As of December 31, the five-years-analysis is as follows:

in million €	2009	2008	2007	2006	2005
Pension obligation	**556**	505	498	553	571
thereof experience adjustments	**-3**	6	4	4	
Plan assets	**237**	213	226	235	232
thereof experience adjustments	**12**	-30	-3	3	
Funded status	**319**	292	272	318	339

Defined benefit pension plans' net periodic benefit costs of € 31 million (2008: € 27 million) were comprised of the following components:

in million €	2009	2008
Service cost	**14**	15
Interest cost	**31**	28
Expected return on plan assets	**-15**	-15
Amortization of unrealized actuarial gains/losses, net	**–**	-3
Amortization of prior service costs	**0**	2
Settlement loss	**1**	0
Net periodic benefit cost	**31**	27

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 %	2009	2008
Discount rate	**6.21**	5.80
Expected return of plan assets	**5.74**	7.06
Rate of compensation increase	**3.56**	3.66

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2009 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses outside the 10 % corridor for each defined benefit plan were € 20 million (2008: € 12 million).

The following table shows the expected benefit payments for the next ten years:

for the fiscal years	in million €
2010	18
2011	19
2012	20
2013	22
2014	23
2015 to 2019	148
Total expected benefit payments	**250**

The Fresenius Group uses December 31, 2009 as the measurement date in determining the funded status of all plans.

The major part of pension liabilities relates to Germany. At December 31, 2009, 88 % of the pension liabilities were recognized in Germany, 12 % in the rest of Europe.

Approximately two thirds of the beneficiaries were located in North America, approximately one quarter in Germany and the remainder throughout the rest of Europe and other continents.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.5 % for the year 2009.

The overall investment strategy for the North American pension plan is to achieve a mix of approximately 98 % of investments for long-term growth and 2 % for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The target allocations for plan assets in North America are 35 % equity securities and 65 % long-term US bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of FMC-AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year US Treasury Strip Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	Allocation 2009	Allocation 2008	Target allocation
Equity investments	**33.15**	34.27	35.32
Fixed income investments	**60.35**	61.94	58.97
Other incl. real estate	**6.50**	3.79	5.71
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 6.92 % compounded annually. Contributions to plan assets for the fiscal year 2010 are expected to amount to € 5 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2009 was € 27 million (2008: € 22 million). The main part relates to the North American savings plan, which employees of FMCH can join. Employees can deposit up to 75 % of their pay up to an annual maximum of US$ 16,500 if under 50 years old (US$ 22,000 if 50 or over) under this savings plan. Fresenius Medical Care will match 50 % of the employee deposit up to a maximum Company contribution of 3 % of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2009 and 2008 was € 20 million and € 18 million, respectively.

27. NONCONTROLLING INTEREST

As of December 31, noncontrolling interest in the Group was as follows:

in million €	2009	2008
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**3,083**	2,788
Noncontrolling interest in HELIOS Kliniken GmbH	**3**	4
Noncontrolling interest in VAMED AG	**19**	29
Noncontrolling interest in the business segments		
Fresenius Medical Care	**145**	115
Fresenius Kabi	**37**	33
Fresenius Helios	**110**	99
Fresenius Vamed	**3**	2
Corporate/Other	**0**	–
Total noncontrolling interest	**3,400**	3,070

In 2009, noncontrolling interest increased by € 330 million to € 3,400 million. The change resulted from the noncontrolling interest in profit of € 495 million, less dividend payments of € 166 million and other effects, mainly noncontrolling interest in stock options, currency effects and first-time consolidations, in a total amount of € 1 million.

28. FRESENIUS SE 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 and 2,748,057 new preference shares were issued. The transaction generated gross proceeds of approximately € 289 million and increased the subscribed capital by € 5.5 million. The new shares had full dividend entitlement for the fiscal year 2008.

During the fiscal year 2009, 171,642 stock options were exercised.

Accordingly, at December 31, 2009, the subscribed capital of Fresenius SE was divided into 80,657,688 bearer ordinary shares and 80,657,688 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 following notifications disclosed in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) reflect the level of investments held in Fresenius SE at the date of the statement of financial position:

The Else Kröner-Fresenius-Stiftung notified Fresenius SE on December 23, 2009, that it still holds 46,871,154 ordinary shares of Fresenius SE representing 58.11 % of the voting rights.

On October 1, 2009, the voting rights held by FIL Limited, Hamilton, Bermuda, fell below the threshold of 3 % of the voting rights in Fresenius SE, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, FIL Limited held 2.90 % of the voting rights in Fresenius SE, arising from 2,340,841 voting rights. All voting rights in Fresenius SE were attributed to FIL Limited pursuant to Section 22 (1) sentence 1 No. 6 WpHG in connection with sentence 2 WpHG.

On May 28, 2009 the voting rights held by FMR LLC, Boston, Massachusetts, United States, crossed above the threshold of 3 % of the voting rights in Fresenius SE, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, FMR LLC held 4.50 % of the voting rights in Fresenius SE, arising from 3,623,808 voting rights. All voting rights in Fresenius SE were attributed to FMR LLC pursuant to Section 22 (1) sentence 1 No. 6 in connection with sentence 2 WpHG. The voting rights were attributed to FMR LLC inter alia from Fidelity Investment Trust, being a shareholder holding 3 % or more of the voting rights in Fresenius SE.

All notifications by shareholders in the fiscal year 2009 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 8, 2009, the previous Approved Capital I and II were revoked and the Management Board of Fresenius SE was authorized, with the approval of the Supervisory Board, until May 7, 2014,

- to increase Fresenius SE's subscribed capital by a total amount of up to € 12,800,000 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 total amount of up to € 6,400,000 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, in each case with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right.

The resolved changes to the Approved Capital became effective after their registration in the commercial register in July 2009.

Against the resolutions of the Annual General Meeting dated May 8, 2009 creating Approved Capitals I and II, two challenging complaints (Anfechtungsklagen) were lodged. The Frankfurt Regional Court has decided in favor of one complaint through judgment dated February 2, 2010, the other complaint was rejected. The judgment of the Frankfurt Regional Court dated February 2, 2010 is not yet final and binding. The clearance procedure (Freigabeverfahren) pursuant to Section 246a of the German Stock Corporation Act (AktG) initiated by Fresenius SE is pending before the Higher Regional Court (Oberlandesgericht) in Frankfurt/Main with the view of securing the validity of the Approved Capital which has already been registered in the commercial register.

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 35, Stock options).

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 relevant change in Fresenius SE's Articles of Association 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	682,467	682,467	1,364,934
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,209,125	2,209,125	4,418,250
Conditional Capital III Fresenius SE Stock Option Plan 2008	3,100,000	3,100,000	6,200,000
Total Conditional Capital as of January 1, 2009	**5,991,592**	**5,991,592**	**11,983,184**
Fresenius AG Stock Option Plan 1998 – options exercised	-25,917	-25,917	-51,834
Fresenius AG Stock Option Plan 2003 – options exercised	-59,904	-59,904	-119,808
Total Conditional Capital as of December 31, 2009	**5,905,771**	**5,905,771**	**11,811,542**

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 statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2009, a dividend of € 0.70 per bearer ordinary share and € 0.71 per bearer preference share was approved by Fresenius SE's shareholders at the Annual General Meeting and paid. The total dividend payment was € 114 million.

29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value.

Changes in the components of other comprehensive income (loss) in 2009 and 2008 were as follows:

	2009			2008		
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	**2**	**-10**	**-8**	-147	52	-95
Change in unrealized gains/losses	-1	-9	-10	-146	52	-94
Realized gains/losses due to reclassifications	3	-1	2	-1	–	-1
Foreign currency translation adjustment	**-43**	**5**	**-38**	96	0	96
Other comprehensive income (loss)	**-41**	**-5**	**-46**	-51	52	1

OTHER NOTES

30. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2009 and 2008 was € 430 million and € 379 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2009 are:

for the fiscal years	in million €
2010	354
2011	304
2012	257
2013	215
2014	176
Thereafter	630
Total	**1,936**

As of December 31, 2009, future investment commitments existed up to the year 2014 from the acquisition contracts for hospitals at projected costs of up to € 208 million. Thereof € 70 million relate to the year 2010.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing healthcare services and products. The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

W.R. Grace & Co. lawsuit

Fresenius Medical Care was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius SE (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.

Baxter patent dispute "touchscreen interfaces" (1)
On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the 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 touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the Court of Appeals for the Federal Circuit. On September 10, 2009, the Court of Appeals reversed the district court's decision and determined that

the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Court of Appeals affirmed the district court's decision; however, the Court of Appeals vacated the injunction and award of damages. These issues have been remanded to the lower court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court, although funds already contributed will remain in escrow until the case is concluded. The remaining patent has been found invalid in re-examination by the U.S. Patent and Trademark Office (USPTO) and Baxter has appealed this finding. If Fresenius Medical Care prevails with respect to the invalidity of the final remaining patent, the escrowed funds will be returned to it with interest. In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original district court order, irrespective of the outcome of the remanded issues.

Baxter patent dispute "touchscreen interfaces" (2)
On April 28, 2008, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division (Chicago), styled Baxter International, Inc. and Baxter Healthcare Corporation v. Fresenius Medical Care Holdings, Inc. and Fresenius USA, Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four 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 osmotic pressure). The case is currently stayed pursuant to court order. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue, all of which are now subject to re-examination at, and to preliminary findings of invalidity by, the USPTO.

Baxter patent dispute "Liberty cycler"
On October 17, 2006, Baxter and DEKA Products Limited Partnership (DEKA) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint 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.

A patent infringement action has been pending in Germany between Gambro Industries (Gambro) on the one side and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) and Fresenius Medical Care 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 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. Accordingly, the court ordered Fresenius Medical Care to pay compensation (to be determined in a separate court

proceeding which was recently initiated by Gambro; a hearing has been scheduled in February 2010) 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. However, preceding such enforcement Fresenius Medical Care had already developed design modifications, being an alternative technical solution, and replaced the alleged patent infringing technology in 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. Therefore, Fresenius Medical Care has made no provision in the financial statements for any potential liability in this matter.

Other litigation and potential exposures

Renal Care Group – Class action "acquisition"

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 by RCG. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. The complaint sought damages against defendant and its former officers and directors but did not state a claim for money damages directly against RCG. As of August 24, 2009, appellate proceedings that reversed the trial court's dismissal of the complaint had concluded. The litigation is accordingly proceeding toward trial in the Chancery Court.

Department of Justice subpoenas "Missouri"

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, U.S. Attorney for the 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 Inspector General of the United States Department of Health and Human Services and the United States Attorney for the Eastern District of Texas participated in the Eastern District of Missouri's investigation of FMCH's and RCG's utilization of Epogen begun in 2005. Subsequently, the review of Epogen utilization was transferred to the Eastern District of Texas, where a qui tam relator's complaint has been pending under seal since 2005 (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 qui tam relator's complaint was made public by the United States District Court for the Eastern District of Texas during the fourth quarter of 2009 and was dismissed by the Court on January 11, 2010 with respect to FMCH and its subsidiaries following the relator's motion to dismiss FMCH and its subsidiaries and with the United States' consent.

Renal Care Group – Complaint "Method II"
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. On August 11, 2009, the Court granted RCG's motion to transfer venue to the Middle District of Tennessee (Nashville), where the case is proceeding toward trial. 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 Holdings – Qui tam complaint
On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee (qui tam is a legal provision under the United States False Claims Act, which allows 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. Litigation on the relator's complaint is proceeding to trial.

Department of Justice subpoena "Massachusetts"
On June 25, 2009, FMCH received a subpoena from the U.S. Department of Justice, U.S. Attorney for the District of Massachusetts. The subpoena seeks information relating to the results of certain laboratory tests ordered for patients treated in FMCH's dialysis facilities during the years 2004 through 2009. Fresenius Medical Care intends to cooperate fully in the government's investigation.

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 (€ 80 million) payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

31. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

		Categories			
		Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value	Relating to no category
Classes	Cash and cash equivalents				▶ Cash and cash equivalents
	Assets recognized at carrying amount	▶ Trade accounts receivable (incl. receivables from and loans to related parties)			
	Assets recognized at fair value			▶ (2008: Other non-current assets (solely derivatives embedded in the MEB))	
	Liabilities recognized at carrying amount		▶ Trade accounts payable ▶ Short-term accounts payable to related parties ▶ Short-term debt (incl. short-term loans from related parties) ▶ Long-term debt excluding capital lease obligations ▶ Senior Notes ▶ Trust preferred securities ▶ Mandatory exchangeable bonds (MEB) (excluding embedded derivatives)		▶ Long-term capital lease obligations
	Liabilities recognized at fair value			▶ Other long-term liabilities (solely Contingent Value Rights – CVR and derivatives embedded in the MEB)	
	Derivatives designated as hedging instruments			▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities	▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities

The derivative financial instruments embedded in the MEB are included in the statement of financial position item long-term accrued expenses and other long-term liabilities (in 2008: other non-current assets) (for details relating to the MEB, please see note 24, Mandatory Exchangeable Bonds).

Due to their special character and the difference in valuation, the embedded derivatives are classified separately. Also because of their special character and different valuation, the CVR are classified separately from their statement of financial position item.

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories according to IAS 39, were as follows:

in million €	2009	2008
Loans and receivables	2,535	2,499
Financial liabilities measured at amortized cost	9,313	9,793
Assets measured at fair value [1]	11	48
Liabilities measured at fair value [1]	73	61
Relating to no category	267	148

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition according to IAS 39.

Estimation of fair values of financial instruments

The significant methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

The nominal value of short-term financial instruments like accounts receivables and payables and short-term debt represents its carrying amounts, which is a reasonable estimate of the fair value due to the relatively short period to maturity of these instruments.

The fair values of the major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used.

The carrying amounts of derivatives embedded in the MEB and the CVR correspond with their fair values. The embedded derivatives have to be measured at fair value, which is estimated based on a Black-Scholes model. The CVR are traded at the stock exchange in the United States and are therefore valued with the current stock exchange price at the reporting date.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit-risk adjustments are factored into the valuation of derivatives that are assets.

Fair value of financial instruments

The following table presents the carrying amounts and fair values of the Group's financial instruments as of December 31:

	2009		2008	
in million €	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	420	420	370	370
Assets recognized at carrying amount	2,535	2,535	2,499	2,499
Assets recognized at fair value	0	0	8	8
Liabilities recognized at carrying amount	9,358	9,508	9,835	9,725
Liabilities recognized at fair value	55	55	41	41
Derivatives designated as hedging instruments	-115	-115	-160	-160

Derivatives for hedging purposes as well as derivatives embedded in the MEB were recognized at gross values as other assets in an amount of € 49 million and other liabilities in an amount of € 185 million.

Derivative and non-derivative financial instruments recognized at fair value are classified according to the three-tier fair value hierarchy. For the fair value measurement of derivatives for hedging purposes, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with the defined fair value hierarchy levels. The derivatives embedded in the MEB are also classified as Level 2. The valuation of the CVR is based on the current stock exchange price, they are therefore classified as Level 1. The liabilities recognized at fair value consist of embedded derivatives and the CVR and are consequently classified in their entirety as the lower hierarchy Level 2. Financial instruments that would have to be classified as Level 3 do not exist within the Fresenius Group.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2009	
in million €	Assets	Liabilities
Interest rate contracts (current)	–	–
Interest rate contracts (non-current)	–	134
Foreign exchange contracts (current)	18	11
Foreign exchange contracts (non-current)	20	1
Derivatives designated as hedging instruments[1]	**38**	**146**
Foreign exchange contracts (current)[1]	11	17
Foreign exchange contracts (non-current)[1]	–	1
Derivatives embedded in the MEB (non-current)	0	21
Derivatives not designated as hedging instruments	**11**	**39**

[1] Derivatives designated as hedging instruments and foreign exchange contracts not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely used to hedge economic business transactions and not for speculative purposes.

The current portions of interest rate contracts and foreign exchange contracts indicated as assets in the table above are recognized as other current assets in the statement of financial position while the current portions of those indicated as liabilities are included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized as other non-current assets or as long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the MEB are recognized as other non-current assets/other long-term liabilities.

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of € 174 million and foreign currency transactions of € 3 million. In addition, income of € 6 million resulted from the fair value measurement of the CVR and expenses of € 29 million resulted from the fair value measurement of the derivatives embedded in the MEB. Interest income of € 22 million resulted mainly from trade accounts receivables and loans to related parties. Interest expense of € 602 million resulted mainly from financial liabilities.

EFFECT OF DERIVATIVE INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS ON THE STATEMENT OF FINANCIAL PERFORMANCE

	2009		
in million €	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in income
Interest rate contracts	5	-5	–
Foreign exchange contracts	-6	2	–
Derivatives in cash flow hedging relationships[1]	**-1**	**-3**	**–**
Foreign exchange contracts			21
Derivatives in fair value hedging relationships			**21**
Derivatives designated as hedging instruments	**-1**	**-3**	**21**

[1] The amount of gain or loss recognized in income relates solely to the ineffective portion.

Gains from derivatives in fair value hedging relationships recognized in income are faced by losses from the underlying transactions in the same amount.

EFFECT OF DERIVATIVE INSTRUMENTS NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE STATEMENT OF FINANCIAL PERFORMANCE

	2009
in million €	Gain or loss recognized in income
Foreign exchange contracts	-22
Derivatives embedded in the MEB	-29
Derivatives not designated as hedging instruments	**-51**

The Fresenius Group expects to recognize a net amount of € -4 million of the existing gains and losses deferred in accumulated other comprehensive income (loss) in earnings within the next 12 months.

Gains and losses resulting from interest rate contracts (recognized in income) are recognized as net interest in the consolidated statement of income. Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted as cost of sales, selling, general and administrative expenses and net interest. The position other financial result in the consolidated statement of income includes gains and losses from the valuation of the derivatives embedded in the MEB (see note 11, Other financial result).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes, trust preferred securities and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the 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 sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and implemented.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, 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. In order to ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2009, the notional amounts of foreign exchange contracts totaled € 2,442 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair values of cash flow hedges and fair value hedges were € 6 million and € 20 million, respectively.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2009, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 40 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 € 9 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from long-term borrowings at variable rates by swapping them into fixed rates.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5 % compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to Fresenius SE. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of less than 1 % on the consolidated net income attributable to Fresenius SE and Fresenius SE shareholders' equity.

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing loans and Euro Notes (Schuldscheindarlehen) mainly denominated in US dollars or euros, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 3,300 million (€ 2,291 million) and a fair value of € -110 million expire at various dates in the years 2010 to 2013. The Euro interest rate swaps with a notional volume of € 407 million and a fair value of € -24 million expire in the years 2011 to 2016. The US dollar interest rate swaps bear an average interest rate of 4.20 % and the Euro interest rate swaps bear an average interest rate of 4.33 %.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date.

CREDIT RISK

The Fresenius Group is exposed to potential losses 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 € 49 million for foreign exchange derivatives at December 31, 2009. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

in million €	up to 1 year	1 to 5 years	more than 5 years
Long-term debt and capital lease obligations[1]	419	5,545	123
Short-term debt (including accounts receivable securitization program)	302	0	0
Senior Notes	140	1,022	1,800
Mandatory Exchangeable Bonds[2]	31	31	0
Trade accounts payable	601	–	–
Trust preferred securities	35	473	–
Derivative financial instruments	28	136	0
Total	**1,556**	**7,207**	**1,923**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2009.
[2] The line Mandatory Exchangeable Bonds includes only interests, as the bonds will be exchangeable into shares of FMC-AG & Co. KGaA and not redeemable in cash upon maturity.

32. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are almost invariably of high credit quality.

Equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

in million €	December 31, 2009	December 31, 2008
Shareholders' equity	**7,908**	7,237
Total assets	**21,148**	20,826
Equity ratio	**37.39 %**	34.75 %

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 35, Stock options).

DEBT

in million €	December 31, 2009	December 31, 2008
Debt	**8,196**	8,677
Total assets	**21,148**	20,826
Debt ratio	**38.76 %**	41.66 %

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. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

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 3.0 as of December 31, 2009. 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.

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	stable	negative	stable

33. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statements of cash flows of the Fresenius Group for the fiscal years 2009 and 2008 are shown on pages 70 to 71.

Cash funds reported in the consolidated statement of cash flows and in the statement of financial position comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

in million €	2009	2008
Assets acquired	**347**	4,235
Liabilities assumed	**-48**	-421
Noncontrolling interest	**-31**	2
Notes assumed in connection with acquisitions	**-19**	-767
Cash paid	**249**	3,049
Cash acquired	**-24**	-105
Cash paid for acquisitions, net	**225**	2,944

34. NOTES ON SEGMENT REPORTING

GENERAL

The segment reporting tables shown on pages 74 to 77 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, 2009.

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 IFRS 8, Operating segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

Fresenius Medical Care 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 195,651 patients in its 2,553 own dialysis clinics.

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

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

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

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.

The key data used by the Management Board of Fresenius SE to control the segments are based on US GAAP. The segment information is therefore given in accordance with US GAAP. The column IFRS-Reconciliation provides a reconciliation from the US GAAP segment data to the IFRS key data. The differences between the US GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, revenues and expenses from reinsurance contracts, gains from sale and lease back transactions with an operating lease agreement, development costs and cumulative actuarial gains and losses for pensions.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives and acquired in-process R & D of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income attributable to Fresenius SE is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, trust preferred securities, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. The MEB and the CVR are not categorized as debt (see note 32, Supplementary information on capital management).

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally-independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

in million €	2009	2008
Total EBIT of reporting segments	**2,057**	1,797
General corporate expenses Corporate/Other (EBIT)	**-53**	-37
Group EBIT	**2,004**	1,760
Interest expenses	**-602**	-456
Interest income	**22**	25
Other financial result	**-31**	68
Income before income taxes	**1,393**	1,397

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in million €	December 31, 2009	December 31, 2008
Short-term borrowings	**287**	729
Short-term liabilities and loans from related parties	**2**	2
Current portion of long-term debt and capital lease obligations	**263**	433
Current portion of Senior Notes	**0**	100
Long-term debt and capital lease obligations, less current portion	**5,123**	5,604
Senior Notes, less current portion	**2,066**	1,354
Trust preferred securities of Fresenius Medical Care Capital Trusts	**455**	455
Debt	**8,196**	8,677
less cash and cash equivalents	**420**	370
Net debt	**7,776**	8,307

The following table shows the non-current assets by geographical region:

in million €	December 31, 2009	December 31, 2008
Germany	**3,208**	3,051
Europe (excluding Germany)	**1,950**	1,901
North America	**9,475**	9,737
Asia-Pacific	**681**	642
Latin America	**282**	221
Africa	**37**	31
Total non-current assets[1]	**15,633**	15,583

[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 2009, the Fresenius Group generated sales of € 3,152 million (2008: € 2,793 million) in Germany.

35. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2009, the Fresenius Group recognized compensation cost in an amount of € 36 million for convertible bonds and stock options granted since 2005. 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 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 the Fresenius SE Stock Option Plan 2008 made during the years 2009 and 2008 are as follows:

	2009		2008	
in million €	December Grant	July Grant	December Grant	August Grant
Expected dividend yield	**2.33 %**	**2.90 %**	2.39 %	1.63 %
Risk-free interest rate	**2.73 %**	**3.04 %**	2.88 %	4.20 %
Expected volatility	**28.83 %**	**29.01 %**	28.91 %	27.82 %
Life of options	**7 years**	**7 years**	7 years	7 years
Exercise price per option in €	**39.61**	**36.89**	43.52	53.56

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, 2009, 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 stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). The latter is the only plan under which stock options were granted during 2009.

Stock Option Plan 2008

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the 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 attributable to Fresenius SE, adjusted for extraordinary effects, has increased by at least 8 % compared to the respective adjusted net income attributable to Fresenius SE of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to Fresenius SE shall be calculated on the basis of the calculation method of the accounting principles according to US GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to Fresenius SE is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance targets for 2009 and 2008 were met. Upon exercise of vested options, Fresenius SE has the right to

grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: 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. At December 31, 2009, all options were exercisable. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Transactions during 2009

In 2009, Fresenius SE awarded 1,067,248 stock options, including 180,600 options to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 36.90, a weighted-average fair value of € 8.25 each and a total fair value of € 9 million, which will be amortized over the three-year vesting period.

During the fiscal year 2009, Fresenius SE received cash of € 4 million from the exercise of 171,642 stock options. The average stock price at the exercise date was € 35.92 for ordinary shares and € 41.82 for preference shares. The intrinsic value of options exercised in 2009 was € 2 million.

At December 31, 2009, out of 457,062 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 2,799,514, of which 1,953,308 were exercisable. The members of the Fresenius SE Management Board held 514,500 options. Out of 2,136,876 outstanding stock options issued under the 2008 Plan, 361,200 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 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**
Granted	533,624	33.82	
Exercised	85,821	24.55	
Forfeited	121,376	36.14	
Balance 2009	**2,696,726**	**39.49**	**1,205,185**

Preference shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
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**
Granted	533,624	39.97	
Exercised	85,821	25.24	
Forfeited	121,376	38.10	
Balance 2009	**2,696,726**	**40.73**	**1,205,185**

The following tables provide a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2009:

OPTIONS FOR ORDINARY SHARES

	Options outstanding			Options exercisable		
Range of exercise price in €	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	118,977	3.50	13.65	118,977	3.50	13.65
15.01 – 20.00	102,702	2.61	19.61	102,702	2.61	19.61
20.01 – 25.00	144,376	4.50	21.96	144,376	4.50	21.96
25.01 – 30.00	280,598	5.45	28.56	280,598	5.45	28.56
30.01 – 35.00	668,046	5.39	33.17	137,109	1.08	30.71
35.01 – 40.00	409,786	6.41	39.29	274,626	6.36	39.11
40.01 – 45.00	49,640	5.92	41.62	0		
45.01 – 50.00	8,484	6.50	48.81	4,812	6.50	48.81
50.01 – 55.00	486,111	5.58	54.69	0		
55.01 – 60.00	415,337	7.50	56.43	137,764	7.50	56.43
70.01 – 75.00	12,669	7.50	70.54	4,221	7.50	70.54
	2,696,726	**5.70**	**39.49**	**1,205,185**	**4.86**	**31.60**

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	130,257	3.50	12.05	130,257	3.50	12.05
15.01 – 20.00	144,376	4.50	19.00	144,376	4.50	19.00
20.01 – 25.00	91,422	2.50	21.13	91,422	2.50	21.13
25.01 – 30.00	280,598	5.45	29.30	280,598	5.45	29.30
30.01 – 35.00	73,607	1.58	34.73	73,607	1.58	34.73
35.01 – 40.00	569,856	6.43	39.86	38,919	5.50	38.52
40.01 – 45.00	434,369	5.62	40.79	299,209	5.23	40.88
45.01 – 50.00	49,640	5.92	45.40	0		
50.01 – 55.00	494,595	5.60	52.44	4,812	6.50	53.01
55.01 – 60.00	415,337	7.50	56.11	137,764	7.50	56.11
70.01 – 75.00	12,669	7.50	70.14	4,221	7.50	70.14
	2,696,726	**5.70**	**40.73**	**1,205,185**	**4.86**	**32.39**

At December 31, 2009, the aggregate intrinsic value of exercisable options for ordinary shares and preference shares was € 14 million and € 21 million, respectively.

At December 31, 2009, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were € 18 million. These costs are expected to be recognized over a weighted-average period of 1.9 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established by resolution of 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 Amended 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to 3 million options designated for members of the Management Board of Fresenius Medical Care Management AG (FMC Management AG), the General Partner, up to 3 million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 9 million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the Management Board of FMC Management AG, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the Amended 2006 Plan (including decisions regarding certain adjustments and forfeitures). The Management Board of FMC Management AG has such authority with respect to all other participants in the Amended 2006 Plan.

Options under the Amended 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the Amended 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the Amended 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets, measured over a three-year period from the grant date. For each such year, the performance target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (EPS), as calculated in accordance with the Amended 2006 Plan, increases by at least 8 % year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the

Amended 2006 Plan excluded, among other items, the costs of the transformation of Fresenius Medical Care's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8 % target. The performance targets for 2009 and 2008 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 Amended 2006 Plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to € 12 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 12 million non-voting preference shares. The convertible bonds have a par value of € 1.00 and bear interest at a rate of 5.5 %. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. FMC-AG & Co. KGaA has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by FMC-AG & Co. KGaA and are not reflected in the consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to FMC-AG & Co. KGaA are recognized as a liability on the Group's statement of financial position.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25 %. The initial value is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15 % less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the initial value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005.

Transactions during 2009

During 2009, Fresenius Medical Care awarded 2,585,196 options, including 348,600 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of € 32.08, a weighted-average fair value of € 7.67 each and a total fair value of € 20 million, which will be amortized over the three-year vesting period.

During 2009, FMC-AG & Co. KGaA received cash of € 46 million from the exercise of stock options and € 6 million from a related tax benefit. The intrinsic value of options exercised in 2009 was € 20 million.

At December 31, 2009, the Management Board members of FMC Management AG, held 2,041,121 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,852,942 stock options for ordinary shares and 146,601 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, 2009 as compared to December 31, 2008.

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2008 (options for ordinary shares)	**11,280**	**29.15**
Granted	2,585	32.08
Exercised	1,815	24.08
Forfeited	156	33.18
Balance at December 31, 2009 (options for ordinary shares)	**11,894**	**30.50**
Balance at December 31, 2008 (options for preference shares)	**242**	**16.18**
Exercised	74	13.38
Forfeited	21	11.04
Balance at December 31, 2009 (options for preference shares)	**147**	**18.35**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2009:

	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	4,589	4.02	25.27	54
Options for preference shares	147	3.91	18.35	2

At December 31, 2009, total unrecognized compensation costs related to non-vested options granted under all plans were € 33 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

36. RELATED PARTY TRANSACTIONS

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Roland Berger Strategy Consultants. In 2009, no services were rendered to the Fresenius Group by this company. In 2008, € 4 million were paid 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. The Fresenius Group keeps business relations with Commerzbank under customary conditions. In 2008, the Fresenius Group paid € 4 million for services rendered in connection with the commitment relating to the financing for the APP acquisition.

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. Franceso De Meo, member of the Management Board of Fresenius SE, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In 2009, the Fresenius Group paid € 7 million for insurance premiums to Allianz (2008: € 7 million).

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE, is a partner in the law firm Noerr LLP (formerly: Nörr Stiefenhofer Lutz) that provides legal services to the Fresenius Group. In 2009, the Fresenius Group paid this law firm € 1 million for services rendered (2008: € 1 million).

37. SUBSEQUENT EVENTS

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2009. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

38. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the Compensation Report (see page 144ff.), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and consisted of three components in 2009: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), and a long-term incentive component (stock options).

The cash compensation paid to the Management Board for the performance of its responsibilities was € 9,345 thousand (2008: € 9,138 thousand). Thereof, € 3,635 thousand (2008: € 3,591 thousand) were not performance-related and € 5,204 thousand (2008: € 5,118 thousand) were performance-related. The amount of the performance-related compensation generally depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 180,600 stock options under the Fresenius SE Stock Option Plan 2008 and 99,600 stock options under the Fresenius Medical AG & Co. KGaA Stock Option Plan 2006.

The compensation paid to the Supervisory Board and its committees was € 1,584 thousand in 2009 (2008: € 1,488 thousand). Of this amount, € 183 thousand was fixed compensation (2008: € 183 thousand), € 100 thousand was compensation for committees services (2008: € 100 thousand), and € 1,301 thousand was variable compensation (2008: € 1,205 thousand).

In 2009, to former members of the Management Board, € 875 thousand (2008: € 1,386 thousand) were paid. The pension obligation for these persons amounted to € 9,878 thousand in 2009 (2008: € 10,056 thousand).

In the fiscal years 2009 and 2008, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius SE.

39. AUDITOR'S FEES

In 2009 and 2008, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2009		2008	
in million €	Total	Germany	Total	Germany
Audit fees	**14**	**5**	13	5
Audit-related fees	**–**	**–**	2	2
Tax consulting fees	**1**	**0**	1	–
Other fees	**–**	**–**	–	0
Total auditor's fees	**15**	**5**	16	7

40. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE www.fresenius.com under Who we are/Corporate Governance/Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations/Corporate Governance/Declaration of Compliance, respectively.

41. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The Management Board of Fresenius SE proposes to the Annual General Meeting that the earnings for 2009 of Fresenius SE are distributed as follows:

in €	
Payment of a dividend of € 0.75 per bearer ordinary share on the 80,657,688 ordinary shares entitled to dividend	60,493,266.00
Payment of a dividend of € 0.76 per bearer preference share on the 80,657,688 preference shares entitled to dividend	61,299,842.88
Balance to be carried forward	48,422.82
Retained earnings	**121,841,531.70**

42. RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v. d. H., February 24, 2010

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

COMPENSATION REPORT

The compensation report of Fresenius SE summarizes the main elements of the compensation system for the members of the Management Board of Fresenius SE and in this connection notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management report. The compensation report is prepared on the basis of the recommendations made by the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

COMPENSATION OF THE MANAGEMENT BOARD OF FRESENIUS SE

The entire Supervisory Board is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the year under review, the personnel committee was composed of 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 reasonably in the sustainable development of the Company's business with the compensation paid and to reward them based on their duties and performance as well as their successes in managing the Company's economic and the financial position while giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2009:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options)

In addition, 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 2009. 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 2009 as a variable bonus. The amount of the bonus in each case generally depends on the achievement of the individual targets relating to the net income attributable to Fresenius SE and its segments. For the total performance-related compensation, the maximum achievable bonus is fixed.

For the fiscal years 2009 and 2008, 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 €	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Dr. Ulf M. Schneider	**800**	800	**56**	39	**1,032**	1,165	**1,888**	2,004
Rainer Baule	**425**	425	**41**	40	**800**	900	**1,266**	1,365
Dr. Francesco De Meo	**425**	425	**18**	18	**543**	490	**986**	933
Dr. Jürgen Götz	**325**	325	**28**	29	**424**	360	**777**	714
Dr. Ben Lipps[2]	**860**	816	**251**	202	**1,200**	963	**2,311**	1,981
Stephan Sturm	**425**	425	**85**	84	**732**	850	**1,242**	1,359
Dr. Ernst Wastler	**375**	375	**27**	17	**473**	390	**875**	782
Total	**3,635**	3,591	**506**	429	**5,204**	5,118	**9,345**	9,138

[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 35.58 % 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 2009, 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 of the notes of the Fresenius Group, Stock options.

For the fiscal years 2009 and 2008, the number and value of stock options issued is shown in the following table:

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]			
	Number		Value in thousand €	
	2009	2008	**2009**	2008
Dr. Ulf M. Schneider	**51,600**	51,600	**425**	815
Rainer Baule	**25,800**	25,800	**213**	408
Dr. Francesco De Meo	**25,800**	25,800	**213**	408
Dr. Jürgen Götz	**25,800**	25,800	**213**	408
Dr. Ben Lipps	**99,600**	99,600	**761**	976
Stephan Sturm	**25,800**	25,800	**213**	408
Dr. Ernst Wastler	**25,800**	25,800	**213**	408
Total	**280,200**	280,200	**2,251**	3,831

[1] Stock options that were granted in 2009 and 2008 under the Fresenius SE stock option plan.
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 2009 correspond to their fair value at the time of grant, namely a value of € 8.24 (2008: € 15.80) per stock option of Fresenius SE and € 7.64 (2008: € 9.80) per stock option of FMC-AG & Co. KGaA.

As the financial targets of the year 2009 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of € 341 thousand (2008: € 425 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 2009, the members of the Management Board held a total of 901,500 (2008: 720,900) stock options and convertible bonds of Fresenius SE and 703,416 (2008: 818,411) 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 2009 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, 2009								
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**
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 €	36.89	36.89	36.89	36.89	31.97	36.89	36.89	**36.89**
Options exercised during fiscal year								
number	0	0	0	0	214,595	0	0	**0**
average exercise price in €					15.32			
average stock price in €					28.50			
Options outstanding on December 31, 2009								
number	322,500	187,050	81,600	88,530	703,416	139,320	82,500	**901,500**
average exercise price in €	36.65	34.42	46.66	46.74	28.44	41.63	44.04	**39.53**
average remaining life in years	5.7	5.2	6.4	6.4	4.2	6.2	6.2	**5.9**
range of exercise prices in €	13.59 to 57.27	13.59 to 57.27	36.89 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, 2009								
number	175,438	113,516	14,996	19,310	404,616	65,786	20,396	**409,442**
average exercise price in €	27.81	26.14	46.41	43.71	24.48	35.41	37.01	**30.46**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options and convertible bonds of Fresenius SE, excluding stock options of Dr. Ben Lipps.

The following table shows the total compensation for the years 2009 and 2008:

in thousand €	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
	2009	2008	**2009**	2008	**2009**	2008
Dr. Ulf M. Schneider	**1,888**	2,004	**425**	815	**2,313**	2,819
Rainer Baule	**1,266**	1,365	**213**	408	**1,479**	1,773
Dr. Francesco De Meo	**986**	933	**213**	408	**1,199**	1,341
Dr. Jürgen Götz	**777**	714	**213**	408	**990**	1,122
Dr. Ben Lipps	**2,311**	1,981	**1,102**	1,401	**3,413**	3,382
Stephan Sturm	**1,242**	1,359	**213**	408	**1,455**	1,767
Dr. Ernst Wastler	**875**	782	**213**	408	**1,088**	1,190
Total	**9,345**	9,138	**2,592**	4,256	**11,937**	13,394

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 2009 and 2008 are stated in the following table.

in thousand €	Expenses for long-term incentive components	
	2009	2008
Dr. Ulf M. Schneider	**694**	714
Rainer Baule	**347**	357
Dr. Francesco De Meo	**171**	68
Dr. Jürgen Götz	**289**	219
Dr. Ben Lipps	**1,857**	1,348
Stephan Sturm	**357**	383
Dr. Ernst Wastler	**171**	68
Total	**3,886**	3,157

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 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 € 3,316 thousand as of December 31, 2009 (2008: € 2,787 thousand). The additions to pension liability in the fiscal year 2009 amounted to € 529 thousand (2008: € 759 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 2009.

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 2009, 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 obtained 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, € 875 thousand and € 1,386 thousand were paid in the years 2009 and 2008, respectively. The benefit obligation for these persons amounted to € 9,878 thousand in 2009 (2008: € 10,056 thousand).

ADJUSTMENTS TO SYSTEM OF COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

From 2010 on, the currently applicable system of compensation for the members of the Management Board will be adjusted to the new requirements of the German Act on the Appropriateness of Executive Board Compensation (VorstAG), which took effect on August 5, 2009, as follows:

In line with the existing compensation system, each member of the Management Board will receive an annual fixed basic compensation to be paid out in twelve equal monthly installments. The amount of the fixed basic compensation is assessed differently for the respective members of the Management Board to reflect the special individual areas of tasks and responsibilities as well as performance contribution.

In addition, the members of the Management Board receive a performance-related bonus whose amount in each case is dependent on certain target parameters oriented on the consolidated result of the Fresenius Group and/or of the relevant corporate segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz –, the amount of the variable bonus is based in its entirety on the respective consolidated net annual profit of Fresenius SE (after deduction of minority interests). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the consolidated net annual profit as well as the development of the net annual profit of the corporate segment (in each case after deduction of minority interests) for which the respective member of the Management Board is responsible. The variable bonus of Dr. Wastler in each case is oriented on the consolidated net annual profit of Fresenius SE (after deduction of minority interests) as well as on the consolidated annual result before tax and extraordinary income/expenditures of the VAMED group. As in the past, Dr. Lipps will continue to receive his compensation only from Fresenius Medical Care.

Besides the variable bonus, which as a rule is to be paid out annually in cash and which is limited in its amount, the members of the Management Board receive a further variable compensation component in the form of stock options as a performance-related component of long-term incentive compensation. Stock options are allotted on the basis of the Stock Option Plan 2008 of Fresenius SE. The number of stock options to be allotted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the new compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the variable bonus to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the bonus earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time it is ensured that any payment is made to the member of the Management Board after expiry of such multi-year period only if (i) no subsequent adjustment of the decisive (i. e. adjusted by extraordinary effects) consolidated net annual profit of Fresenius SE (after deduction of minorities) beyond an amount equal to a tolerance range of 10 % is made, and (ii) the amount of consolidated net annual profit (adjusted for extraordinary effects) of Fresenius SE in the two relevant subsequent years is not substantially less than the consolidated net annual profits (adjusted by extraordinary effects, after deduction of minority interests) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a correspondingly pro rata payment of the converted portion of the variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way the variable bonus can be converted pro rata or in its entirety

into a genuine variable compensation component on a multi-year assessment basis which also participates in any negative developments during the relevant assessment period.

In line with the aim and purpose of the provisions of the German Act on the Appropriateness of Executive Board Compensation (VorstAG), the new system of compensation for the Management Board moreover provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

Under the new compensation system, the amount of the basic compensation of the members of the Management Board was and will be assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector. By this, a predominantly conservative position in relation to relevant comparative companies was deliberately chosen on average. In addition to this horizontal comparative view, due regard was also given to the vertical (company-internal) comparative view in assessing the compensation components for the members of the Management Board.

The existing system of compensation for the members of the Management Board applicable up to now, given its long-term compensation components as well as the ratios that were decisive for the achievement of targets for the short-term variable compensation components, was already oriented towards sustained corporate development. However, the new system of compensation for the members of the Management Board, thanks to the aforementioned provisions, will be oriented to an even greater extent towards the interests of sustained corporate development within the meaning of the provisions of the German Act on the Appropriateness of Executive Board Compensation (VorstAG).

INFORMATION ON THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 14 of the Company statutes 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 2009 and 2008, the compensation for the members of the Supervisory Board of Fresenius SE, including compensation for committee services, was as follows:

	Fixed compensation		Compensation for committee services		Variable compensation		Total compensation	
in thousand €	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Dr. Gerd Krick	**26**	26	**30**	30	**186**	173	**242**	229
Dr. Dieter Schenk	**20**	20	**0**	0	**139**	129	**159**	149
Niko Stumpfögger	**20**	20	**0**	0	**139**	129	**159**	149
Prof. Dr. h. c. Roland Berger (since May 21, 2008)	**13**	8	**20**	12	**93**	53	**126**	73
Dario Ilossi	**13**	13	**0**	0	**93**	86	**106**	99
Konrad Kölbl	**13**	13	**10**	10	**93**	86	**116**	109
Dr. Gabriele Kröner (until May 21, 2008)	**0**	5	**0**	0	**0**	33	**0**	38
Klaus-Peter Müller (since May 21, 2008)	**13**	8	**0**	0	**93**	53	**106**	61
Dr. Gerhard Rupprecht	**13**	13	**0**	0	**93**	86	**106**	99
Wilhelm Sachs	**13**	13	**10**	10	**93**	86	**116**	109
Dr. Karl Schneider	**13**	13	**20**	20	**93**	86	**126**	119
Stefan Schubert	**13**	13	**0**	0	**93**	86	**106**	99
Rainer Stein	**13**	13	**10**	10	**93**	86	**116**	109
Dr. Bernhard Wunderlin (until May 21, 2008)	**0**	5	**0**	8	**0**	33	**0**	46
Total	**183**	183	**100**	100	**1,301**	1,205	**1,584**	1,488

DIRECTORS & OFFICERS 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 2010. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius Societas Europaea, Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with International Financial Reporting Standards (IFRS), as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 24, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hölzl
German Public Auditor

Hommel
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

In 2009, the Supervisory Board performed the duties assigned to it by law and by the Company's Statutes, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to the 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, economic and financial position, and profitability of the Company and the Group the corporate strategy and planning, risk situation, risk management and compliance, and important business events. In all, the Supervisory Board of Fresenius SE convened for four regular meetings in 2009, in March, May, October, and December. Detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed to members of the Supervisory Board before all its meetings. 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 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 lieu of a meeting. In addition, the Chairman of the Management Board regularly informed the Chairman of the Supervisory Board in individual discussions about the latest business

developments and forthcoming decisions. Every member of the Supervisory Board attended at least half of the Supervisory Board meetings during their term of office in 2009.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

The Supervisory Board's monitoring and advisory activities were mainly centered on overall business operations as well as investments and the integration of recent acquisitions – especially APP Pharmaceuticals in the United States – in the business segments. The Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2010 and the Fresenius Group's mid-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. It took note of the Act on the Appropriateness of Executive Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) that came into force in Germany on August 5, 2009. In light of this new legislation, the Supervisory Board resolved to limit the duties of the Personnel Committee to preparing proposals in respect of the compensation system for the Management Board and the compensation of individual members of the Management Board and to resolving non-compensation-related terms of the contracts with the members of the Management Board. In addition, the Supervisory Board engaged experts to examine the appropriateness of the Management Board's compensation and whether the new provisions of the VorstAG stipulating that management compensation be oriented to sustainable long-term corporate performance might require a modification of the Management Board contracts. On May 8, 2009, 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 6, 2008.

For more information on corporate governance at Fresenius, please see the Corporate Governance Declaration on pages 12 to 27 of the Annual Report.

The Management Board and the Supervisory Board of Fresenius SE have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest, and how they are dealt with.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is

a member of the management board of Allianz SE and the chairman of the management board of Allianz Deutschland AG. Dr. Franceso De Meo, member of the Management Board of Fresenius SE, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In 2009, the Fresenius Group paid € 7 million for insurance premiums to Allianz (2008: € 7 million).

Consultancy and other service relationships between Supervisory Board members and the Company only existed in the case of Dr. Schenk, who is a member of our Company's Supervisory Board and is a partner in the international law firm Nörr Stiefenhofer Lutz (as of 2010: Noerr LLP). This law firm provided legal advice to the Fresenius Group in 2009. The Fresenius Group paid € 1 million to this law firm for services rendered in 2009 (2008: € 1 million), corresponding to 1.6 % of the total amount paid for legal advice in 2009. The Supervisory Board and its Audit Committee considered this mandate closely and it was approved by the Supervisory Board. Dr. Schenk did not take part in the voting. There are no other consulting or service contracts between Supervisory Board members and the Company.

There were no conflicts of interest involving members of the Supervisory or Management Boards in 2009. Members are required to notify the Supervisory Board immediately should such conflicts arise.

Fresenius has disclosed the information on related parties in the quarterly reports and on page 184 of the Annual Report.

WORK OF THE COMMITTEES

The Personnel Committee, whose responsibilities now are to prepare proposals on the compensation system for the Management Board and the compensation for the individual members of the Management Board and to resolve the non-compensation-related terms of contracts with members of the Management Board, held two meetings and one conference call.

The Audit Committee held three meetings. There were also four conference calls. The main focus of its controlling activities was on the preliminary audit of the annual financial statements of Fresenius SE and the Group for 2008 and discussions with the auditors about their report and the terms of reference of the audit, paying special heed to APP Pharmaceuticals in the United States. The Audit Committee also reviewed the 2009 quarterly reports, the risk management system, the internal control 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 the implications of the Accounting Law Modernization Act (BilMoG) that came into force in Germany on May 29, 2009.

The Supervisory Board delegated the resolutions on the terms of the financing of the APP Pharmaceuticals acquisition to the special "Transaction Financing APP Pharmaceuticals, Inc." Committee set up for this purpose in 2008. In 2009, this committee held two conference calls and approved the issuance of Senior Notes to replace the bridge financing for the APP Pharmaceuticals acquisition.

The chairmen of the committees reported regularly to the next Supervisory Board meeting on the work of the committees.

The Nomination Committee did not convene. There is no Mediation Committee since the German Co-Determination Act (MitbestG), which provides for this committee, does not apply to Fresenius SE.

Information on the present composition of the committees can be found on pages 194 and 195 of the Annual Report.

PERSONNEL – COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes in the composition of the Management Board or the Supervisory Board in 2009.

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 2009 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. They were elected as auditors at Fresenius SE's Annual General Meeting on May 8, 2009, 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.

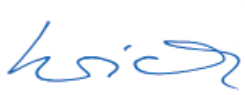
At its meeting on March 12, 2010, the Supervisory Board approved the financial statements of Fresenius SE for 2009 as presented by the Management Board, thereby adopting them as official. The Supervisory Board also approved the consolidated financial statements of Fresenius SE prepared according to IFRS standards and the consolidated financial statements for 2009 prepared voluntarily according to US GAAP.

The auditors delivered a detailed report on the results of the audit during this meeting. They found no weaknesses in the internal control system and risk management with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and the Audit Committee.

The Supervisory Board concurs with the proposal by the Management Board on the appropriation of the 2009 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 12, 2010
The Supervisory Board



Dr. Gerd Krick
Chairman

MANAGEMENT BOARD

Dr. Ulf M. Schneider

Frankfurt am Main

Chairman

Corporate Offices
Supervisory Board
Eufets AG (until May 31, 2009; 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 (Chairman)
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (Chairman until November 1, 2009)

Rainer Baule

Ettlingen

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands (Chairman)
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A., Spain
Labesfal – Laboratórios Almiro, S.A., Portugal

Administrative Board
Fresenius Kabi Groupe France S.A., France (Chairman)
Fresenius Kabi Italia S.p.A., Italy

Board of Directors
APP Pharmaceuticals, Inc., USA
Dabur Pharma (Thailand) Co. Ltd., Thailand
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Inc., USA
Fresenius Kabi Oncology Plc., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA
Fresenius Kabi (Singapore) Pte Ltd., Singapore (since January 1, 2010)

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 Klinikum Erfurt GmbH (since December 8, 2009)
HELIOS Klinikum Krefeld GmbH
HELIOS Kliniken Leipziger Land GmbH (since November 16, 2009)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Spital Überlingen GmbH (since January 1, 2010; Chairman)

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG

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, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler

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
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

Chairman of the Audit Committee

Offices
Supervisory Board
Live Holding AG (Deputy Chairman until April 1, 2009; Chairman since April 1, 2009)
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
Loyalty Partner Holdings S.A., Luxembourg
Roland Berger AG, Switzerland (until August 4, 2009; Chairman)
Special Purpose Acquisition Company (SPAC) Germany 1 Acquisition Limited, Guernsey (Co-Chairman)
Telecom Italia S.p.A., Italy

Dario Anselmo Ilossi

Rome, Italy

Secretary of the Trade Union 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 Krankenhaus-management und Betriebsführungs-ges. 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

Klaus-Peter Müller

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fraport AG
Linde AG
Steigenberger Hotels AG (until July 31, 2009)

Administrative Board
Assicurazioni Generali S.p.A., Italy
KfW Kreditanstalt für Wiederaufbau (until March 23, 2009)
Landwirtschaftliche Rentenbank (since July 16, 2009)
Liquiditäts-Konsortialbank GmbH (until March 23, 2009)

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 Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG (Deputy Chairman)
Allianz Lebensversicherungs-AG (Chairman)
Allianz Private Krankenversicherungs-AG (Chairman)
Allianz Suisse Lebensversicherungs-AG, Switzerland
Allianz Suisse Versicherungs-AG, Switzerland
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

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 until April 23, 2009 and since July 14, 2009; Chairman from April 23, 2009 until July 14, 2009)
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 and of HELIOS Klinik Idstein

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 (Deputy Chairman)

FINANCIAL CALENDAR

Report on 1st quarter 2010 Conference call Live webcast	May 4, 2010
Annual General Meeting, Frankfurt am Main, Germany	May 12, 2010
Payment of dividend [1]	May 13, 2010
Report on 1st half 2010 Conference call Live webcast	August 3, 2010
Report on 1st – 3rd quarters 2010 Conference call Live webcast	November 2, 2010

[1] Subject to the prior approval by the Annual General Meeting.

Fresenius SE's Report according to IFRS was published at our website http://www.fresenius.com.

FRESENIUS SHARES

	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 Headquarters
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Germany

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Germany

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e-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
e-mail: pr-fre@fresenius.com

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 Report is legally binding.

The financial statements of Fresenius SE and the consolidated statements in accordance with IFRS accounting principles and US GAAP are available on our website and may be obtained upon request at Investor Relations.
You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA and Fresenius Kabi Pharmaceuticals Holding, Inc. – the actual results could differ materially from the results currently expected.