**Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe**  
(until January 28, 2011: Fresenius SE)

**Balance Sheet as of December 31, 2011**

### A s s e t s

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
<tr>
<td>A. Fixed assets</td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td>616</td>
<td>508</td>
</tr>
<tr>
<td>II. Tangible assets</td>
<td>63,256</td>
<td>64,320</td>
</tr>
<tr>
<td>III. Financial assets</td>
<td>4,427,259</td>
<td>3,717,519</td>
</tr>
<tr>
<td></td>
<td>4,491,131</td>
<td>3,782,347</td>
</tr>
<tr>
<td>B. Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Accounts receivable and other assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Accounts receivable due from related parties</td>
<td>752,486</td>
<td>994,592</td>
</tr>
<tr>
<td>2. Other assets</td>
<td>72,404</td>
<td>824,890</td>
</tr>
<tr>
<td>II. Cash and cash equivalents</td>
<td>21,510</td>
<td>191,107</td>
</tr>
<tr>
<td></td>
<td>846,400</td>
<td>1,241,837</td>
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<tr>
<td>C. Deferred expense</td>
<td>1,223</td>
<td>1,443</td>
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</tbody>
</table>

5,338,754 5,025,627
### Liabilities and shareholders' equity

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
</tbody>
</table>

#### A. Shareholders' equity

**I. Subscribed capital**

(8, 9, 10, 11, 12)

1. Ordinary shares  
   (conditional capital I kEUR 888; prev. yr. kEUR 495)  
   (conditional capital II kEUR 2,977; prev. yr. kEUR 1,743)  
   (conditional capital III kEUR 6,025; prev. yr. kEUR 3,100)  
   163,237  

2. Preference shares  
   (conditional capital I kEUR 0; prev. yr. kEUR 495)  
   (conditional capital II kEUR 0; prev. yr. kEUR 1,743)  
   (conditional capital III kEUR 0; prev. yr. kEUR 3,100)  
   0  

<table>
<thead>
<tr>
<th></th>
<th>1,899,796</th>
<th>1,869,988</th>
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#### II. Capital reserves

<table>
<thead>
<tr>
<th></th>
<th>1,308,995</th>
<th>854,245</th>
</tr>
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</table>

#### III. Other reserves

<table>
<thead>
<tr>
<th></th>
<th>454,816</th>
<th>139,758</th>
</tr>
</thead>
</table>

#### IV. Retained earnings

<table>
<thead>
<tr>
<th></th>
<th>3,826,844</th>
<th>3,026,441</th>
</tr>
</thead>
</table>

#### B. Special reserve for investment government grants

(16)

<table>
<thead>
<tr>
<th></th>
<th>13</th>
<th>14</th>
</tr>
</thead>
</table>

#### C. Rückstellungen

<table>
<thead>
<tr>
<th></th>
<th>33,033</th>
<th>31,156</th>
</tr>
</thead>
</table>

1. Pensions and similar obligations
2. Accruals for income taxes  
   37,680  
   29,310  
3. Other accruals  
   54,199  
   139,220  

<table>
<thead>
<tr>
<th></th>
<th>124,912</th>
<th>199,686</th>
</tr>
</thead>
</table>

#### D. Verbindlichkeiten

(18)

1. Convertible bonds  
   324  
   431  
2. Bank loans  
   206,285  
   196,000  
3. Trade accounts payable  
   3,207  
   2,907  
4. Liabilities to affiliated companies  
   1,168,489  
   1,597,963  
5. Other liabilities  
   8,680  
   2,185  

<table>
<thead>
<tr>
<th></th>
<th>1,386,985</th>
<th>1,799,486</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>5,338,754</th>
<th>5,025,627</th>
</tr>
</thead>
</table>
Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe  
(until January 28, 2011: Fresenius SE)  

Profit and Loss Statement  
January 1 to December 31, 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
<tr>
<td>1. Income from participations</td>
<td>(21)</td>
<td>348,923</td>
</tr>
<tr>
<td>2. Other operating income</td>
<td>(22)</td>
<td>110,198</td>
</tr>
<tr>
<td>3. Personnel expenses</td>
<td>(23)</td>
<td>-22,721</td>
</tr>
<tr>
<td>4. Depreciation and amortization on intangible assets and on property, plant and equipment</td>
<td>(24)</td>
<td>-4,298</td>
</tr>
<tr>
<td>5. Other operating expenses</td>
<td>(25)</td>
<td>-103,383</td>
</tr>
<tr>
<td>6. Net interest</td>
<td>(27)</td>
<td>-22,427</td>
</tr>
<tr>
<td>7. Other financial result</td>
<td>(28)</td>
<td>628,275</td>
</tr>
<tr>
<td>8. Profit from ordinary operations</td>
<td></td>
<td>934,567</td>
</tr>
<tr>
<td>9. Extraordinary result</td>
<td>(29)</td>
<td>0</td>
</tr>
<tr>
<td>10. Income taxes</td>
<td>(30)</td>
<td>-24,619</td>
</tr>
<tr>
<td>11. Other taxes</td>
<td></td>
<td>-433</td>
</tr>
<tr>
<td>12. Net income</td>
<td></td>
<td>909,515</td>
</tr>
<tr>
<td>13. Retained earnings brought forward</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>14. Increase in other reserves</td>
<td></td>
<td>-454,750</td>
</tr>
<tr>
<td>15. Retained earnings</td>
<td></td>
<td>454,816</td>
</tr>
</tbody>
</table>
Notes Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE)

(1) Structure

The Fresenius Group is as of December 31, 2011 divided into four legally independent business segments:

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

Fresenius SE & Co. KGaA owns the stakes in the management companies and functions as an operating holding.

The reporting currency of Fresenius SE & Co. KGaA is the euro. In order to make the presentation clearer, amounts are shown in € thousand. Amounts which are lower than € 1,000.00 after they have been rounded are marked with „-“.

The list of investments of Fresenius SE & Co. KGaA, registered in Bad Homburg v.d.H., will be shown in the enclosure to the Notes.

(2) Change of Fresenius SE’s legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien) and conversion of the preference shares into ordinary shares

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

Upon registration with the commercial register of the local court in Bad Homburg v.d.H., the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of Fresenius SE & Co. KGaA for each ordinary share held in Fresenius SE. The notional proportion of each non-par value share in the subscribed capital as well as the subscribed capital itself remained unchanged. The change of Fresenius SE’s legal form into a KGaA neither led to the liquidation of the Company nor to the formation of a new legal entity. The legal and commercial identity of the Company was preserved.

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

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

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

Fresenius SE & Co. KGaA reimburses Fresenius Management SE the costs it has incurred in its management activities according to paragraph 7 of its articles of association. These costs are mainly compensation for board members.

(3) **Accounting principles and standards of valuation**

Acquired **intangible assets** are valued at purchase cost less regular depreciation. The useful life is normally between 2 and 5 years, for personal computer auxiliary programs the useful life is 2 years, and for know-how up to 5 years.

The value of **investments in property, plant and equipment** is stated at the cost of the assets less regular linear or degressive depreciation.

The following useful lives were used for calculating amortization:

- **Office and factory buildings**: 10 - 40 years
- **Technical equipment and machinery**: 5 - 10 years
- **Other fixtures and fittings, tools and equipment**: 3 - 10 years

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than € 150.00 and less than € 1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.

**Financial assets** are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.
The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

**Accounts receivable and other assets** are stated at nominal value reduced by individual allowance if necessary.

**Securities** are valued at purchase price or the lower market value.

No **deferred tax** is to be recognized for temporary differences in valuations in the tax and financial reporting balance sheets as long as the net difference would result in an asset.

**Subscribed capital** is accounted for at its nominal amount.

The **special reserve with equity portion** that was built according to Section 247 (3) HGB in the previous years can be retained according to the option in Art. 67 (3) sentence 1 EGHGB.

The **pension obligation** is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 5.13%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2011).

Pursuant to Section 253 (1) sentence 3 HGB (security-based pension obligations), the value of the provisions for the employee financed life work time account (Demografiefonds) is based on the performance of the asset value of the corresponding plan reinsurance.

The asset values used to offset the provisions are calculated at their fair values.

**Tax accruals and other accruals** are built for recognizable risks and uncertain liabilities at the amounts to be paid and calculated on the basis of a reasonable commercial assessment. Long term accruals are accounted for taking into account future price and cost increases and are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

**Liabilities** are valued at their settlement amounts.

**Foreign currency items** are translated with the foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB, which results in unrealized earnings of € 36.6 thousand (previous year € 46.9 thousand).
Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

**Derivative financial instruments** are contracted for hedging purposes only. Both interest rate and foreign currency derivatives are contracted for hedging.

Besides hedging instruments for Cashpool balances and loans in foreign currencies that Group Companies have borrowed from Fresenius SE & Co. KGaA or that Fresenius SE & Co. KGaA has borrowed from Group Companies or banks, Fresenius SE & Co. KGaA acquires hedging instruments from banks, that are mirrored by agreements between Fresenius SE & Co. KGaA and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.
Notes on balance sheet

(4) Fixed assets

The following is a breakdown of fixed assets and their development:

<table>
<thead>
<tr>
<th>Acquisition and manufacturing costs</th>
<th>As of Jan. 01, 2011</th>
<th>Additions</th>
<th>Disposals</th>
<th>Reclassification</th>
<th>As of Dec. 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessions, industrial and similar</td>
<td>2,443</td>
<td>278</td>
<td>1,693</td>
<td>-1</td>
<td>1,027</td>
</tr>
<tr>
<td>rights and assets as well as licenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>acquired for consideration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,443</td>
<td>278</td>
<td>1,693</td>
<td>-1</td>
<td>1,027</td>
</tr>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, leasehold and buildings including buildings on third party property</td>
<td>111,467</td>
<td>460</td>
<td>19</td>
<td>13</td>
<td>111,921</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>467</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>467</td>
</tr>
<tr>
<td>Other fixtures and fittings, tools and equipment</td>
<td>9,329</td>
<td>1,883</td>
<td>448</td>
<td>98</td>
<td>10,862</td>
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<tr>
<td>Payments on account and tangible assets in course of construction</td>
<td>191</td>
<td>747</td>
<td>0</td>
<td>-110</td>
<td>828</td>
</tr>
<tr>
<td></td>
<td>121,454</td>
<td>3,090</td>
<td>467</td>
<td>1</td>
<td>124,078</td>
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<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in related parties</td>
<td>3,377,041</td>
<td>189,766</td>
<td>37,105</td>
<td>0</td>
<td>3,529,702</td>
</tr>
<tr>
<td>Loans to related parties</td>
<td>342,700</td>
<td>897,745</td>
<td>342,700</td>
<td>0</td>
<td>897,745</td>
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<tr>
<td>Other loans</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
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<tr>
<td></td>
<td>3,720,741</td>
<td>1,087,511</td>
<td>380,805</td>
<td>0</td>
<td>4,427,447</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>3,844,638</td>
<td>1,090,879</td>
<td>382,965</td>
<td>0</td>
<td>4,552,552</td>
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<tr>
<td>Notes</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Depreciation</strong></th>
<th><strong>Carrying amount</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cumulated depreciation as of in thousand €</strong></td>
<td><strong>Transfers related parties</strong></td>
</tr>
<tr>
<td></td>
<td>Jan. 01, 2011</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Concessions, industrial and similar rights and assets as well as licenses acquired for consideration</td>
<td>1,935</td>
</tr>
<tr>
<td></td>
<td>1,935</td>
</tr>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Land, leasehold and buildings including buildings on third party property</td>
<td>49,074</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>313</td>
</tr>
<tr>
<td>Other fixtures and fittings, tools and equipment</td>
<td>7,747</td>
</tr>
<tr>
<td>Payments on account and tangible assets in course of construction</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>57,134</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
</tr>
<tr>
<td>Shares in related parties</td>
<td>188</td>
</tr>
<tr>
<td>Loans to related parties</td>
<td>3,034</td>
</tr>
<tr>
<td>Other loans</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>3,222</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>62,291</td>
</tr>
</tbody>
</table>
Financial assets

As of December 31, 2011 Fresenius SE & Co. KGaA owns stakes in the following domestic management companies for business segments:

- Fresenius Medical Care AG & Co. KGaA, Hof an der Saale
- Fresenius Kabi AG, Bad Homburg v.d.H.
- Fresenius ProServe GmbH, Bad Homburg v.d.H.

The percentage of Fresenius Medical Care AG & Co. KGaA’s (“FMC-AG & Co. KGaA”) total subscribed capital (ordinary and preference shares) held by Fresenius SE & Co. KGaA at the end of fiscal year 2011 was 30.34% (previous year 35.27%). Due to the maturity of the Mandatory Exchangeable Bonds on August 14, 2011, Fresenius SE & Co. KGaA’s stake of ordinary shares was reduced to 30.4%. In November and December 2011, Fresenius SE & Co. KGaA purchased again 1.4 million ordinary shares of FMC-AG & Co. KGaA. Therefore, the participation in FMC-AG & Co. KGaA increased to 30.34% of the total subscribed capital.

On December 31, 2011, Fresenius SE & Co. KGaA continued to hold all of the subscribed capital of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) and Fresenius Helios as well as Fresenius Vamed (Fresenius ProServe GmbH).

Fresenius SE & Co. KGaA holds 100% in Fresenius Biotech Beteiligungs GmbH.

In addition, Fresenius SE & Co. KGaA holds all of the stakes of the following domestic property management and service companies as well as foreign finance companies:

- Fresenius Immobilien-Verwaltungs-GmbH
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Friedberg KG
- Hygieneplan GmbH
- Fresenius Versicherungsvermittlungs GmbH
- Fresenius Medical Care Management AG
- Fresenius Finance B.V.
- Fresenius Finance I S.A.
- Fresenius US Finance I, Inc.
- Fresenius US Finance II, Inc.

All of the subscribed capital of Fresenius Netcare GmbH is indirectly held via Fresenius Versicherungsvermittlungs GmbH.

In 2011 Fresenius SE & Co. KGaA increased the capital of Fresenius US Finance I, Inc. and Fresenius US Finance II, Inc. by US$ 115 million (€ 86 million) and US$ 45 million (€ 34 million) respectively.

Moreover, in 2011 intercompany loans of € 558 million were refinanced from short to long term loans and are now shown under loans to related parties.
(5) Accounts receivable and other assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable from related parties</td>
<td>752,486</td>
<td>994,592</td>
</tr>
<tr>
<td>(amount with a remaining term of more than one year)</td>
<td>(29,735)</td>
<td>(421,213)</td>
</tr>
<tr>
<td>Other assets</td>
<td>72,404</td>
<td>56,138</td>
</tr>
<tr>
<td>(amount with a remaining term of more than one year)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>824,890</td>
<td>1,050,730</td>
</tr>
</tbody>
</table>

The Accounts receivable from related parties are composed of loans and finance-related accounts of € 751,846 thousand (previous year € 994,107 thousand) and trade accounts receivable of € 640 thousand (previous year € 485 thousand).

Other assets mainly contain claims for prepaid taxes (€ 48,024 thousand) as well as trade tax reimbursement claims along with interest (€ 23,275 thousand). These tax claims relate to the period subject to a finalized tax audit of FMC-AG & Co. KGaA for the years 1997 to 2001 and are the result of a settlement agreement from January 2011 between FMC-AG & Co. KGaA and the tax authority. Given that FMC-AG & Co. KGaA is entitled to substantially all tax refunds due to trade tax consolidation at that time, a liability in favour of FMC-AG & Co. KGaA of € 16,541 thousand has been recorded. Also included are social security related receivables of € 1 thousand (previous year € 1 thousand).

(6) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks of € 21,510 thousand (previous year € 191,107 thousand).

(7) Deferred expense

Deferred expense of € 1,223 thousand (previous year € 1,443 thousand) mainly concerns the prepayment of the Directors& Officers-Insurance (D&O-Insurance) for top managers.

(8) Subscribed capital

As a result of Fresenius SE’s change of legal form into Fresenius SE & Co. KGaA and its registration with the commercial register on January 28, 2011, all bearer preference shares were converted into bearer ordinary shares.

During the fiscal year 2011, 787,246 stock options were exercised. Accordingly, at December 31, 2011, the subscribed capital of Fresenius SE & Co. KGaA consisted of
163,237,336 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is € 1.00 per share.

The subscribed capital developed as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousand €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>162,450</td>
</tr>
<tr>
<td>2010</td>
<td>161,316</td>
</tr>
<tr>
<td>Increase due to exercise of stock options</td>
<td>787</td>
</tr>
<tr>
<td>As of December 31</td>
<td>163,237</td>
</tr>
<tr>
<td>As of January 1</td>
<td>162,450</td>
</tr>
</tbody>
</table>

(9) Own shares

Fresenius SE & Co. KGaA purchased own ordinary shares during the year for distribution to employees entitled to the profit-sharing program.

The agreement reached between the Works Council and the Management Board in February 2008 is the basis for distributing the shares. The agreement awards € 1,749.00 of profit-sharing to each full-time employee for 2010 as well as the employer contribution for social security payments. About two-thirds of the profit-sharing payment is settled in shares and employees are given a choice of cash or additional shares for the remaining third. Employees that opt for additional shares are awarded one additional share. The price determination for the shares and bonus shares in the profit-sharing program was made on May 13, 2011.

To be eligible for the program, employees must have had three years of continuous employment at Fresenius SE & Co. KGaA on December 31, 2010, its direct affiliated companies or affiliated companies of Fresenius Kabi and certain other affiliated companies as identified in the Works Council agreement. At that time, eligible employees must have not been under notice or in an executive position, as defined by Fresenius. Intercompany transfers are counted in full.

The following ordinary shares were purchased and distributed or re-sold as part of the Fresenius SE & Co. KGaA profit-sharing program for 2010.

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Price in € per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>May 17, 2011</td>
<td>36,000</td>
</tr>
<tr>
<td>Disbursement</td>
<td>Dec. 1, 2011</td>
<td>33,809</td>
</tr>
<tr>
<td>Sale</td>
<td>Dec. 2, 2011</td>
<td>2,191</td>
</tr>
<tr>
<td>Purchase</td>
<td>Dec. 9, 2011</td>
<td>18</td>
</tr>
<tr>
<td>Disbursement</td>
<td>Dec. 16, 2011</td>
<td>18</td>
</tr>
</tbody>
</table>
Purchased shares with a nominal value of € 36,018.00 and committed shares with a nominal value of € 33,827.00 represented 0.0221% and 0.0207% of the subscribed capital respectively.

The proceeds from the sale on December 02, 2011 have increased corporate funding.

As of December 31, 2011 no own shares were held.

(10) 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 & Co. KGaA at the date of the statement of financial position:

<table>
<thead>
<tr>
<th>Notifying party</th>
<th>Date of reaching, exceeding or falling below</th>
<th>Reporting threshold</th>
<th>Attribution pursuant to Section 22 WpHG</th>
<th>Percentage of voting rights</th>
<th>Number of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allianz SE, Munich, Germany ¹</td>
<td>January 28, 2011</td>
<td>Falling below 5%</td>
<td>Section 22 (1) sentence 1 No. 1</td>
<td>4.26</td>
<td>6,919,271</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>as well as (1) sentence 1 No. 6</td>
<td>0.0008</td>
<td>1,281</td>
</tr>
<tr>
<td>Artio Global Investors, Inc., New York, USA ²</td>
<td>January 28, 2011</td>
<td>Falling below 3%</td>
<td>Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2</td>
<td>2.36</td>
<td>3,840,708</td>
</tr>
<tr>
<td>BlackRock, Inc., New York, USA ³</td>
<td>September 2, 2011</td>
<td>Exceeding 3% and 5%</td>
<td>Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2</td>
<td>5.04</td>
<td>8,218,197</td>
</tr>
<tr>
<td>Else Kröner-Fresenius-Stiftung, Bad Homburg, Germany</td>
<td>January 28, 2011</td>
<td>Falling below 50% and 30%</td>
<td>–</td>
<td>28.85</td>
<td>46,871,154</td>
</tr>
<tr>
<td>FMR LLC, Boston, USA ⁴</td>
<td>January 28, 2011</td>
<td>Falling below 3%</td>
<td>Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2</td>
<td>1.69</td>
<td>2,740,382</td>
</tr>
<tr>
<td>Skandinaviska Enskilda Banken AB (publ), Stockholm, Sweden ⁵</td>
<td>May 13, 11</td>
<td>Exceeding 3% and 5%</td>
<td>Section 22 (1) sentence 1 No. 1</td>
<td>5.58</td>
<td>9,068,446</td>
</tr>
<tr>
<td></td>
<td>May 16, 11</td>
<td>Falling below 3% and 5%</td>
<td>Section 22 (1) sentence 1 No. 1</td>
<td>1.77</td>
<td>2,868,446</td>
</tr>
</tbody>
</table>

¹ Attribution of voting rights via: Allianz Deutschland AG, Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherungs-AG
² Attribution of voting rights via: Artio Global Holdings LLC, Artio Global Management LLC
⁴ Attribution of voting rights via: Fidelity Management & Research Company
⁵ Attribution of voting rights via: SEB Bank AG

The Else Kröner-Fresenius-Stiftung informed on December 30, 2011, that it still holds 46,871,154 ordinary shares of Fresenius SE & Co. KGaA representing 28.71% of the voting rights on December 31, 2011.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations / The Fresenius Shares / Shareholder Structure.
(11) Authorised capital

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new Authorized Capital I was created.

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 12, 2016, to increase Fresenius SE & Co. KGaA’s subscribed capital by a total amount of up to € 40,320,000 through a single issue or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I). A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders’ subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company. The authorizations granted above concerning the exclusion of subscription rights can be used by the general partner only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 20% of the subscribed capital, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

The new Authorized Capital I has developed as follows:

<table>
<thead>
<tr>
<th>Authorized Capital I</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>in thousand €</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of January 1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Increase due to resolution of the General Meeting</td>
<td>40,320</td>
<td>0</td>
</tr>
<tr>
<td>As of December 31</td>
<td>40,320</td>
<td>0</td>
</tr>
</tbody>
</table>

(12) Conditional Capital

Corresponding to the stock option plans, the Conditional capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with already issued stock options or convertible bonds, as the case may be, on bearer ordinary shares under the stock option plans of 1998, 2003 and 2008.

After the registration of the change of legal form with the commercial register on January 28, 2011, the Conditional Capitals in the articles of association of Fresenius SE
& Co. KGaA correspond in their scope to the Conditional Capitals of the former Fresenius SE, adjusted for stock options that have been exercised in the meantime.

Due to the conversion of all preference shares into ordinary shares, the Conditional Capital was amended to the effect that only subscription rights for bearer ordinary shares are granted.

The Conditional Capital I for the Fresenius AG Stock Option Plan 1998 has developed as follows:

<table>
<thead>
<tr>
<th>Conditional Capital I</th>
<th>Ordinary shares</th>
<th>Preference shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2011</td>
<td>495,255</td>
<td>495,255</td>
</tr>
<tr>
<td>Decrease due to exercise of stock options</td>
<td>-102,082</td>
<td>0</td>
</tr>
<tr>
<td>Conversion of preference shares into ordinary shares in combination with the change in legal form</td>
<td>495,255</td>
<td>-495,255</td>
</tr>
<tr>
<td>As of December 31, 2011</td>
<td>888,428</td>
<td>0</td>
</tr>
</tbody>
</table>

The Conditional Capital II for the Fresenius AG Stock Option Plan 2003 has developed as follows:

<table>
<thead>
<tr>
<th>Conditional Capital II</th>
<th>Ordinary shares</th>
<th>Preference shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2011</td>
<td>1,743,159</td>
<td>1,743,159</td>
</tr>
<tr>
<td>Decrease due to exercise of stock options</td>
<td>-508,800</td>
<td>-888</td>
</tr>
<tr>
<td>Conversion of preference shares into ordinary shares in combination with the change in legal form</td>
<td>1,742,271</td>
<td>-1,742,271</td>
</tr>
<tr>
<td>As of December 31, 2011</td>
<td>2,976,630</td>
<td>0</td>
</tr>
</tbody>
</table>
The Conditional Capital III for the Fresenius SE Stock Option Plan 2008 has developed as follows:

<table>
<thead>
<tr>
<th>Condition Capital III</th>
<th>Ordinary shares</th>
<th>Preference shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2011</td>
<td>3,100,000</td>
<td>3,100,000</td>
</tr>
<tr>
<td>Decrease due to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>exercise of stock options</td>
<td>-175,476</td>
<td>0</td>
</tr>
<tr>
<td>Conversion of preference shares into ordinary shares in combination with the change in legal form</td>
<td>3,100,000</td>
<td>-3,100,000</td>
</tr>
<tr>
<td>As of December 31, 2011</td>
<td>6,024,524</td>
<td>0</td>
</tr>
</tbody>
</table>

**Fresenius SE & Co. KGaA stock option plans**

Description of the Fresenius SE & Co. KGaA stock option plans in place

On December 31, 2011, Fresenius SE & Co. KGaA had three stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan), the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). Stock options are currently being granted under the 2008 Plan only.

The following descriptions reflect the stock option plans at December 31, 2010 whereas the changes resulting from the conversion of the subscribed capital into bearer ordinary shares in combination with the change of legal form are shown in a separate chapter thereafter.

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies.

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE’s Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July
and/or the first bank working day in December. The exercise price of options shall be
the average closing price of Fresenius SE’s ordinary shares and preference shares,
respectively, on the Frankfurt Stock Exchange during the 30 trading days immediately
prior to each grant date. For participants in the United States, the exercise price may
be the average closing price of both classes of shares during the 30 calendar days
immediately prior to the grant date, if these are higher. Options granted have a seven-
year term but can be exercised only after a three-year vesting period. The vesting of
options granted is mandatorily subject to the condition, in each case, that the annual
success target within the three-year vesting period is achieved. For each such year, the
success target is achieved if the consolidated net income attributable to Fresenius SE,
adjusted for extraordinary effects, has increased by at least 8% compared to the
respective adjusted net income attributable to Fresenius SE of the previous fiscal year.
For each year in which the success target has not been met, one-third of the options
granted shall forfeit. The adjusted net income attributable to Fresenius SE shall be
calculated on the basis of the calculation method of the accounting principles according
to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable
to Fresenius SE is determined and will be verified bindingly by Fresenius SE’s auditor
during the audit of the consolidated financial statements. The performance targets for
2009, 2010 and 2011 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, 2010, all options were exercisable. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Adaptations of the stock option plans due to the change of legal form

Upon registration of Fresenius SE’s change of legal form into Fresenius SE & Co. KGaA with the commercial register on January 28, 2011, adaptations of the three stock option plans were required. Due to the conversion of all preference shares into ordinary shares in combination with the change of legal form, all already issued subscription rights under the respective stock option plan are to be satisfied, in case of exercise, with ordinary shares. Furthermore, the beneficiaries under the 2008 Plan are exclusively granted subscription rights for ordinary shares. With regard to the eligible beneficiaries, the members of Fresenius Management SE’s Management Board replace the previous members of the Fresenius SE Management Board for future stock option grants. With regard to the 2008 Plan, the Supervisory Board of Fresenius Management SE determines the grants for the Management Board members of that company. All other plan participants will be determined by the Management Board of Fresenius Management SE. In addition, due to the discontinuation of the preference shares, the success target of the 2003 Plan was adjusted to the effect, that it is deemed to be achieved if and when the sum of the following price increases amounts to at least 25%:

- increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect
- increase of the stock exchange price of ordinary shares since the change of legal form took effect

Whereas the number of stock options remains unchanged, in future, the exercise price of the stock options corresponds to the stock exchange price of the ordinary share without considering the stock exchange price of the preference share.

The resolved changes to the stock option plans became effective upon the Management Board’s resolution on September 27, 2010 with the approval of the Supervisory Board on October 12, 2010.

Transactions during 2011

In 2011, Fresenius SE & Co. KGaA awarded 1,143,440 stock options, including 198,660 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of € 71.28, a weighted-average fair value of € 19.09 each and a total fair value of € 22 million.
During the fiscal year 2011, Fresenius SE & Co. KGaA received cash of € 31 million from the exercise of 787,246 stock options. The average stock price at the exercise date was € 71.16 for ordinary shares and € 61.64 for preference shares. The intrinsic value of options exercised in 2011 was € 25 million.

Under the 1998 Plan, 29,942 stock options were outstanding and exercisable at December 31, 2011. No options were held by the members of the Management Board of Fresenius Management SE. 1,412,135 convertible bonds were outstanding under the 2003 Plan, of which 1,412,135 were exercisable. The members of the Management Board of Fresenius Management SE held 291,530 convertible bonds. Out of 4,052,050 outstanding stock options issued under the 2008 Plan, 806,006 were exercisable and 758,520 were held by the members of the Management Board of Fresenius Management SE.

Stock option transactions are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Ordinary shares</th>
<th>Preference shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number as of December 31, 2010</td>
<td>2,644,661</td>
<td>2,664,661</td>
</tr>
<tr>
<td>plus new issues</td>
<td>1,143,440</td>
<td>-</td>
</tr>
<tr>
<td>less forfeited options</td>
<td>-151,389</td>
<td>-</td>
</tr>
<tr>
<td>less exercises</td>
<td>-786,358</td>
<td>-888</td>
</tr>
<tr>
<td>Conversion of preference shares</td>
<td>2,643,773</td>
<td>-2,643,773</td>
</tr>
<tr>
<td>Number as of December 31, 2011</td>
<td>5,494,127</td>
<td>0</td>
</tr>
</tbody>
</table>
(13) Capital reserves

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

The capital reserves have developed during the fiscal year as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>1,869,988</td>
<td>1,832,808</td>
</tr>
<tr>
<td>Increase due to exercise of stock options</td>
<td>29,808</td>
<td>37,180</td>
</tr>
<tr>
<td>As of December 31</td>
<td>1,899,796</td>
<td>1,869,988</td>
</tr>
</tbody>
</table>

The capital reserve of 10% of the subscribed capital conforms with the legal reserve as in section 150 (1) and (2) of the German Stock Corporation Act (AktG).

(14) Other reserves

Other reserves developed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>854,245</td>
<td>777,645</td>
</tr>
<tr>
<td>Increase in other reserves from net income of the period</td>
<td>454,750</td>
<td>76,600</td>
</tr>
<tr>
<td>As of December 31</td>
<td>1,308,995</td>
<td>854,245</td>
</tr>
</tbody>
</table>

According to the restrictions in Section 268 (8) HGB, € 23.6 thousand shall not be distributed. This amount relates exclusively to the fair value of the securities held to cover partial retirement agreement obligations in case of insolvency. Given that the amount of capital and other reserves is sensibly higher than this amount, there is no distribution restriction for retained earnings.

(15) Retained earnings

Accumulated profits from the prior year of € 50.9 thousand are included in retained earnings in accordance with the decision taken at the Annual General Meeting on May 13, 2011.
(16) Special reserve for investment government grants

Special reserves primarily comprise government investment grants and subsidies according to sections 1, 4 and 4b of the German Investment Subsidy Code (InvZulG). Dissolution of grants and subsidies is spread over the useful life of the subsidized assets. The yearly dissolution (€ 1 thousand) is included in the profit and loss statement under “Other operating income”.

(17) Accrued expenses

The pension obligation has been determined according to the method described under Note (3) “Accounting principles and standards of valuation”. The new calculation of pension provisions required by BilMoG as of January 1, 2010 resulted in an underfunded status of € 6,670 thousand. The Company allocated the full amount to the provision in 2010 according to Art. 67 (1) sentence 1 EGHGB. The expense related to this increase was included in extraordinary result in the statement of income. Included in this item is an obligation of € 6,455 thousand in favor of Fresenius management SE for pension obligations related to its Management Board members.

In accordance with legal regulations the employee credit balances of partial retirement agreements are secured against insolvency. To fulfill this purpose the company buys shares of a money-market-similar investment fund in the amount of the cumulated credit balances. The securitization is done via pledging the investment fund shares to a trustee, hence the securities have the sole purpose of fulfilling the obligations derived from the partial retirement agreements and are not available to other creditors. They have been netted with their matching obligations following Section 246 (2) sentence 2 HGB. The fair value of these securities has been derived from the stock exchange price at the balance sheet date.

<table>
<thead>
<tr>
<th>Dec 31, 2011</th>
<th>in thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to be paid for partial retirement agreements</td>
<td>1,969</td>
</tr>
<tr>
<td>Fair value of matching securities</td>
<td>1,470</td>
</tr>
<tr>
<td>Funded status (surplus of obligations over assets)</td>
<td>499</td>
</tr>
<tr>
<td>Acquisition cost of securities</td>
<td>1,446</td>
</tr>
</tbody>
</table>

In the statement of income, net interest includes € 119 thousand of netted expense and income from the valuation of the securities and the provision.

On the basis of a Works Council Agreement from 2009 and starting on January 1, 2010, employees can participate in a demography fund (Demografiefonds) by contributing part of their compensation or working time to an account run by Fresenius SE & Co. KGaA in exchange of time-off in the future. The credit balances of the employees are invested in an insurance product via a trust agreement so that Fresenius SE & Co. KGaA
and its creditors do not have access to the funds. This construction is a security-based pension obligation in the sense of Section 253 (1) sentence 3 HGB. The amount provisioned for the time balances of the employees corresponds to the fair value of the insurance product. The fair value results from the forecasted actuarial reserves of the insurance company plus the present profit sharing on the surplus.

\[
\begin{array}{l|c}
\text{Dec 31,} & \text{2011} \\
\hline
\text{Amount to be paid for obligations from the demography fund} & 264 \\
\text{Fair value of matching insurance} & 264 \\
\text{Funded status (surplus of assets over obligations)} & 0 \\
\hline
\text{Acquisition cost of insurance} & 257 \\
\end{array}
\]

The statement of income includes €6 thousand of netted expense and income respectively from the valuation of the insurance product and the provision.

**Accruals for income taxes** include estimated amounts of outstanding tax payments from prior years.

**Other accruals** are primarily established to cover personnel costs, insurance fees, process risks, indemnity claims as well as outstanding invoice liabilities.
(18) Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2011</th>
<th>Dec 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>up to 1 year</td>
</tr>
<tr>
<td></td>
<td>in thousand €</td>
<td></td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>324</td>
<td>324</td>
</tr>
<tr>
<td>Bank loans</td>
<td>206,285</td>
<td>10,285</td>
</tr>
<tr>
<td>(thereof amount secured)</td>
<td>(196,000)</td>
<td>(0)</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>3,207</td>
<td>3,207</td>
</tr>
<tr>
<td>Accounts payable to related parties</td>
<td>1,168,489</td>
<td>627,307</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,680</td>
<td>8,680</td>
</tr>
<tr>
<td></td>
<td>1,386,985</td>
<td>649,803</td>
</tr>
<tr>
<td>(thereof secured)</td>
<td>(196,000)</td>
<td>(0)</td>
</tr>
</tbody>
</table>

Convertible bonds

Liabilities result from the issuance of convertible bonds worth € 324 thousand as part of the Fresenius AG 2003 Stock Option Plan.

Bank loans

European Investment Bank Agreement

Fresenius SE & Co. KGaA has access to a revolving credit facility from the European Investment Bank (EIB) of € 96 million until June 2013. As of December 31, 2011 this credit facility was used in an amount of € 96 million.

Fresenius SE & Co. KGaA has access to a further revolving credit facility from the EIB of € 100 million until September 2013. As of December 31, 2011 this credit facility was used in an amount of € 100 million.

The above described credit facilities have quarterly adjusted variable interest rates. As of December 31, 2011 Fresenius SE & Co. KGaA paid 1.556% and 3.736% of interest for the € 96 million and the € 100 million borrowings respectively. The drawing of € 96 million under the credit facility is secured by bank guarantees. The drawing of € 100 million under the credit facility is guaranteed by Fresenius Kabi AG and Fresenius
ProServe GmbH. Furthermore the facility contains common obligations and commitments. The EIB is the non-profit-oriented financing institution of the European Union which provides long-term financing for specific investment and research projects at advantageous conditions – usually up to 50% of the project volume.

**Liabilities to affiliated companies**

Liabilities to affiliated companies comprise loans and financing accounts with affiliated companies in an amount of € 1,167,259 thousand (previous year € 1,597,854 thousand) and trade accounts payable amounting to € 1,230 thousand (previous year € 109 thousand).

Included in this item are liabilities of € 2,427 thousand (previous year € 0 thousand) in favour of the general partner Fresenius Management SE. Moreover liabilities of € 10,022 thousand (previous year € 0 thousand) in favour of Fresenius Management SE are included in pension liability and other liabilities.

**Other liabilities**

Other liabilities include primarily tax liabilities, interest liabilities as well as payroll liabilities.

Tax liabilities amount to € 1,154 thousand (previous year € 1,613 thousand).

**19) Contingent Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousand €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingencies from indemnity agreements and guarantees</td>
<td>4,393,192</td>
<td>4,556,574</td>
</tr>
<tr>
<td>(thereof amount in favor of and from affiliated companies)</td>
<td>(4,393,192)</td>
<td>(4,556,574)</td>
</tr>
</tbody>
</table>

Fresenius SE & Co. KGaA has committed itself to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims were made due to their function as members of the managing board of the affiliates concerned, and these claims were based on the law of the respective country.

Fresenius SE & Co. KGaA committed itself, to the extent legally admissible, to indemnify the members of the Management Board against claims against them arising from their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a ‘Directors & Officers’ insurance with an excess, in compliance with stock corporation requirements. 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.
Fresenius SE & Co. KGaA guarantees the main liabilities of its wholly-owned subsidiaries Fresenius Finance B.V. and Fresenius US Finance II, Inc. – both wholly-owned subsidiaries of Fresenius SE & Co. KGaA. The following table shows these liabilities of the two companies as of December 31, 2011:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Nominal Value</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2012</td>
<td>€ 26 million</td>
<td>July 2, 12</td>
<td>5.51%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2012</td>
<td>€ 74 million</td>
<td>July 2, 12</td>
<td>variable</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2014</td>
<td>€ 38 million</td>
<td>July 2, 14</td>
<td>5.75%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2014</td>
<td>€ 62 million</td>
<td>July 2, 14</td>
<td>variable</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2012</td>
<td>€ 62 million</td>
<td>Apr. 2, 12</td>
<td>5.59%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2012</td>
<td>€ 138 million</td>
<td>Apr. 2, 12</td>
<td>variable</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2014</td>
<td>€ 112 million</td>
<td>Apr. 2, 14</td>
<td>5.98%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2014</td>
<td>€ 88 million</td>
<td>Apr. 2, 14</td>
<td>variable</td>
</tr>
<tr>
<td>Senior Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2006/2013</td>
<td>€ 500 million</td>
<td>Jan. 31, 13</td>
<td>5.00%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2006/2016</td>
<td>€ 650 million</td>
<td>Jan. 31, 16</td>
<td>5.50%</td>
</tr>
<tr>
<td>Fresenius US Finance II, Inc. 2009/2015</td>
<td>€ 275 million</td>
<td>July 15, 15</td>
<td>8.75%</td>
</tr>
<tr>
<td>Fresenius US Finance II, Inc. 2009/2015</td>
<td>US$ 500 million</td>
<td>July 15, 15</td>
<td>9.00%</td>
</tr>
</tbody>
</table>

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA.

Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, has issued unsecured Senior Notes in January 2009. The Notes comprise a 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 Pharmaceuticals, Inc., to repay other debt and for general corporate purposes.

All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. Since January 31, 2011 the Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer at prices that have already been fixed at the date of issuance in the indentures. All other Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers, in whole but not in part, at a price of 100% plus accrued interest and a
premium calculated pursuant to the terms of the indentures under observance of
certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to
the bondholders, which, under certain circumstances, partly restrict the scope of action
of Fresenius SE & Co. KGaA and its subsidiaries (excluding FMC-AG & Co. KGaA and its
subsidiaries). These covenants include restrictions on further debt that can be raised,
the payment of dividends, the volume of capital expenditure, the redemption of
subordinated liabilities and the mortgaging or sale of assets, among other items. Some
of these restrictions are lifted automatically when the rating of the respective Notes
reaches investment grade. In the event of non-compliance with the terms of the Senior
Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior
Notes) are entitled to call the Senior Notes and demand immediate repayments plus
interest. As of December 31, 2011, the Fresenius Group was in compliance with all of
its covenants.

On August 20, 2008, in connection with the acquisition of APP Pharmaceuticals, Inc.
(APP), the Fresenius Group entered into a syndicated credit agreement (2008 Senior
Credit Agreement) in an original amount of US$ 2.45 billion.

Since that date, amendments and voluntary prepayments were made which resulted in
a change of the total amount available under this facility. In March 2011, after
negotiations with the lenders, Fresenius SE & Co. KGaA again improved the conditions
of the 2008 Senior Credit Agreement. The amendments led to a reduction of the
interest rate of Term Loan C (new: Term Loan D). The new interest rate is a rate equal
to the money market interest rate (LIBOR and EURIBOR) with a minimum of 1.00%
(previously: 1.50%) and a current margin of 2.50% (previously: 3.00%). An earlier
amendment in March 2010 led to a replacement of Term Loan B by Term Loan C and an
improvement of the applicable interest rate.

As of December 31, 2011, the 2008 Senior Credit Agreement consisted of:

- Revolving Credit Facilities in the aggregate principal amount of US$ 550 million (of
  which US$ 150 million is available to APP Pharmaceuticals, LLC and US$ 400 million
  is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned
  subsidiary of Fresenius SE & Co. KGaA) which will be due and payable on
  September 10, 2013.

- Term Loan Facilities (Term Loan A) in the aggregate principal amount of US$ 537
  million (of which equal shares are available to Fresenius US Finance I, Inc., a
  wholly-owned subsidiary of Fresenius SE & Co. KGaA, and to APP Pharmaceuticals,
  LLC). Term Loan A amortizes and is repayable in unequal semi-annual installments
  with a final maturity date on September 10, 2013.

- Term Loan Facilities (Term Loan D) in the aggregate principal amount of US$ 971.4
  million and € 160.5 million (of which US$ 572.2 million and € 160.5 million are
  available to Fresenius US Finance I, Inc. and US$ 399.2 million is available to APP
  Pharmaceuticals, LLC). Term Loan D amortizes and is repayable in equal semi-
  annual installments with a final bullet payment on September 10, 2014.
The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG.

Moreover Fresenius SE & Co. KGaA together with Kabi AG guarantee a loan of € 24.1 million from Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG entered into in 2010 and that has a value of € 23.4 million on December 31, 2011.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

**Mandatory Exchangeable Bonds**

To finance the acquisition of APP Pharmaceuticals, Inc., Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million were issued by Fresenius Finance (Jersey) Ltd. in July 2008. Fresenius Finance B.V. subscribed for these MEB at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), who placed the MEB in the market. The bonds carried a coupon of 5 5/8% per annum and matured on August 14, 2011. Upon maturity, the bonds were mandatorily exchangeable into ordinary shares of FMC-AG & Co. KGaA. Each holder of an MEB received 1,418 ordinary shares of FMC-AG & Co. KGaA per MEB, corresponding to a final conversion price of € 35.26. The ordinary shares of FMC-AG & Co. KGaA were owned by Fresenius SE & Co. KGaA and there was no issuance of new shares. Fresenius SE & Co. KGaA’s shareholding in FMC-AG & Co. KGaA was thus reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital.

Fair value measurements of the liabilities for the MEB on-lent from Fresenius Finance B.V. and from the maturity of the MEB performed until August 14, 2011, resulted in a netted accounting income of € 628.3 million that is shown in the profit and loss statement under “Other financial result”. 
(20) Other financial commitments

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousand €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitments from building leases, and leasing commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>due 2012 (prior year: 2011)</td>
<td>3,715</td>
<td>1,213</td>
</tr>
<tr>
<td>due 2013-2016 (prior year 2012-2015)</td>
<td>9,897</td>
<td>1,204</td>
</tr>
<tr>
<td>due after 2016 (prior year: after 2015)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>13,612</td>
<td>2,417</td>
</tr>
<tr>
<td>Commitments from ongoing capital expenditures</td>
<td>333</td>
<td>209</td>
</tr>
<tr>
<td>(thereof amount to affiliated companies)</td>
<td>( - )</td>
<td>( - )</td>
</tr>
<tr>
<td>Other Commitments</td>
<td>16,930</td>
<td>17,201</td>
</tr>
<tr>
<td>(thereof amount to affiliated companies)</td>
<td>(16,930)</td>
<td>(17,201)</td>
</tr>
<tr>
<td></td>
<td>30,875</td>
<td>19,827</td>
</tr>
</tbody>
</table>

Other financial commitments comprise liabilities for joint commitments from the transfer of pension obligations to operating divisions of the business segments and future payment-obligations from subsidiaries resulting from acquisitions.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.
Notes on the profit and loss statement

(21) Income from participations

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>in thousand €</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from profit transfer agreements</td>
<td>299,019</td>
<td>353,310</td>
</tr>
<tr>
<td>Income from participations</td>
<td>79,558</td>
<td>73,922</td>
</tr>
<tr>
<td>(thereof amount from affiliated companies)</td>
<td>(79,558)</td>
<td>(73,922)</td>
</tr>
<tr>
<td>Expenses from loss transfer agreements</td>
<td>-29,654</td>
<td>-36,846</td>
</tr>
<tr>
<td></td>
<td>348,923</td>
<td>390,386</td>
</tr>
</tbody>
</table>

(22) Other operating income

Other operating income of € 110,198 thousand in total (previous year € 78,115 thousand) is comprised primarily of cost transfers to group companies of € 53,850 thousand (previous year € 49,137 thousand), service contracts with other subsidiaries, sales of property, plant and equipment from other accounting periods of € 357 thousand (previous year € 45 thousand), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals in the amount of € 2,174 thousand (previous year € 695 thousand) and from foreign currency gains of € 53,458 thousand (previous year € 25,303 thousand). The main reason for the increase in other operating income is an increase in foreign currency gains.

The total income from other accounting periods was € 2,323 thousand in the fiscal year (previous year € 809 thousand).
(23) Personnel expenses

<table>
<thead>
<tr>
<th>in thousand €</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>19,214</td>
<td>23,621</td>
</tr>
<tr>
<td>Social security and costs of retirement pensions and social assistance</td>
<td>3,507</td>
<td>5,757</td>
</tr>
<tr>
<td>(thereof amount of retirement pensions)</td>
<td>(736)</td>
<td>(3,139)</td>
</tr>
<tr>
<td>Total personnel expenses</td>
<td>22,721</td>
<td>29,378</td>
</tr>
</tbody>
</table>

The annual average number of employees of Fresenius SE & Co. KGaA by function is divided into the following groups:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage earners</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Salaried employees</td>
<td>225</td>
<td>210</td>
</tr>
<tr>
<td>Apprentices</td>
<td>112</td>
<td>109</td>
</tr>
<tr>
<td>Total employees</td>
<td>354</td>
<td>337</td>
</tr>
</tbody>
</table>

(24) Depreciation and amortization of intangible assets and property, plant and equipment

Depreciation of intangible assets and property, plant and equipment of € 4,298 thousand (previous year € 3,985 thousand) is regular depreciation.

(25) Other operating expenses

Other operating expenses of € 103,383 thousand in total (previous year € 71,686 thousand) were primarily foreign currency losses of € 52,376 thousand (previous year € 24,027 thousand). Also included are IT-related expenses, insurance premiums and consulting expenses, as well as the costs of Fresenius Management SE for the compensation of its Management Board that is passed on.

Total expenses from other accounting periods were € 300 thousand in the fiscal year (previous year € 501 thousand).
In 2011 and 2010, fees for the auditor were expensed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 in thousand €</th>
<th>2010 in thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>422</td>
<td>441</td>
</tr>
<tr>
<td>Audit related fees</td>
<td>35</td>
<td>0</td>
</tr>
<tr>
<td>Other fees</td>
<td>24</td>
<td>217</td>
</tr>
<tr>
<td></td>
<td>481</td>
<td>658</td>
</tr>
</tbody>
</table>

(26) Earnings before interest and taxes (EBIT)

<table>
<thead>
<tr>
<th></th>
<th>2011 in thousand €</th>
<th>2010 in thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on ordinary activities</td>
<td>934,567</td>
<td>223,664</td>
</tr>
<tr>
<td>Net interest</td>
<td>22,427</td>
<td>49,685</td>
</tr>
<tr>
<td>Other financial result</td>
<td>-628,275</td>
<td>90,103</td>
</tr>
<tr>
<td>Other taxes</td>
<td>-433</td>
<td>-256</td>
</tr>
<tr>
<td>EBIT</td>
<td>328,286</td>
<td>363,196</td>
</tr>
</tbody>
</table>

(27) Net interest

<table>
<thead>
<tr>
<th></th>
<th>2011 in thousand €</th>
<th>2010 in thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from long-term loans</td>
<td>55,059</td>
<td>45,235</td>
</tr>
<tr>
<td>(thereof amount from affiliated companies)</td>
<td>(55,059)</td>
<td>(45,235)</td>
</tr>
<tr>
<td>Other interest and similar income</td>
<td>49,981</td>
<td>34,964</td>
</tr>
<tr>
<td>(thereof amount from affiliated companies)</td>
<td>(40,204)</td>
<td>(33,556)</td>
</tr>
<tr>
<td>Interest and similar expenses</td>
<td>-125,875</td>
<td>-128,444</td>
</tr>
<tr>
<td>(thereof amount from affiliated companies)</td>
<td>(-76,017)</td>
<td>(-86,841)</td>
</tr>
<tr>
<td>Expense from interest accrued for provisions</td>
<td>-1,592</td>
<td>-1,440</td>
</tr>
<tr>
<td></td>
<td>-22,427</td>
<td>-49,685</td>
</tr>
</tbody>
</table>

In 2011 interest and similar expenses include compensation payment in an amount of € 19,412 thousand (previous year € 31,330 thousand) in connection with the Mandatory Exchangeable Bond on-lent from Fresenius Finance B.V.
(28) Other financial result

Other financial result includes accounting income of €628.3 million that results from the fair value measurements done until August 14, 2011 related to the liabilities for the on-lent MEB from Fresenius Finance B.V. and for the maturity of the MEB.

(29) Extraordinary result

The extraordinary result in 2010 mainly consisted of €-6,801 thousand from the first time implementation of the new German accounting legislation (BilMoG).

(30) Income Taxes

Income taxes in the amount of €24,619 thousand (previous year €297 thousand) resulted from current tax expense of €19,737 thousand (previous year €2,017 thousand) as well as taxes from other accounting periods in the amount of €4,882 thousand (previous year €-1,720 thousand).

The deferred tax for the Tax Group is calculated with a tax rate of 29%, which is the tax rate expected to be applicable at the time the temporary differences reverse. Deferred tax liabilities arise from differences in the valuation of accounts receivables and from other assets not recognized for tax purposes. Differences in the valuation of pensions and other provisions generate deferred tax assets that exceed the amount of deferred tax liabilities. Moreover, as of December 31, 2011 Fresenius SE & Co. KGaA has further deferred tax assets that arise from operating losses that can be carried forward for an unlimited period. The Company makes use of the option to not recognize a net deferred asset.

(31) Derivatives

Fresenius SE & Co. KGaA uses derivative financial instruments, normally micro-hedges, to hedge against existing or highly probable future interest and currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. Fresenius SE & Co. KGaA has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Fresenius SE & Co. KGaA uses derivative financial instruments to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates and interest rates. The high effectiveness of the derivative financial instruments leads to the expectation that, in general, the underlying transaction and the corresponding derivative will offset each other.
Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had mainly US$ and € currency derivatives with a nominal value of € 942,918 thousand and fair value of € -14,914 thousand with a maximum maturity of 12 months.

For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies’ and that were passed down to the affected Group companies via Group internal transactions, hedges were built for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity (Einfrierungsmethode). The net fair value of internal and external hedges was € -4,403 thousand. As of December 31, 2011, the notional amount of these transactions totalled € 445,134 thousand. A provision for contingent losses of € 4,466 thousand has been build within “Other provisions”. The offsetting cash flows will nearly level after 12 months the latest.

Further hedges were built for cashpool balances and loans in foreign currencies that Group Companies have borrowed from the Company or that the Company has borrowed from Group Companies, and their offsetting foreign exchange forward contracts closed for hedging purposes. The cashpool balances, loan receivables and payment obligations hedged against currency risk had a net book value of € 398,296 thousand (asset). External foreign currency hedging contracts for the cashpool balances, individual loans receivables and payment obligations had a net fair value of € -10,794 thousand. The changes in value of both the loan receivables and payment obligations and the foreign currency hedging contracts have been recognized as income (Durchbuchungsmethode). The offsetting cash flows will nearly level after 12 months the latest.

The rest of the currency derivative contracts can have positive and negative fair values. Positive fair values of € 494 thousand were not recognized for financial reporting purposes. Negative fair values amounting to € 211 were recognized as contingent losses.

Interest rate risk

The Company entered into interest rate swap transactions with banks with a nominal value of € 1,689,429 thousand and a negative fair value on the balance sheet date of € 65,068 thousand. These transactions are mainly offset by interest rate swaps with the same nominal value and a positive fair value of € 48,523 thousand, through hedging transactions with affiliated companies. These transactions build a hedge that is not revaluated for financial reporting purposes until maturity (Einfrierungsmethode). External transactions with a nominal value of € 48,690 thousand and a negative fair value of € 3,401 thousand on the balance sheet date were not offset by internal transactions and a provision for contingent losses was build for the negative fair value.
In 2011 further interest rate swaps where closed with banks to achieve pre-established interest rate benchmarks for future debt issuance. These swaps will be effective starting on January 13, 2013 and are not offset by internal transactions. The interest rate swaps have a nominal value of €400,000 thousand and a negative fair value of €13,144 thousand on the balance sheet date. A provision for contingent losses has been build for the amount of the fair value because the debt issuance will take place in another affiliate of the Group. The stated fair values do not include accrued interest.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

- The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account.
- To determine the market 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 balance sheet. 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.
- The 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 balance sheet.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method and the Dollar Offset-Method for foreign exchange forward contracts and with the Dollar Offset-Method for interest rate swaps.

(32) Compensation of the Management Board and Supervisory Board

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see exhibit Compensation Report), which is part of the Management Report.

The Management Board’s compensation is, as a whole, performance-oriented and was composed of three elements in 2011: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), components with long-term incentive effects (stock options, postponed bonus payments and a share-based compensation with cash settlement (performance shares)).

The cash compensation paid to the Management Board for the performance of its responsibilities was €10,135 thousand (2010: €9,398 thousand). Thereof, €4,062 thousand (2010: €4,105 thousand) is not performance-related and €5,539 thousand (2010: €4,685 thousand) is performance related. The amount of the performance-related compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component,
the members of the Management Board received 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based payment with cash settlement in an amount of € 1.284 thousand.

The payment of a part of the performance-related compensation in an amount of € 230 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2012 and 2013.

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was € 2,227 thousand in 2011 (2010: € 1,782 thousand). Of this amount, € 210 thousand was fixed compensation (2010: € 183 thousand), € 89 thousand was compensation for committees services (2010: € 100 thousand), and € 1,928 thousand was variable compensation (2010: € 1,499 thousand).

In 2011, to former members of the Management Board, € 776 thousand (2010: € 776 thousand) was paid. The pension obligation for these persons amounted to € 10,513 thousand in 2011 (2010: € 11,039 thousand).

In the fiscal years 2011 and 2010, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

The members of the Management Board and Supervisory Board of Fresenius Management SE are displayed in the exhibit to the Notes.

(33) Corporate Governance

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA www.fresenius.com under Who we are / Corporate Governance / Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations / Corporate Governance / Declaration of Compliance, respectively.

(34) Consolidated Financial Statements

As parent company Fresenius SE & Co. KGaA prepares and publishes consolidated financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a of the German Commercial Code (HGB) for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.H. prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).
(35) Proposal for the distribution of earnings

The General Partner an the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2011 of Fresenius SE & Co. KGaA be distributed as follows:

Payment of a dividend of € 0.95 per ordinary share on the 163,237,336 ordinary shares entitled to dividend € 155,075,469.20

Additions to other reserves € 299,700,000.00

Balance to be carried forward € 40,788.92

€ 454,816,258.12
(36) Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”


Fresenius SE & Co. KGaA,

represented by:

Fresenius Management SE, its General Partner

The Management Board

Dr. U. M. Schneider             R. Baule                Dr. F. De Meo

Dr. J. Götz             Dr. B. Lipps                S. Sturm                Dr. E. Wastler
SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick
Königstein
Former Chairman of Fresenius AG
Chairman

Offices
Supervisory Board
Fresenius Management SE (Chairman)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Fresenius SE (until January 28, 2011; Chairman)
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht
Dresden
Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h.c. Roland Berger
Munich
Management Consultant

Offices
Supervisory Board
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH (Honorary Chairman)
Schuler AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
JW Power S.A., Luxembourg (Chairman)
Fiat S.p.A., Italy
Italy 1 Investment S.A., Luxembourg (Deputy Chairman)
Loyalty Partner Holdings S.A., Luxembourg (until March 1, 2011)
RCS Mediagroup S.p.A., Italy
Telecom Italia S.p.A., Italy (until April 12, 2011)

Dario Anselmo Ilossi
(as of January 31, 2011)
Rome, Italy
Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Offices
Supervisory Board
Fresenius SE (until January 28, 2011)

Konrad Kölbl
(as of January 31, 2011)
Hof am Laitthagebirge, Austria
Full-time Works Council Member
Member of the Manual Workers’ Works Council VAMED-KMB Krankenhausmanagement und Betriebsführungs- ges. m.b.H.
Chairman of the Group Works Council VAMED AG
Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
VAMED-KMB Krankenhausmanagement und Betriebsführungs-ges. 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)
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Linde AG

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß
(as of May 5, 2011)
Weilrod
Full-time Works Council Member
Chairman of the Joint Works Council Fresenius SE & Co. KGaA / Bad Homburg site
Member of General Works Council Fresenius SE & Co. KGaA

Gerhard Roggemann
Hanover
Vice Chairman (Mitglied der Geschäftsleitung) Hawkpoint Partners Ltd., Great Britain

Offices
Supervisory Board
Deutsche Beteiligungs AG
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)

Board of Directors
F & C Asset Management plc, Great Britain (until May 3, 2011)
Friends Life Group plc, Great Britain (former Friends Provident Holdings (UK) plc)
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht
Gerlingen
Former Member of the Management Board of Allianz SE
Deputy Chairman

Offices
Supervisory Board
Euler Hermes Deutschland AG (since April 27, 2011)
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Heidelberger Druckmaschinen AG
SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Wilhelm Sachs  
(January 31 until May 5, 2011)  
Friedrichsdorf  
Full-time Works Council Member  
Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH  
Member of the European Works Council of Fresenius SE & Co. KGaA

Friedrichsdorf  
Corporate Offices  
Supervisory Board  
Fresenius SE (until January 28, 2011)

Stefan Schubert  
(as of January 31, 2011)  
Limburg-Staffel  
Hospital Nurse and Full-time Works Council Member  
Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Siegfriedsdorf  
Corporate Offices  
Supervisory Board  
Fresenius SE (until January 28, 2011)

Rainer Stein  
(as of January 31, 2011)  
Berlin  
Full-time Works Council member  
Chairman of the Group Works Council of HELIOS Kliniken GmbH  
Chairman of the European Works Council of Fresenius SE & Co. KGaA

Rainer Stein  
Corporate Offices  
Supervisory Board  
Fresenius SE (until January 28, 2011)  
HELIOS Kliniken GmbH

Niko Stumpföger  
(as of January 31, 2011)  
Zeuthen  
Secretary of the Trade Union Ver.di, Head of Company and Industry Politics in Health Care and Social Affairs  
Deputy Chairman

Niko Stumpföger  
Offices  
Supervisory Board  
Fresenius SE (until January 28, 2011; Deputy Chairman)  
HELIOS Kliniken GmbH (Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Personnel Committee (until January 1, 2011)  
Dr. Gerd Krick (Chairman)  
Wilhelm Sachs  
Dr. Karl Schneider  
The KGaA has no Personnel Committee.

Nomination Committee  
Dr. Gerd Krick (Chairman)  
Prof. Dr. h. c. Roland Berger  
Dr. Gerhard Rupprecht

Dr. Dieter Schenk  
Dr. Karl Schneider

Audit Committee  
Prof. Dr. h. c. Roland Berger (Chairman)  
Konrad Kölbl  
Dr. Gerd Krick  
Gerhard Roggemann  
Rainer Stein  
Dr. Karl Schneider

Joint Committee (since July 11, 2011)  
Dr. Dieter Schenk (Chairman)  
Dr. Gerd Krick  
Dr. Gerhard Rupprecht  
Dr. Karl Schneider

1 Committee member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
2 Member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
3 Committee member of the Supervisory Board of Fresenius SE & Co. KGaA since March 11, 2011
4 The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE.
Management Board Fresenius Management SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider ¹
Königstein
Chairman

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Group France S.A.S., France
(Chairman)
Fresenius Medical Care Management AG (Chairman)
HEADS Kliniken GmbH (Chairman)

Board of Directors
APP Pharmaceuticals, Inc., USA
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (until February 24, 2011)

¹ Member of the Management Board of Fresenius SE until January 28, 2011

Dr. Francesco De Meo ¹
Petersberg
Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HEADS Kliniken Bad Saarow GmbH (Chairman)
HEADS Kliniken Emil von Behring GmbH (Chairman)
HEADS Kliniken Erfurt GmbH (Chairman)
HEADS Kliniken Leipziger Land GmbH (Chairman)
HEADS Kliniken Marsefeld-Südharz GmbH (Chairman)
HEADS Kliniken Schwerin GmbH (Chairman)
HEADS Spital Überlingen GmbH (Chairman)

Office
Supervisory Board
Allianz Private Krankenversicherungs-AG (until July 6, 2011)

Rainer Baule ¹
Ettlingen
Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
(Chairman)
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A., Spain
Labesfal – Laboratórios Almiro, S.A., Portugal

¹ Member of the Management Board of Fresenius SE until January 28, 2011

Stephan Sturm ¹
Hofheim am Taunus
Chief Financial Officer

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A., Spain
HEADS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgenstein Kliniken GmbH

Administrative Board
Fresenius Kabi Group France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ben Lipps ¹
Boston, Massachusetts (USA)
Business Segment
Fresenius Medical Care

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A., Spain
HEADS Kliniken GmbH

Dr. Jürgen Götz ¹
Bad Soden am Taunus
Chief Legal and Compliance Officer, and Labour Relations Director

Corporate Offices
Supervisory Board
HEADS Kliniken GmbH
Wittgenstein Kliniken GmbH (Chairman)

¹ Member of the Management Board of Fresenius SE until January 28, 2011

Dr. Ernst Wastler ¹
Linz, Austria
Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH
VAMED-KMB Krankenhausmanagement und Betriebshilfereinigung, m.b.H., Austria (Chairman)
SUPERVISORY BOARD FRESENIUS MANAGEMENT SE
(General partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick
Königstein
Chairman

Prof. Dr. h. c. Roland Berger
Munich

Klaus-Peter Müller
Bad Homburg v. d. H.

Dr. Gerhard Rupprecht
Gerlingen

Dr. Dieter Schenk
Munich
Lawyer and Tax Consultant
Deputy Chairman

Dr. Karl Schneider
Mannheim
Former Spokesman of Südzucker AG

Offices
Supervisory Board
Fresenius Medical Care AG & Co. KGaA
(Deputy Chairman)
Fresenius Medical Care Management AG
(Deputy Chairman)
Fresenius SE (until January 28, 2011; Deputy Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)
Management Report for Fresenius SE & Co. KGaA

Fresenius SE & Co. KGaA acts as an operating holding that holds the shares of the Fresenius Group management companies. Fresenius SE Co. KGaA collects income from service contracts, and in a higher amount, income from participations. The income from investments and with it, the result of operations, financial position and the assets and liabilities are highly dependent on the performance of the whole Group. Therefore the business development of the group is described in the following paragraphs.

Operations and business environment

Group structure and business

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

The annual general meeting of Fresenius SE on May 12, 2010 had approved the change of the Company’s legal form into an SE & Co. KGaA (a partnership limited by shares). The change was registered with the commercial register and thereby became effective on January 28, 2011. Fresenius SE has since been operating as Fresenius SE & Co. KGaA. As part of the transaction, all non-voting preference shares in Fresenius SE were mandatorily converted into voting ordinary shares at a 1:1 exchange ratio. The Company’s total share capital remained unchanged.

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

- Fresenius Medical Care is the world’s leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2011, Fresenius Medical Care treated 233,156 patients at 2,898 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 65 proprietary clinics, of which 64 are located in Germany and one in Switzerland. HELIOS has a total of more than 20,000 beds.

- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.
The segment Corporate / Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate / Other also includes the consolidation measures conducted among the business segments.

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

Management and control

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

The Management Board of the General Partner conducts the business and represents the Company in dealings with third parties. It 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. In addition to the Supervisory Board of Fresenius SE & Co. KGaA, Fresenius Management SE has its own Supervisory Board. The Management Board is required to report to the Supervisory Board of Fresenius Management SE regularly, in particular on its corporate policy and strategies, business profitability, current operations, and any other matters that could be of significance for the Company’s profitability and liquidity. The Supervisory Board of Fresenius Management SE also advises and supervises the Management Board in its management of the Company. It is prohibited from managing the Company directly. However, the Management Board’s rules of procedure require it to obtain the approval of the Supervisory Board of Fresenius Management SE for specific activities.

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

The Supervisory Board of Fresenius SE & Co. KGaA advises and supervises the management of the Company's business by the General Partner, reviews the annual financial statements and the consolidated financial statements, and performs the other functions assigned to it by law and the Company’s articles of association. It is involved in corporate planning and strategy, and in all matters of fundamental importance for the Company.
The Supervisory Board of Fresenius SE & Co. KGaA has six shareholder representatives and six employee representatives. All twelve members of the Supervisory Board are appointed by the General Meeting, with six of the members, who can come from various European countries, being appointed on the basis of a proposal put forward by the employees. The General Meeting is bound by the employees’ proposal.

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

The Supervisory Board of Fresenius SE & Co. KGaA has two permanent committees: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed in the exhibit to the Notes.

The Company’s annual corporate governance declaration describes the procedures of the Supervisory Board’s committees. The 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 of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA are included in the Compensation Report (see exhibit Compensation Report). The Compensation Report is part of the Group’s Management Report.

Key products and services

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in about 40 countries. Dialyzers, dialysis machines and renal pharmaceuticals are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. Fresenius Kabi is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi’s portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in over 160 countries. Fresenius Helios treats more than 2 million patients, thereof about 700,000 inpatients 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 80 countries through its subsidiaries. The main markets are Europe and North America. Fresenius generates 42% of its sales in Europe and 41% in North America.

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

Legal and economic factors

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

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

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate of the U.S. dollar to the euro. In 2011, this had a negative impact on the statement of income due to the altered average annual exchange rate between the U.S. dollar and the euro of 1.39 in 2011 as compared to 1.33 in 2010. The changed spot rate of 1.29 as of December 31, 2011 – compared to 1.34 as of December 31, 2010 – also had an impact on the balance sheet.

There were no legal aspects that significantly affected business performance in 2011.

On the whole, the legal and economic factors for the Fresenius Group were largely unchanged, so the Group’s operating business was not materially affected.
Capital, shareholders, articles of association

The summary below shows the subscribed capital of Fresenius SE & Co. KGaA (as of December 31, 2010 of Fresenius SE).

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Subscribed capital</td>
<td>Number</td>
</tr>
<tr>
<td>of shares</td>
<td>in €</td>
<td>of shares</td>
</tr>
<tr>
<td>Ordinary shares/capital</td>
<td>163,237,336</td>
<td>81,225,045</td>
</tr>
<tr>
<td>Preference shares/capital</td>
<td>0</td>
<td>81,225,045</td>
</tr>
<tr>
<td>Total</td>
<td>163,237,336</td>
<td>162,450,090</td>
</tr>
</tbody>
</table>

The shares of Fresenius SE & Co. KGaA are non-par-value bearer shares. Shareholders’ rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz).

The change of legal form to a KGaA was registered with the commercial register on January 28, 2011, and thereby became effective. In accordance with the resolution of the General Meeting and the articles of association of Fresenius SE & Co. KGaA, all the ordinary shares of Fresenius SE thereby became ordinary shares of Fresenius SE & Co. KGaA. At the same time, all non-voting preference shares of Fresenius SE were mandatorily converted at a 1:1 exchange ratio into voting ordinary shares of Fresenius SE & Co. KGaA. The Company’s total share capital remained unchanged.

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new Authorized Capital I was created.

Accordingly, Fresenius Management SE, as General Partner, is authorized, subject to the consent of the Supervisory Board of Fresenius SE & Co. KGaA:

- to increase the subscribed capital of Fresenius SE & Co. KGaA by a total amount of up to € 40,320,000.00 until May 12, 2016, through a single or multiple issuance of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I). Shareholders’ pre-emptive rights of subscription can be excluded.

In addition, there are the following Conditional Capitals, adjusted for stock options that have been exercised in the meantime:

- The subscribed capital is conditionally increased by up to € 888,428.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights.

- The subscribed capital is conditionally increased by up to € 2,976,630.00 through the issuance of new bearer ordinary shares (Conditional Capital II). The condi-
tional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.

- The subscribed capital is conditionally increased by up to € 6,024,524.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the General Partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

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

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed in Note 10 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company on December 30, 2011 that it held 46,871,154 ordinary shares of Fresenius SE & Co. KGaA. On December 31, 2011 this corresponds to an equity interest of 28.71%.

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

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

Strategy and goals

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

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

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

• To **expand our market position**: Fresenius’ goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs through APP Pharmaceuticals. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also to be expanded further through the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.

• To **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company’s market position and to diversify its business geographically.

• To **strengthen innovation**: Fresenius’ strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development in our operations to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios’ goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed’s goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

• To **enhance profitability**: our goal is to continue to improve Group profitability. To contain costs, we are concentrating particularly on making our production
plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and practicing strict cost control. By focusing on our operating cash flow and employing efficient working capital management, we will increase our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding. In present capital market conditions we optimize our cost of capital if we hold the net debt / EBITDA ratio within a range of 2.5 to 3.0. It was 2.8 as of December 31, 2011. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

We report on our goals in detail in the Outlook section on pages 35ff.
Overall business development

Economic Environment

The global economy continued to grow in 2011 in spite of events that curbed business activities. Effects from the strong increase of the oil price, which was caused by political unrest in the Arabic region and the earthquake in Japan, were mostly handled by the middle of 2011. An economic slow-down and the escalation of the debt crisis in some industrial countries, however, led to uncertainty and continued volatility in the stock markets during the second half of the year. In spite of the subsequent recovery, the global economic situation remained tense. During the first half of 2011, the main positive effects on the economy were the continuous expansive monetary and fiscal policy of the industrial countries and the still consistent export and investment demand.

Against the backdrop of the weak economy of the industrial countries, the robust economic development in developing and emerging market economies increasingly proved to be the most important pillar of the global economy. In 2011, their average growth was more than three times as high as that of industrial countries and contributed more than half to the growth in global production. Once again, the People's Republic of China provided important impulses, but Brazil and India have also gained significantly in importance. The global economy grew in 2011 by approximately 3.6% (2010: 5.2%).

Europe

In Europe, the growth in 2011 was associated with the slow recovery of the Eurozone during the previous year. The GDP growth declined to 1.6% (2010: 1.9%). The development in the individual countries, however, was very heterogeneous: Germany experienced above-average growth, whereas Italy and Spain remained below average. In Portugal (-1.5%) and Greece (-5.3%), the GDP decreased.

The unchanged high unemployment rate of about 10.0% in 2011 prevented a general recovery of the already weak private consumption demand in the Eurozone. While the unemployment rates decreased in Germany, Austria, the Netherlands, and Italy, the situation in the labor market worsened in many countries, including Ireland, Portugal, Greece, and Spain. The effects of the real estate crisis remained especially still noticeable in Spain and Ireland.

The high debt level, the credit rating downgrade by the rating agencies, and the increased risk markup for treasuries especially in the peripheral countries of the Eurozone

Sources: German Council of Economic Experts – Annual Report 2011/2012, bank research
increased the pressure to pursue ambitious consolidation plans. The economies of the
countries in Southern Europe need to become more efficient; with public reform espe-
cially urgent. Some core countries must also make efforts to bring debt down to sustain-
able levels. By the end of 2011, problems in the Eurozone finally caused the euro to
reach its all-time low against the U.S. dollar since September 2010.

The economic recovery in **Germany** continued in 2011. Although the good export de-
mand from the first half of the year decreased due to the slowdown of the global econ-
yomy towards the end of the year, GDP still rose by an average of 3.0% in 2011 (2010: 3.6%). The stable domestic demand, the relatively solid public finance situation, and the
decreased unemployment rate contributed to the positive development.

The emerging economies in **Central and Eastern Europe** face problems that are similar
to those of many industrial countries. Restrictive stance of the fiscal policy dampened
economic development, and only a few countries, such as Poland, were able to counter
with robust private demand. GDP in that region grew by 3.5%.

**United States**

The economy in the United States somewhat recovered after a weak first half of 2011; GDP grew by 1.7% in 2011, which is less than the previous year (2010: 3.0%). The main
reasons for this growth were private consumption and increased investment demand,
predominantly from the manufacturing industry, which is gaining in importance.

Also in 2011, the ailing U.S. real estate market was unable to make a true recovery. The
labor market with an unemployment rate of around 9.0% – including many long-term
unemployed – picked up somewhat, but in essence remained structurally weak. While the
private sector created jobs, the public sector cut the number of jobs.

In the U.S., the debt to economic strength ratio has increased since 2008 by 30% to its
current 100%. The country was consequently threatened with insolvency during the
summer of 2011; its credit rating was downgraded for the first time since the postwar
period. In order to stimulate the economy, the U.S. Federal Reserve continued its expan-
sive monetary policy and significantly increased the amount of U.S. Treasuries on its bal-
ance sheet. In September 2011, "Operation Twist" was implemented, in which short-term
bonds were traded for long-term bonds with a volume of US$ 400 billion with the goal of
lowering interest rates.

The U.S. would like to save US$ 4.4 trillion over the course of the next ten years in order
to stabilize its debt level. Current estimates of likely debt restrictions project total sav-
ings of US$ 1.2 trillion already in 2013. Expense cuts are planned in all public budgets.

**Asia**

The prospering countries in Asia once again proved to be an important pillar of the global
economy. Asia continues to be the most dynamic region in the world. GDP in Asia (ex-
cluding Japan) grew by 7.3% in 2011 (2010: 9.4%).

**China and India** recorded the highest growth rates, with 9.1% (2010: 10.3%) and
7.3% (2010: 9.9%) respectively. Both countries distinguished themselves with pro-
nounced intra-regional networking of their markets and lively domestic demand development. A low unemployment rate, especially in China, productivity gains, and rising wages fostered private consumption. Investment expenses increased due to high capacity utilization and infrastructural initiatives.

In order to counter rising inflation and overheating, the Chinese Central Bank increased the prime rate at the end of 2010 to reduce lending. Thanks to additional measures, the Chinese currency appreciated significantly against the U.S. dollar. After several years of a less expansive monetary policy, a trend towards monetary easing measures has been observed in some emerging economies since the end of 2011: China for instance decreased its minimum reserve requirements in order to counter a cool-down in the economy.

In March 2011, the earthquake and tsunami disaster shook the economy in Japan and significantly impacted the already weak economic development. Experts estimate the financial loss at up to 4.0% of GDP. In spite of additional interventions by the central bank, the significantly appreciated domestic currency continues to put a strain on the Japanese export industry. In 2011 GDP decreased by -0.8% (2010: +4.5%).

The other Asian countries were only slightly affected by the financial crisis. Most of these countries continued to benefit from the revival of world trade. This positive growth environment and the structural catch-up process explain the much higher growth rates in some cases compared to the developed industrial countries.

Latin America

Stable domestic demand and decreased dependency on developments in the U.S. led to a good, but lower growth of 4.3% (2010: 6.1%) in the Latin American countries compared to the previous year. Due to increased trading relationships with other emerging economies, countries such as Brazil, Argentina, and Chile were less affected by the weak economies of the industrial countries than countries that were highly integrated with industrial countries.

Due to continued strong trading ties with the U.S. and higher inflation rate, the GDP increase in Mexico declined compared to year 2010 to 3.9% in 2011 (2010: 5.5%).

In 2011, Latin America’s biggest economy Brazil was unable to maintain the upward trend of the previous year, which was mainly driven by private consumption. Steps taken to slow down inflation and credit development also decreased economic growth, until the Brazilian central bank initiated a surprise reversal of its monetary policy in August 2011 by lowering the prime rate. Further economic stimulating is expected from the reduction of the consumption tax. Overall, the GDP growth rate clearly decreased to 2.8% (2010: 7.5%).

Argentina, however, again registered the highest increase in the region in 2011, and raised GDP by 7.8% (2010: 9.2%).
Health care industry

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

The main growth factors are:

- rising medical needs deriving from aging populations
- the growing number of chronically ill or multimorbid patients
- 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 drivers are:

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

At the same time, the cost of health care is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.5% of GDP in the OECD countries in 2009, with an average of US$ 3,223 spent per capita. The United States had the highest per capita spending (US$ 7,960), as in previous years, followed by Norway (US$ 5,352) and Switzerland (US$ 5,144). Germany ranked ninth among the OECD countries with per capita spending of US$ 4,218.

Per capita health care spending in the OECD countries grew at an average annual rate of 4% between 2000 and 2009. In Germany, per capita health care spending increased by 2% per year over the same period. This is one of the smallest increases among all OECD countries during this period. The relatively slow growth in health care spending in Germany is due in particular to the introduction of cost-containment measures.

The public sector is the main source of health funding in all OECD countries, except Chile, the United States and Mexico, where public spending was below 50% in 2009. In Germany, 76.9% of health spending was funded by public sources in 2009, above the average of 71.7% in the OECD countries, but below the over 80% public share in the Czech Republic, Japan and Luxembourg (both in 2008), New Zealand as well as several Nordic countries, such as Sweden.

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 2009, the average life expectancy in the OECD countries was 79.5 years. In Germany, life expectancy of 80.3 years was nearly a year more than the OECD average. Japan has the highest life expectancy of all OECD countries with 83 years.
Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising health care expenditures. However, such measures cannot compensate for the cost pressures arising from medical advances and demographic change. Market-based elements are increasingly being introduced in the health care system to create incentives for cost and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards and optimized medical processes. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

In the United States, the government passed a sweeping health care reform in 2010. It is planned to phase-in health insurance coverage for the roughly 46 million people – about 15% of the population – who are currently not insured. Basic health insurance is to be compulsory from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance. Several lawsuits have been filed in federal courts challenging the constitutionality of the reform, some of which upheld it while others declared portions of it a violation of the U.S. Constitution. A decision of the United States Supreme Court is expected in 2012.

Our most important markets developed as follows:

The dialysis market

In 2011, the value of the global dialysis market was approximately US$ 75 billion, equivalent to growth of 4% in constant currency. The market for dialysis care (including renal pharmaceuticals) accounted for approximately US$ 62 billion and the market for dialysis products for about US$ 13 billion.

The number of dialysis patients worldwide increased by about 6% to around 2.2 million.

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 2,850 p. m. p., followed by Japan with 2,520 p. m. p., and the United States with approximately 1,950 p. m. p. It averages about 1,050 in the 27 countries of the European Union. The far lower global average of approximately 400 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 nutrition. 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. In countries with a higher GDP, there is no noticeable correlation between economic strength and prevalence. However, the generally rising global prevalence rate suggests that more and more people are receiving renal replacement therapy treatment over the years.

Dialysis care

Of the around 2.2 million patients receiving regular dialysis treatment in 2011, more than 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis. The ma-
The majority of hemodialysis patients are treated in dialysis clinics. There are about 31,700 dialysis clinics worldwide with an average of 70 hemodialysis patients per clinic.

The organization of the clinics varies significantly depending on whether the health systems in the individual countries are state-run or private: In the United States, most of the approximately 5,800 dialysis clinics are run privately, and only about 1% are publicly operated. By contrast, about 60% of the approximately 5,400 dialysis clinics in the European Union are publicly owned. In Japan, private nephrologists play a key role, treating about 80% of dialysis patients in their facilities.

**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 66% of all U.S. dialysis patients. In 2011, Fresenius Medical Care maintained its market-leading position of approximately 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 1,081 dialysis clinics in about 40 countries and treats approximately 95,000 patients. Together, these represent by far the largest and most international network of dialysis clinics.

In 2011, the number of **peritoneal dialysis patients** worldwide was about 237,000. Fresenius Medical Care has a market share of about 19% (2010: 17%) according to sales. The increase in the market share is mainly a result of the acquisition of Gambro’s global peritoneal dialysis business, closed in December 2010. Fresenius Medical Care is the global No. 2 in this market after Baxter. In the United States, its market share was 41%.

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 85% of all dialysis patients in the United States. In 2011, CMS reimbursements accounted for about 30% of Fresenius Medical Care’s revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

**Dialysis products**

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 33%, followed by Baxter with 19% and Gambro with 13%. These top three manufacturers serve about 65% of the market demand. Each of the other competitors, mainly from Japan, have a single-digit percentage market share.

**Dialyzers** are the largest product group in the dialysis market with a worldwide sales volume of around 211 million units in 2011. Around 93 million, or almost half, were produced by Fresenius Medical Care.
Of the approximately 73,000 new hemodialysis machines that were brought onto the market in 2011, about 55% were from Fresenius Medical Care. In the United States, our most important business region, Fresenius Medical Care had a share of over 80% of the independent market in these two product segments. We define the independent market as all dialysis clinics that do not belong to the major dialysis care provider Fresenius Medical Care or DaVita. In 2011, China was our second largest market, where we sold more than 5,950 new hemodialysis machines. Over 48%, or almost half of all machines used in China, were produced by Fresenius Medical Care.

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

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

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

We also expect the demand for generics to continue growing. Generic drugs are more advantageous from health economics aspects than original drugs because of their significantly lower price and they already make a vital contribution to health care today. In our view, and judged from today's vantage point, the focus is mainly on the pricing of patented drugs and the prescription drugs segment in the pharmacy market.

The market for IV generics is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2012 to 2022 to grow to approximately US$ 20 billion on a cumulative basis. These figures are based on the sales of the original

Sources: German Society for Nutritional Medicine (DGEM) 2009; IMS; Company research, market data refer to Fresenius Kabi’s relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; German Federal Statistics Office
drugs in 2010 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

Based on its own estimates, Fresenius Kabi considers its relevant market for intravenously administered generics (without Japan) to be around € 15 billion.

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

The German hospital market

The total volume for hospital treatment (excluding research and teaching) in Germany was about € 77 billion in 2010. This was approximately one-fourth of total health care expenditures. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel and material costs rose by 3.6% each.

The number of hospitals in 2010 was 2,064 (2009: 2,084). After declining for years, the number of beds only fell slightly to 502,749 (2009: 503,341). Over the last five years the number of beds has declined at an average annual rate of 0.4%. Nonetheless, with 6.15 beds per 1,000 population, Germany is still well above the OECD average of 3.5 (2009). The average stay of a patient in an acute care clinic in Germany fell slightly over the same period and was 7.9 days in 2010 (2009: 8.0 days).

On the other hand, the number of inpatient admissions has increased. This is largely due to changing demographics. In 2010, the number of admissions increased by about 216,000 or 1.2% compared to 2009 and increased for the first time to more than 18 million. This is equivalent to 221 admissions per 1,000 population (2009: 218). Other countries rank well below the German level. In the years 2006 to 2010, the number of admissions in Germany has risen at an average annual rate of 1.7%. The average costs per admission have increased by 3.0% on average over the five years leading up to 2010.

According to a survey by the German Hospital Institute (DKI), the economic situation at many hospitals in Germany remains difficult: 48.8% of the hospitals expect to earn a surplus in 2011 (2010: 56%), 20.6% expect to make a loss (2010: 16%), and 30.6% expect to break even (2010: 28%). Of the clinics surveyed, about 41% assess their economic situation as good and 18% as unsatisfactory. The other 41% saw the situation as mixed. Consequently, the assessment of the economic situation has worsened even further compared to the previous year.

Many hospitals are facing a difficult economic and financial situation as well as significant investment needs. This is due in large part to an investment backlog that has accumulated because the federal states have not met their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past due to budget constrains. Moreover, the investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches

Sources: German Hospital Institute (DKI) – Krankenhausbarometer 2011, OECD Health Data 2011, RWI, Krankenhaus Rating Report 2011
Institut für Wirtschaftsforschung (RWI) estimates that the investment backlog at German hospitals is about € 14 billion.

According to the German Federal Statistics Office, the privatization trend in the German hospital market continued in 2010, albeit on a modest scale, with the share of private hospital beds rising to 16.9% (2009: 16.6%). However, with a share of 48.6%, the bulk of the hospital beds continued to be in the public sector (2009: 48.7%).

In 2011, however, the privatization of hospitals increased once again: According to our research, about € 850 million in hospital transaction revenues were acquired in 2011, which was a significant increase compared to the previous year (2010: € 230 million).

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

In 2010 the post-acute care market in Germany comprised a total of 1,237 clinics, almost the same as the year before. The number of beds was 171,724 (2009: 171,489). 56.1% (2009: 55.8%) of the clinics were private clinics. An almost unchanged 25.9% (2009: 26.1%) were independent non-profit clinics and the share of public clinics decreased to 17.9% (2009: 18.1%). Private clinics accounted for 67.0% of the total number of post-acute care beds (2009: 66.8%). Independent non-profit clinics and public clinics accounted for 15.8% (2009: 16.0%) and 17.2% (2009: 17.3%), respectively. The total number of admissions in Germany decreased by about 30,800 admissions to 1.97 million. The average length of stay decreased to 25.4 days (2009: 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 is very country-specific and depends to a large extent on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

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

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

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2011, with a continued increasing demand for health services. Strong demand for its products and services enabled Fresenius to grow with its respective markets or even outpace their growth.
Significant factors affecting operating performance

In 2011, the Fresenius Group’s positive development was again driven to a large extent by the very good operating development in all business segments. Acquisitions, mainly at Fresenius Medical Care, further strengthened organic growth.

The Management Board’s assessment of business results

The Management Board is of the opinion that the Fresenius Group’s performance in 2011 was excellent – with sales and earnings improvements across all business segments.

Fresenius Medical Care sustained its positive performance trend with organic sales growth of 2% and a significant increase in earnings. Fresenius Kabi once again reported excellent results and exceeded the already strong previous year's base, which was bolstered by supply constraints at competitors. Fresenius Kabi profited from the continued strong demand for products and generally outperformed the market. This was reflected in excellent organic growth of 9% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 4% and further improved its earnings. Growth at Fresenius Vamed was affected by the challenging previous year's figure, which included a substantial order from the Ukraine, and by the unrest in the Middle East / North Africa region. Fresenius Vamed still managed to increase sales by 3% and achieved further earnings growth of 13%, as well as an increase in order backlog, which is an important indicator for the project business. In 2011, order intake was slightly below the previous year's figure.

Results of operations, financial position, assets and liabilities

Results of operations

Net income of Fresenius SE & Co. KGaA in the fiscal year 2011 was € 910 million (2010: € 216 million). Net income in 2011 has been significantly affected by the maturity of the Mandatory Exchangeable Bond (MEB). The fair value measurements realized until August 14, 2011 of the liabilities for the MEB lending from Fresenius Finance B.V. and for the maturity of the MEB, resulted in a netted accounting income of € 628.3 million that is shown in the profit and loss statement under "other financial result". Besides this effect, net income mainly resulted, as in the previous year, from income from participations and profit transfer agreements.

All the following companies have profit and loss transfer agreements with Fresenius SE & Co. KGaA: Fresenius Kabi AG, Fresenius ProServe GmbH, Fresenius Biotech Beteiligungs GmbH, Fresenius Versicherungsvermittlungs GmbH and Hygieneplan GmbH.

The profit and loss transfer agreement with Fresenius Kabi AG yielded earnings of € 146 million (2010: € 217 million). The decrease can be mainly explained by the adjustments in pension accruals performed by the Kabi companies in 2011 to reach the full amounts as required by the German accounting legislation (BilMoG). Moreover, Kabi companies
also had higher expenses, especially interest expense against Fresenius SE & Co. KGaA and research and development expenses.

Fresenius ProServe GmbH contributed with earnings of € 152 million (2010: € 129 million) to the net income from participations. The increase results from improved income at the HELIOS-Companies that are part of the profit transfer agreement.

Fresenius Biotech Beteiligungs GmbH contributed with a loss of € 30 million (2010: € 37 million) to the net income from participations, which results from research and development activities done by its subsidiary Fresenius Biotech GmbH.

Other significant income from participations came from a € 69 million Fresenius Medical Care AG & Co. KGaA dividend (2010: € 65 million).

In addition to dividend payments and earnings from profit and loss transfer agreements, Fresenius SE & Co. KGaA also receives income from rent and by providing services and includes these amounts in other operating income. This item also includes € 53 million of foreign currency gains while € 52 million of foreign currency losses are included in other operating expenses.

The decrease in personnel expenses from €29 million to € 23 million mainly results from the new legal form effective on January 28, 2011: starting on this date management board remuneration is not included in personnel expenses anymore and is instead passed on to Fresenius Management SE and included therefore in other operating expenses.

The improvement in net interest from € -50 million to € -22 million mainly results from having refinanced in 2011 a short term loan to Kabi AG into a long term loan with a higher interest rate as well as from the maturity of the MEB and the discontinuation of expenses for securities lending fees from this moment onwards.

Other financial result includes the expense from market valuation of the liability in connection with the on-lent Mandatory Exchangeable Bond as well as the accounting profit from settling the liability. This profit originated from settling the liability with FMC-Shares. These accounting earnings have only been recognized in the individual financial statements of Fresenius SE & Co. KGaA prepared according to the German Commercial Code (HGB) and not in the Consolidated Financial statements prepared according to international standards.

The extraordinary result of 2010 mainly consisted of the expense related to the increase in pension provisions due to the new valuation method introduced by the new German accounting legislation (BilMoG).

The General Partner and Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend increase to the Annual General Meeting. For 2011, a dividend of € 0.95 per ordinary share is proposed. This is an increase of 10.5%. The total dividend distribution will increase by 11.0% to € 155.1 million (2010: € 139.7 million).
### Cash flow statement

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>million €</td>
<td>million €</td>
</tr>
<tr>
<td>Net Income</td>
<td>910</td>
<td>216</td>
</tr>
<tr>
<td>Depreciation and amortization of non-current assets</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Mandatory Exchangeable Bonds</td>
<td>-739</td>
<td>90</td>
</tr>
<tr>
<td>Increase in pension liabilities</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td><strong>177</strong></td>
<td><strong>320</strong></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in accruals for income taxes and other accrued expenses</td>
<td>34</td>
<td>11</td>
</tr>
<tr>
<td>Increase in trade accounts payable</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Increase in other operating assets and liabilities</td>
<td>-9</td>
<td>-27</td>
</tr>
<tr>
<td><strong>Increase/ Decrease in working capital</strong></td>
<td><strong>25</strong></td>
<td><strong>-14</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating cash flow (cash provided by operating activities)</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for purchasing shares of consolidated companies and for investments in financial assets</td>
<td>-153</td>
<td>-3</td>
</tr>
<tr>
<td>Payments for investments in immaterial assets and property plant and equipment</td>
<td>-1</td>
<td>-2</td>
</tr>
<tr>
<td><strong>Cash used for investing activities</strong></td>
<td><strong>-154</strong></td>
<td><strong>-5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid</td>
<td>-140</td>
<td>-122</td>
</tr>
<tr>
<td>Proceeds from bank loans</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>0</td>
<td>-8</td>
</tr>
<tr>
<td>Change in financing activities with related parties</td>
<td>-118</td>
<td>-52</td>
</tr>
<tr>
<td>Proceeds from exercise of stock options</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td><strong>Cash used for financing activities</strong></td>
<td><strong>-217</strong></td>
<td><strong>-144</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change of cash and cash equivalents</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>191</td>
<td>34</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>22</td>
<td>191</td>
</tr>
</tbody>
</table>
Fresenius believes that its existing credit facilities, as well as the operating cash flows, income from transfer agreements and additional sources of short-term funding, are sufficient to meet the company’s foreseeable liquidity needs. Further refinancing on a major scale within the Fresenius Group is only due in 2012.

As of December 31, 2011, Fresenius SE & Co. KGaA complied with the covenants under all the credit agreements.

**Financial situation**

Total assets of Fresenius SE & Co. KGaA increased by € 313 million up to € 5,339 million (2010: € 5,026 million). The increase mainly results from collected profit transfers from Kabi AG and Fresenius ProServe GmbH.

Moreover in 2011, on the asset side of the balance sheet, € 558 million of short term intercompany loans were refinanced into long term loans and were reclassified from current to fixed assets.

Bank debt has slightly increased by € 10 million to € 206 million mainly resulting from the temporary use of the credit lines.

The decrease in accrued expenses of € 85 million to € 54 million is mainly the result of the maturity of the MEB in August 2011. This item contained an accrual of € 111 million for the market valuation of the related MEB lending.

The decrease in liabilities to affiliated companies from € 1,598 million to € 1,168 million has to be considered in the same context. Due to the maturity of the MEB in 2011, the MEB lending from Fresenius Finance BV of € 554 million was settled.

The equity ratio of 71.7% was considerably higher than on the previous year (60.2%). The main reason is the high accounting income resulting from the maturity of the MEB in August 2011.

**Investments and acquisitions**

Total investments in property, plant and equipment and intangible assets were € 3 million in 2011.

In November and December 2011, 1.4 million ordinary shares of FMC-AG & Co. KGaA were purchased at a price € 71 million. Moreover, Fresenius SE Co. KGaA increased in 2011 the capital of Fresenius US Finance I, Inc. and Fresenius US Finance II, Inc. by US$ 115 million (€ 86 million) and US$ 45 million (€ 34 million) respectively.
Human resources

Fresenius SE & Co. KGaA had 369 employees on December 31, 2011 (December 31, 2010: 351). Apart from an increase in the number of apprentices, the higher number of employees is due to the growing operations of the Fresenius Group that requires increasing personnel in the central functions within Fresenius SE Co. KGaA.

Profit-sharing

The high expectations we place on our employees require equivalent compensation. To identify with the Company, employees must take part in its successes and understand the opportunities and risks of entrepreneurial thinking. Fresenius uses the following models:

- Profit-sharing for our employees in Germany
- Stock option plans

These programs support the entrepreneurial focus of our employees to continually increase the value of the company and safeguard the interests of our shareholders.

Training

We can only stay ahead of the competition if our employees have the best possible training.

University graduates go through all business areas relevant to their future position in an 18-month “Graduate Development Program” to learn on the job and get a cross-divisional overview. Executive programs and leadership seminars are also a fixed component of our management training.

Miscellaneous

In 2009 a Works Council Agreement that introduced life work time accounts starting on 2010 was concluded to supplement the work time models in place. 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.

There were no further significant changes to compensation or employment agreements during the reporting period.

Research and development

Fresenius focuses its R & D efforts on its core competencies in the following areas:
• Dialysis
• Infusion and nutrition therapies
• Generic IV drugs
• Medical devices
• Antibody therapies

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2011, we again successfully continued numerous projects and a number of new products were launched.

Research and development expenses were € 267 million (2010: € 244 million) in the group. We therefore invested about 4% of our product sales in R & D (2010: 4%). In 2011, Fresenius Medical Care increased its R & D spending by 10%, and Fresenius Kabi by 13%. In the segment Corporate / Other, € 25 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the € 28 million spent in the previous year.

As of December 31, 2011, there were 1,592 employees in research and development in the Group (2010: 1,449). Of that number, 543 were employed at Fresenius Medical Care (2010: 518), 985 at Fresenius Kabi (2009: 844), and 64 at Fresenius Biotech (2009: 87).

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

Responsibility, environmental management, sustainability

We orient our activities within the Fresenius Group to long term goals, and thus ensure that our work is aligned to the needs of patients, employees, and third parties in a sustainable manner. Our responsibility as a health care group goes beyond our business operations. We are committed to protecting nature as the basis of life and using its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics and to comply with legal requirements. The international ISO Standard 14001:2004 is the most important benchmark for environmental management in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site’s impact on the environment, for instance with respect to emissions and waste. These international standards are implemented at our various production plants and most of our dialysis clinics. Key environmental performance indicators are, for instance, not only energy and water consumption but also the volumes of waste and recycling rates at our locations.

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

**Opportunities and risk report**

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

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

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

**Opportunities management**

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the company’s long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group’s decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and institutions and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 35.

**Risk management**

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

Responsibilities for the processes and monitoring risks in the individual business segments have been assigned as follows:
• Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.

• The managers responsible are required to report without delay any relevant changes in the risk profile to the Management Board.

• Markets are kept under constant observation and close contacts maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

The risk management system is supported both at Group level and in the individual business segments by our risk controlling measures and our management information system. Detailed monthly and quarterly reports are used to identify and analyze deviations of the actual compared to the planned business development. In addition, the risk management system comprises a control system that oversees organizational processes and measures, as well as internal controls and audits. Our risk management system is regularly evaluated and, if necessary, adjusted to allow prompt reaction to changes in the markets. This system has proved effective to date.

The functionality and effectiveness of the risk management system is reviewed regularly by the Management Board and the internal auditing department. Conclusions arising from the audits are taken into account in the ongoing refinement of our risk management system. The control system is also regularly reviewed by the Management Board and the internal auditing department. The auditor reviews whether the control system set up by the Management Board is suitable for the early identification of risks that would put the continued existence of the company in danger. The insights gained from the audit regarding the internal control system as it pertains to accounting are taken into account in the continued development of the system. Conclusions arising from the audits are taken into account in the ongoing refinement of our risk management system. The control system is also reviewed regularly by the Management Board and the internal auditing department.

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

Internal financial reporting controls

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

• local entity
• region
• business segment
• Group

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

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions in place to assure that financial reporting is reliable and that transactions are correctly accounted for. All consolidated entities report according to Group-wide standards determined at the head office. These are regularly adjusted to changes made to the accounting regulations. The consolidation proposals are supported by the IT system. In this context, please refer to the comprehensive consolidation of internal Group balances. To prevent abuse, we take care to maintain a strict separation of functions. Management control and evaluations also help to ensure that risks having a direct impact on financial reporting are identified and that controls are in place to minimize them. Moreover, changes in accounting rules are monitored and employees involved in financial reporting are instructed regularly and comprehensively. If necessary, external experts and specialists are engaged. The Treasury, Tax, Controlling, and Legal departments are involved to support the preparation of the financial statements. Finally, the information provided is verified once again by the department responsible for preparing the consolidated financial statements.

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

Risk areas

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

General economic risks

At present, the development of the global economy exhibits no significant risk to the Fresenius Group, although overall economic growth in 2012 will probably be lower than in 2011. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect continued growing demand for our life-saving and life-sustaining products and services.

Risks in the general operating framework

The risk situation for each business segment also depends on the development of its markets. Political, legal, and financial conditions are therefore monitored and evaluated carefully. This applies especially to countries with budget problems as a result of the sovereign debt, in particular with regard to our accounts receivables. 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 a considerable impact on our business. Furthermore, a portion of our dialysis care business in the United States is currently reimbursed by private insurers or managed care organizations. If these organizations enforce reductions in the reimbursement in the United States, it would significantly reduce the revenues for products and services of Fresenius Medical Care. The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care spending. The Company constantly monitors further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Company that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only continually monitor legislative changes, but also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

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

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

**Operating risks**

Production, products, and services

Compliance with **product and manufacturing regulations** is ensured by our quality management systems in accordance with the internationally recognized quality standards ISO 9001 and the corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out at the Group’s production sites and dialysis clinics. These audits test compliance with all regulations in all areas –
Management Report

from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the international “Good Manufacturing Practice” (GMP) and U.S. “Current Good Manufacturing Practice” (cGMP) guidelines and other recognized standards. Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews. We counter the risk of poor-quality purchased raw materials, semi-finished products, and components mainly by requiring that suppliers meet strict quality standards. Besides certification by external institutes and regular supplier audits, this includes an exhaustive evaluation of advance samples and regular quality controls. We only purchase products of high quality, maximum safety, and proven suitability from qualified suppliers that conform to our specifications and standards.

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

Further risks arise from increasing pressure on our product prices and from potential price increases on the procurement side. Changes in the guidelines for the reimbursement of erythropoietin (EPO), a change in the administration of EPO to patients, interruption of supply or less favorable terms and conditions for the purchase of EPO could materially adversely affect sales and profitability. Especially the expanded bundled reimbursement system, accordingly to which the reimbursement of EPO is included in the bundled rate, could in combination with material increase in the acquisition costs for EPO materially adversely affect revenue and operating profit. EPO is a hormone used in dialysis that stimulates the production of red blood cells.

Growing competition could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services by competitors could render one or more of our products and services less competitive or even obsolete. This also could affect renal pharmaceuticals of Fresenius Medical Care for which we are partly obligated to make minimum royalty payments.

On the procurement side, we counter risks, which mainly involve possible price increases and the availability of raw materials and goods, by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group. Generally, the markets in which we operate are characterized by price pressure, competition, and efforts to contain health care costs. These could result in lower sales and adversely affect our business, our financial position, and our operational results.

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

Our operations are subject to strict governmental regulatory demands and controls. We have to comply with these rules and regulations monitoring safety and effectiveness of our medical products and services. Therefore it is of special importance to us that our compliance programs and guidelines are 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.

The Corporate Compliance department reports to the Chief Compliance Officer, the Management Board member for Legal Affairs, Compliance, and Human Resources, who is accountable for establishing and implementing guidelines and procedures. In each business segment a chief compliance officer has been appointed. He is supported by additional compliance officers appointed based on organizational and business structures. The Corporate Compliance department supports the compliance officers at the business segment, regional, and country levels.

These compliance programs and guidelines set binding rules of conduct for our employees. We believe that we have taken adequate measures to ensure that national and international rules are complied with.

Research and development

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

Risks from the integration of acquisitions

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

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 addresses potential shortage of qualified personnel externally by utilizing personnel marketing measures, and internally by offering comprehensive personnel development programs. We also seek to retain our employees by introducing life work time accounts in various areas. Furthermore, employees are entitled to attractive fringe benefits and partly to bonuses. By using target-group specific measures Fresenius addresses the overall shortage of specialized hospital personnel. We thereby recruit qualified, dedicated, and specialized personnel, thus ensuring our high standard of treatment quality. At the same time, by supporting the training of young employees, we thereby seek their commitment to Fresenius. HELIOS presents itself as an attractive employer, for example by providing young doctors with intensive support very early in their careers, e.g. throughout their studies and during their practical year. Risks in personnel marketing are not considered to be significant because of all these measures.

Financial risks

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

The Fresenius Group’s currency management is based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk 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. Decisions on the use of derivative financial instruments in interest rate management are taken in close consultation with the Management Board. Hedging transactions using derivatives are carried out by the Corporate Treasury Department of the Fresenius Group – apart from a few exceptions in order to adhere to foreign currency regulations – and are subject to stringent internal controls. This policy ensures that the Management Board is fully informed of all significant risks and current hedging activities.
The Fresenius Group is protected to a large extent against currency and interest rate risks. As of December 31, 2011, approximately 69% 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 31%, or €3,038 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

As an international company, Fresenius is widely exposed to translation effects due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €60 million on Group sales and about €2.5 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The exposure to currency risks arising from our business activities (transaction risks) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group’s results of operations would be €9 million.

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.

By normally assessing the creditworthiness of new customers, we limit the risk of late payment and defaults by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed. This particularly applies to countries with budgetary problems. We worked on our accounts receivable taking certain measures such as factoring or selling through product distributors. We will continue to focus on these countries in our 2012 receivables management.

As a global corporation, Fresenius is subject to numerous tax codes and regulations. Fresenius Group’s companies are subject to regular tax audits. Any changes in tax regulations or resulting from tax audits could lead to higher tax payments.

Fresenius group’s debt was €9,799 million as of December 31, 2011. 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. Additional information on conditions and maturities can be found on Note 18 of the Notes.
Government reimbursement payments

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

A large part of Group revenue derives from government reimbursement programs, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. As of January 1, 2011, a new reimbursement system based on a bundled rate for dialysis patients covered by the public health care program (Medicare) was introduced. Beginning in 2012, the payment amount will be subject to annual adjustment based on increases in the costs of a “market basket” of certain health care items and services less a productivity adjustment. The adjustment for the year 2012 is 2.1%. Furthermore, effective January 1, 2012, payments of the reimbursement system will be contingent upon the achievement of certain minimum performance criteria, focusing in 2012 on anemia management and dialysis adequacy. If a facility does not achieve these minimum criteria in any year it will be subject to up to a 2% reduction in reimbursement. In accordance with the current draft regulation, additional quality measures would be introduced in 2014. Their exact wording, assessment, and impact on the performance-based reimbursement, however, are still pending. Fresenius Medical Care is working with hospital administrations and treating physicians to make protocol changes used in treating patients, and is negotiating pharmaceutical acquisition cost savings. To achieve greater efficiencies and better patient outcomes the company introduces initiatives to improve patient care upon initiation of dialyses, to increase the percentage of home dialysis patients and to generate cost savings in its dialysis centers. Without these initiatives the composite rate could lead to lower revenue and operating profit.

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

Legal risks

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

In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent U.S. bank-
In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012.

In July 2007, the U.S. Attorney General filed a civil action against Renal Care Group, Inc. (RCG) and FMCH – in its capacity as the present holding company of RCG – before the U.S. District Court for the Eastern District of Missouri. The action claims damages and penalties in respect of the business activities of the RCG Method II supplier company in 2005 – before RCG was acquired by FMCH. On June 17, 2011, the District Court entered summary judgment against Renal Care Group, Inc. (RCG) for US$ 83 million on one of the False Claims Act counts of the complaint. On June 23, 2011, Fresenius Medical Care appealed to the United States Court of Appeals. Although Fresenius Medical Care cannot provide any assurance of the outcome, Fresenius Medical Care believes that RCG’s operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, that the decisions made by the District Court will be reversed, and that its position in the litigation will ultimately be sustained.

RCG could face possible indemnification claims from former members of the Board of Directors. They are defendants in a class action in which they are being sued for damages by former shareholders of the company.

Fresenius Medical Care is confident that the former Board members will win the case and that a possible claim will therefore not arise.

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

Other risks

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

Assessment of overall risk

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

Corporate rating

Fresenius’ credit quality is assessed and regularly reviewed by the leading rating agencies Moody’s, Standard & Poor’s, and Fitch. Standard & Poor’s continues to rate Fresenius SE & Co. KGaA with BB and a positive outlook, while Moody’s with Ba1 and a stable outlook. In August 2011, Fitch improved Fresenius SE & Co. KGaA’s rating and assessed us with BB+ and a stable outlook.

Subsequent events

In August 2011, Fresenius Medical Care has executed a merger agreement with Liberty Dialysis Holdings, Inc., the holding company for Liberty Dialysis and Renal Advantage. The investment, including assumed debt, will be approximately US$ 1.7 billion. In addition, Fresenius Medical Care previously invested approximately US$ 300 million in Renal Advantage. The merger is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in early 2012. Liberty Dialysis Holdings, Inc. has annual sales of approximately US$ 1 billion and operates approximately 260 dialysis clinics. Fresenius Medical Care anticipates that facilities may need to be divested to secure regulatory clearance of the transaction.

In October 2011, HELIOS Kliniken GmbH has agreed to acquire 94.7% of the share capital in Damp Group. Damp is among the ten largest private hospital operators in Germany. The acquisition is an excellent geographic fit with the HELIOS hospital network in the north and northeast of Germany. The Damp hospitals enjoy a strong local market position and offer considerable growth potential.

Due to the geographic proximity of the HELIOS hospital Schwerin, HELIOS had to divest the Damp hospital Wismar (505 beds, sales of approximately € 60 million) to secure regulatory clearance of the transaction. Adjusted for this divestiture, Damp achieved sales of € 427 million in 2010. HELIOS anticipates to close the transaction at the end of the first or at the beginning of the second quarter 2012, respectively.

In January 2012, Fresenius Medical Care successfully placed three tranches of U.S. dollar and euro-denominated senior unsecured notes. Proceeds amounting to approximately US$ 1.81 billion are intended to be used for acquisitions, including the acquisition of Liberty Dialysis Holdings, Inc., to refinance indebtedness and for general corporate purposes. The coupon for the dollar-denominated senior notes in the principal amount of US$ 800 million due 2019 will be 5.625% and the coupon for the dollar-denominated senior notes in the principal amount of US$ 700 million due 2022 will be 5.875%. The coupon for the euro-denominated senior notes in the principal amount of € 250 million due 2019 will be 5.25%. All tranches were issued at par. There have been no significant
changes in the Fresenius Group’s operating environment following the end of the fiscal year 2011. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

Outlook

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 24ff.

General and mid-term outlook

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

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

- **The development of innovative products and therapies**: these will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and convenience of our products and therapies are key factors here. Although the research is still in its infancy, the development of wearable artificial kidneys is conceivable in the long term at Fresenius Medical Care. At Fresenius Kabi we are working on the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.
The expansion of our regional presence: the fast-growing markets in Asia-Pacific, Latin America, and Eastern Europe especially offer further potential for increasing our market shares. China, for instance, which has the world’s biggest population, offers excellent growth opportunities over the long term not only in clinical nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.

We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce products from the existing portfolio to the U.S. market.

The broadening of our services business: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities, for instance, for Fresenius Medical Care. Since Japan is one of the world’s biggest dialysis markets, changes in the framework conditions for operating dialysis clinics as a private company could open up new revenue potential for Fresenius Medical Care. Germany is the fifth largest market in the world for Fresenius Medical Care in terms of the number of dialysis patients. We are the market leader in dialysis products. Dialysis clinics are mostly operated by practitioners, hospitals and non-profit organizations. However, for some years the company is in a position to offer dialysis care through medical care centers. Here, Fresenius Medical Care perceives its role as a partner for customers in creating new supply structures in the German health care sector and sees such ventures as an opportunity to strengthen its business long term. At the end of 2011, Fresenius Medical Care participated in ten medical care centers (2010: 8).

Selective acquisitions: besides good organic growth as basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

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

Acquisitions, primarily the acquisition of APP Pharmaceuticals, led in 2008 to appreciably higher Group debt with a corresponding impact on net interest. Meanwhile we strongly improved the Group’s leverage ratios. As of December 31, 2011, the net debt / EBITDA ratio was 2.8. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2012 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 about 170 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio.

In the United States, since Fresenius Medical Care and its competitor DaVita already share about 66% of the market, acquisitions – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up for Fresenius as we successively roll out our existing product portfolio in other regions. For instance, due to different regional and legal conditions, Fresenius Medical Care only supplies dialysis products in some countries. If conditions change, the company might provide dialysis care in these countries as well.

In 2011, Fresenius Medical Care once again significantly expanded its product business as well as cooperations with hospitals in dialysis services in China, and plans to continue this in the years to come. In addition, we have initiated a pilot project to start up a dialysis clinic by our own: Approval has already been granted for a dialysis clinic in the Chinese province of Jiangsu; it should open in mid-2012. Apart from China, mid-term the Indian market is also becoming more attractive in the Asia. So far, we have been represented by distributors on the product market since the 1990s. The regional and local public health authorities in India promote Public Private Partnerships (PPP) models. We expect to sign dialysis service contracts with larger regional and municipal public hospitals, and also aim to open our own dialysis clinic in Delhi in 2012.

Fresenius Kabi plans to introduce products from its program in the United States in 2012.

In the developed countries, Fresenius Vamed is expecting to grow in the life cycle and PPP project areas both with regard to the project and the services business. In the emerging economies, the company intends to further consolidate its market position with successfully completed contracts in the project and services business, and wants to open new target markets.

Economic outlook

The financial and economic crisis is not over yet. The development of the global economy remains fraught with risk in 2012. Many industrial countries are suffering from high unemployment, a weak asset price development and extended private household debt, which damps private consumption. Economic development will therefore be dominated by the debt and banking crisis as well as the successful implementation of consolidation plans. A continued very expansive monetary policy should, however, have a stabilizing effect. For emerging markets, the outlook remains positive; Asian countries in particular should provide a helpful boost to the global economy. Against this backdrop, global GDP for 2012 is anticipated to increase by 3.3%.

Sources: German Council of Economic Experts – Annual Report 2011/2012, bank research
Europe

Experts anticipate a weaker economic development in the Eurozone for 2012, with significant differences between individual countries. At best, the Eurozone is expected to stagnate; more prudent scenarios envision a GDP decrease of -0.5%.

**Core countries** such as France, Germany, and the Benelux countries will probably distinguish themselves positively from the peripheral economies, such as Spain, Portugal and Italy, since the former have less significant fiscal, labor, and real estate problems.

In the **peripheral countries** the massive consolidation and refinancing requirements will continue to slow down economic growth, particularly in Spain and Italy. The recession will persist in **Greece and Portugal**. Decreasing demand from these countries will also have a negative effect on the export economy of the core countries.

Due to the increasingly depressed economic environment, **Germany** is expected to experience a slowdown which could lead to growth stagnation in 2012. Positive impulses are expected from domestic demand, though the trade balance will possibly have a negative impact on economic development.

Comprehensive steps to minimize the Eurozone debt crisis were taken at the end of 2011. Credit leverage is being employed to increase volume of the European Financial Stability Facility (EFSF) for higher effectiveness, especially with regard to potentially necessary support for Italy and Spain. For Greece, a significantly higher haircut for private creditors is expected, which will limit the deficit, and most likely make it possible for the country to return to the capital market by 2020.

United States

The economy in the United States will probably recover slightly. Consumer demand will be further dampened, given that labor conditions have only slightly improved and private household debt remains high. In addition, the real estate market will probably not recover quickly, even though recent developments are pointing towards an end to the decline in prices. Increased investment activities are foreseen, however, due to the unexpectedly strong, productivity-driven increase of corporate profits in the previous year. Expansive monetary policy should also provide some positive impulses. Since the effects of public budget consolidations will probably not be felt until 2013, the 2012 GDP is expected to increase by 2.5%.

Asia

For the Asian emerging economies, especially China and India, the strongest economic development is expected for 2012, with an overall GDP increase of 6.9% (Asia ex Japan). Private demand should continue to grow. Decreased exports and the slowed economy in the industrial countries, however, could affect growth negatively.

The emerging economies will remain dependent to a lesser extend on the industrial countries, which are the destination of most of their exports. Structural factors, such as the catch-up process versus the industrial countries, the young and still growing population, and improvements in infrastructure, will continue to be growth drivers for the economy. Increasing inflation should be expected due to the high growth rates.
Export and investment activities should remain the most important drivers in **China**. Increasing domestic demand can also be expected, though it will not be able to cushion expected sluggish export demand from slow economies in its most important markets. The reversion to a less restrictive monetary policy occurring at the end of 2011 and increased governmental social benefits should counteract the slowed growth. Other fiscal impulses intended to stimulate consumption are expected. For 2012, projections call for a decreased growth of 8.3%.

**India’s** economy is primarily stimulated by private consumption. Its growth rate for 2012 could remain at the previous year’s level of 7.3%, provided India can curb its high inflation.

Economic development in **Japan** is still hampered by the strong Japanese currency and the weak global economy. However, both catch-up effects and the reconstruction work taking place in the areas that were affected by the earthquake should exert a positive effect. Experts estimate GDP growth will be 0.7% in 2012.

**Latin America**

For **Latin America**, slightly slower but still robust growth of 3.6% is expected for 2012. The economic activities of raw materials exporters, for example Brazil, are losing some momentum due to slightly lower raw materials prices. Economic development in these countries will, however, most likely be better than average in this region.

For **Brazil**, prospects for employment and income are expected to remain good, which will generate positive impulses for consumer demand. Brazil’s GDP is projected to increase by 3.2% in 2012.

**GDP in Argentina** is expected to decrease significantly to 2.9% in 2012: no growth impulses are expected from governmental policy makers, and the ongoing flight of capital and the high inflation continue to strain the economy.

Due to the unchanged strong dependence on the U.S. economy, **Mexico’s** growth is estimated at 3.3%.

**Health sector and markets**

The health care sector continues to be one of the world’s largest industries and is considered to be independent of economic cycles to a great extent. The demand especially for life-saving and life-sustaining products and services is expected to increase as they are medically needed and the population is aging.

However, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue for companies in the health care industry. Due to the global financial and budget deficit crisis, some countries, such as Greece, are experiencing significant financing problems in the health care sector. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.
Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future. Favorable demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should remain growth drivers. In addition, the need to increase the availability of basic health care and the growing demand for high-quality medical treatment in the emerging countries should also continue to generate steady growth rates. Furthermore the improvement of patient benefits, the treatment quality, as well as prevention will play an increasingly greater role in health care.

The dialysis market

We expect the worldwide number of dialysis patients to rise by approximately 6% p. a. in 2012, although significant regional differences will remain: For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 2 to 4% p. a. In many emerging countries, however, where needs are still not met sufficiently, we expect growth in patient numbers of up to 10%, and in some countries even higher rates. This growth is driven by steadily evolving health care systems that are providing broader patient care. As more than 80% of the world’s population lives in these countries, this opens up strong potential for the entire spectrum of dialysis care and dialysis products.

In addition, demographic factors such as aging populations and the growing number of people suffering from diabetes and hypertension, which are ailments often preceding terminal kidney failure, are contributing toward continued growth of the dialysis markets. The age expectancy of dialysis patients is also rising thanks to ongoing advances in treatment quality and a rising standard of living, especially in the emerging countries. We estimate that the volume of the global dialysis market, which was about US$ 75 billion in 2011 could rise by about 4% annually – unchanged currency relations assumed.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public health care patients. All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients’ characteristics such as age and weight while considering adjustments for patients who require exceptional medical care that results in higher costs. In addition to inflationary adjustments starting in 2012, other special features of this new reimbursement system include adherence to certain quality parameters such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones.

The initial new bundled reimbursement rate for 2011 was introduced with a 2% cut as compared to the estimated costs under the prior reimbursement system. In addition, the authority of the state health care program (Centers for Medicare and Medicaid, CMS) initially implemented a further 3.1% reduction. However, this was subsequently eliminated effective April 1, 2011 after successful negotiations with the authority.

Beginning in 2012, the payment amount will be subject to an annual inflation adjustment. For 2012, the rate increase will be 2.1%. The inflation rate should be at a comparable level in forthcoming years according to earlier draft bills.
The new bundled reimbursement system in the United States will be phased in over a period of four years. Accordingly the implementation of the new payment system will be completed in January, 2014 for all dialysis clinics. Fresenius Medical Care decided at an early stage to convert nearly all of the clinics to the new reimbursement system already on January 1, 2011.

Further information is provided on page 32f. of the Management Report.

The market for infusion therapies and clinical nutrition, generic IV drugs, and medical devices

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

In view of the financial challenges in health care and in order to ensure high-quality care, we believe that the more cost-effective generics drugs will be utilized even more than now. With generic IV drugs the growth dynamic will continue to be driven by originator drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Central and Western Europe, as well as in the United States, to grow at mid-single-digit rates in 2012.

The market for medical devices for infusion therapy, intravenously administered drugs, and clinical nutrition are expected to grow in Europe in 2012 at mid-single-digit rates.

The German hospital market

With regard to their funding, hospitals can also expect rising budgets in principle again in 2012. The price increase for hospital services for 2012 is 1.48% (2011: 0.9%). This includes a flat rate reduction according to the GKV-FinG of 0.5 percentage points (2011: 0.25 percentage points).

With regard to the reimbursement of additional admissions HELIOS does not expect significant changes in 2012, despite legislative changes.

Even considering the revenue increases, it will probably not be possible to cover all the expected cost increases at the hospitals – especially with regard to personnel costs as a result of wage tariff increases. Hospitals will continue to face cost pressure and the need for further savings in their operations.

Effective January 1, 2012, the German Bundestag passed the Act on the Improvement of Provisioning Structures in the German Statutory Health Insurance (GKV-VStG). The ob-

Sources: IMS Health forecasts; German Ministry of Health; German Hospital Institute (DKI).
jective of this legislation is to restructure the need-based provision in outpatient medical care. We do not expect any material changes in the financing of our outpatient care.

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG system). The different base rates from state to state are to be successively harmonized over a period of five years from 2010 onwards toward a standardized, nationwide base rate corridor. The originally planned convergence to a standardized, nationwide base rate starting in 2015 was lifted. However, in light of the past experience with the DRG system, the positive development in the number of admissions, and the now completed convergence phase, HELIOS does not expect any major changes in the reimbursement of its services.

Given their growing investment needs but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization. Financing investments is a challenge especially for public hospitals. The financial situation of local governments will remain constrained, reducing their ability to cover their hospitals’ operating losses and finance investments. This will further limit the financial scope for supporting loss-making hospitals and investment in public health care facilities, and will encourage privatizations.

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures. Experts anticipate that privatizations will increase in 2012 due to the difficult economic and financial situation of the hospitals.

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

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

No consequences from changes in the law are expected in the post-acute clinic segment. However, pricing and other controls by health insurers will continue to increase. Experts assume the importance of post-acute care will rise due to demographic trends, longer working lives, and the growing prevalence of chronic diseases. As a result of growth in acute care admissions and continuous improvements in HELIOS’ internal referral man-
agement, 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 industrialized countries, owing to demographic trends, growing demand for high-quality, efficient medical care – and thus for engineering and services for hospitals and other health care facilities – is expected to continue. The focus is on services, ranging from the maintenance and repair of medical and hospital equipment, facility management, and technical operation, through to total operational management and infrastructure process optimization – especially within the framework of public-private partnership (PPP) models. Additional growth opportunities are presented by the advancing privatization of health care.

In the emerging countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. In many markets, the focus now is therefore on building up secondary care, developing tertiary health care structures in the form of “centers of excellence”, and creating training and research structures.

All in all, we expect the market for engineering and services for hospitals and other health care systems, we expect solid growth, in emerging markets we anticipate an overall dynamic development.

Economic outlook of Fresenius SE & Co. KGaA for the year 2012

For the fiscal year 2012 the company expects again a clear positive contribution to earnings from dividends and profit and loss transfer agreements.

Dividend

Continuity in our dividend policy remains an important priority, clearly demonstrated by dividend increases over the last 18 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 2012 fiscal year and again expect to offer our shareholders an earnings-linked dividend.

**COMPENSATION REPORT**

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Management SE as the general partner of Fresenius SE & Co. KGaA and in this regard notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management report. The compensation report is prepared on the basis of the recommendations made by the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

**COMPENSATION OF THE MANAGEMENT BOARD**

The entire Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the year under review, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

The Management Board compensation system was reviewed by an independent external compensation expert in the fiscal year 2010 and later submitted to the Annual General Meeting of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, the Annual General Meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast. In 2011, it was complemented by a share-based compensation with cash settlement (performance shares) in order to strengthen the component with long-term incentive effects. The amended Management Board compensation system was reviewed by an independent external compensation expert and will be submitted to the Annual General Meeting on May 11, 2012 for approval.

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 2011:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options, postponed bonus payments and share-based compensation with cash settlement (performance shares))

In addition, six members of the Management Board had pension commitments in the reporting period.

The design of the individual components is based on the following criteria:

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2011. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2011 as a short-term cash component (annual bonus) and as a longer-term compensation component (stock options, postponed bonus payments, share-based compensation with cash settlement (performance shares)). The amount of the bonus in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz –, the amount of the variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Half of the amount of the variable bonus of Dr. Wastler in each case is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Dr. Lipps receives his compensation exclu-
sively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2011 and 2010, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Non-performance-related compensation</th>
<th>Performance-related compensation</th>
<th>Cash compensation (without long-term incentive components)</th>
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</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>900</td>
<td>61</td>
<td>1,150</td>
</tr>
<tr>
<td>Rainer Baule</td>
<td>500</td>
<td>120</td>
<td>764</td>
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<td>Dr. Francesco De Meo</td>
<td>500</td>
<td>19</td>
<td>671</td>
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<td>Dr. Jürgen Götz</td>
<td>375</td>
<td>33</td>
<td>584</td>
</tr>
<tr>
<td>Dr. Ben Lipps</td>
<td>862</td>
<td>182</td>
<td>1,078</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>500</td>
<td>86</td>
<td>721</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>425</td>
<td>33</td>
<td>571</td>
</tr>
<tr>
<td>Total</td>
<td>4,062</td>
<td>534</td>
<td>5,539</td>
</tr>
</tbody>
</table>

1 Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 30% of the total subscribed capital.
2 As Dr. Ben Lipps is a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
3 Includes insurance premiums, private use of company cars, contributions to pension and health insurance as well as other benefits.

In the fiscal year 2011, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €4,461 thousand. This equals 95% of the total bonus of €4,691 thousand. The remaining part in an amount of €230 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the variable bonus to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the yearly bonus earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time, it is ensured that any payment is made to the member of the Management Board after expiry of such multi-year period only if (i) no subsequent adjustment of the decisive (i.e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA (adjusted by extraordinary effects, after deduction of noncontrolling interest) of the respective preceding fiscal years. In the event of the aforementioned conditions for pay-
Exhibit Compensation Report

ment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a corresponding pro rata payment of the converted portion of the variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way, the variable bonus can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis which also participates in any negative developments during the relevant assessment period.

The system of compensation for the Management Board moreover provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to be claimed by the member of the Management Board overall, i.e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

Under the compensation system, the amount of the basic and the total compensation of the members of the Management Board was and will be assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector.

In the fiscal year 2011, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 as well as a share-based compensation with cash settlement were granted as components with long-term incentive effects. The number of stock options to be granted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

The principles of both plans are described in more detail in note 34 of the notes of the Fresenius Group, Stock options.

In the fiscal year 2011, as a further long-term incentive component, the members of the Management Board were granted an entitlement to a share-based compensation with cash settlement (performance shares) for the first time.

The entitlement is subject to a four-year vesting period although a shorter period may apply in special cases (e.g. professional incapacity, retirement, non-renewal of expired service agreements by the Company). The amount of cash payment corresponds to the share price of Fresenius SE & Co. KGaA’s ordinary shares upon exercise at the end of the four-year vesting period.

The payment is subject to the achievement of the performance target of an 8% increase of the consolidated net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) year over year during the four-year vesting period. For each year in which the success target has not been met, one-fourth of the entitlement shall forfeit.

Apart from that, the total entitlement for payment is earned if an average increase of the consolidated net income attributable to Fresenius SE & Co. KGaA of 8% is achieved over the four-year vesting period.

For the fiscal years 2011 and 2010, the number and value of stock options issued, the value of the postponed performance-related compensation as well as the value of the share-based compensation with cash settlement (performance shares) is shown in the following table.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2011 correspond to their fair value at the time of grant, namely a value of €19.10 (2010: €12.92) per stock option of Fresenius SE & Co. KGaA and €13.44 (2010: €8.07) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €71.28 (2010: €53.44).

As the financial targets of the year 2011 were achieved, Dr. Ben Lipps is entitled to a share-based compensation in an amount of €684 thousand (2010: €391 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three-year vesting period.
LONG-TERM INCENTIVE COMPONENTS

<table>
<thead>
<tr>
<th>Stock options</th>
<th>Postponed performance-related compensation</th>
<th>Share-based compensation with cash settlement (performance shares)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Value, € in thousands</td>
<td>Value, € in thousands</td>
</tr>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>56,760</td>
<td>56,760</td>
<td>1,084</td>
</tr>
<tr>
<td>Rainer Baule</td>
<td>28,380</td>
<td>28,380</td>
<td>542</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>28,380</td>
<td>28,380</td>
<td>542</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>28,380</td>
<td>28,380</td>
<td>542</td>
</tr>
<tr>
<td>Dr. Ben Lipps</td>
<td>74,700</td>
<td>99,600</td>
<td>1,004</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>28,380</td>
<td>28,380</td>
<td>542</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>28,380</td>
<td>28,380</td>
<td>542</td>
</tr>
<tr>
<td>Total</td>
<td>273,360</td>
<td>298,260</td>
<td>4,798</td>
</tr>
</tbody>
</table>

1 Stock options that were granted in 2011 and 2010 under the Fresenius SE & Co. KGaA stock option plan.
Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2011, the members of the Management Board held a total of 1,050,050 (2010: 978,960) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 572,700 (2010: 598,870) 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 2011 are shown in the following table:

<table>
<thead>
<tr>
<th>Options outstanding on January 1, 2011</th>
<th>Dr. Ulf M. Schneider</th>
<th>Rainer Baule</th>
<th>Dr. Francesco De Meo</th>
<th>Dr. Jürgen Götz</th>
<th>Dr. Ben Lipps</th>
<th>Stephan Sturm</th>
<th>Dr. Ernst Wastler</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>number</td>
<td>335,400</td>
<td>167,700</td>
<td>109,980</td>
<td>87,300</td>
<td>598,870</td>
<td>167,700</td>
<td>110,880</td>
<td>978,960</td>
</tr>
<tr>
<td>average exercise price in €</td>
<td>42.51</td>
<td>42.51</td>
<td>48.41</td>
<td>48.90</td>
<td>32.15</td>
<td>43.63</td>
<td>46.44</td>
<td>44.38</td>
</tr>
</tbody>
</table>

Options granted during fiscal year

| average exercise price in €           | 71.28                | 71.28        | 71.28                | 71.28           | 71.28         | 71.28           | 71.28              | 71.28   |

Options exercised during fiscal year

| number                                | 58,480               | 65,790       | 0                    | 0               | 100,870       | 0               | 3,300             | 127,570  |
| average exercise price in €           | 24.48                | 30.95        | 18.54                | 22.81           | 22.81         | 22.81           | 22.81              | 27.77   |
| average stock price in €              | 72.65                | 69.18        | 71.28                | 71.28           | 71.28         | 71.28           | 71.28              | 70.82   |

Options outstanding on December 31, 2011

| number                                | 333,680              | 130,290      | 138,360              | 115,680         | 572,700       | 196,080         | 135,960           | 1,050,050 |
| average exercise price in €           | 50.37                | 54.37        | 52.72                | 53.98           | 37.20         | 47.26           | 51.83             | 51.18   |
| average remaining life in years       | 4.9                  | 5.1          | 5.1                  | 5.1             | 4.1           | 4.7             | 5.0               | 5.0     |
| range of exercise prices in €         | 29.50                | 33.81        | 33.81                | 33.81           | 30.49         | 29.50           | 29.50             | 29.50   |
| Exercisable options on December 31, 2011
| number                                | 168,560              | 47,730       | 55,800               | 33,120          | 298,800       | 113,520         | 53,400            | 472,130  |
| average exercise price in €           | 47.35                | 55.95        | 51.63                | 55.30           | 33.30         | 42.76           | 49.34             | 48.40   |

1 Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
2 Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps
The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>Cash compensation (without long-term incentive components)</th>
<th>Long-term incentive components</th>
<th>Total compensation (including long-term incentive components)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>2,111</td>
<td>1,855</td>
<td>1,184</td>
</tr>
<tr>
<td>Rainer Baule</td>
<td>1,384</td>
<td>1,150</td>
<td>764</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>1,190</td>
<td>1,016</td>
<td>671</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>992</td>
<td>869</td>
<td>642</td>
</tr>
<tr>
<td>Dr. Ben Lipps</td>
<td>2,122</td>
<td>2,431</td>
<td>1,688</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>1,307</td>
<td>1,159</td>
<td>721</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>1,029</td>
<td>918</td>
<td>642</td>
</tr>
<tr>
<td>Total</td>
<td>10,135</td>
<td>9,398</td>
<td>6,312</td>
</tr>
</tbody>
</table>

The stock options and the entitlement to a share-based compensation (performance shares) 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 2011 and 2010 are stated in the following table.

**EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS**

<table>
<thead>
<tr>
<th></th>
<th>Stock options</th>
<th>Share-based compensation with cash settlement (performance shares)</th>
<th>Total expenses for share-based compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>736</td>
<td>681</td>
<td>2</td>
</tr>
<tr>
<td>Rainer Baule</td>
<td>368</td>
<td>341</td>
<td>2</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>351</td>
<td>268</td>
<td>2</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>368</td>
<td>327</td>
<td>2</td>
</tr>
<tr>
<td>Dr. Ben Lipps</td>
<td>1,098</td>
<td>879</td>
<td>780</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>368</td>
<td>341</td>
<td>2</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>351</td>
<td>268</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>3,640</td>
<td>3,105</td>
<td>792</td>
</tr>
</tbody>
</table>

**COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD FOR THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT**

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Jürgen Götz and Stephan Sturm based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment of VAMED AG, Vienna. The Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €8,678 thousand as of December 31, 2011 (2010: €7,870 thousand). The additions to pension liability in the fiscal year 2011 amounted to €808 thousand (2010: €2,830 thousand).
The pension commitments are as follows:

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>As of January 1, 2011</th>
<th>Additions</th>
<th>As of December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>1,240</td>
<td>95</td>
<td>1,335</td>
</tr>
<tr>
<td>Rainer Baule</td>
<td>3,362</td>
<td>330</td>
<td>3,692</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>416</td>
<td>65</td>
<td>481</td>
</tr>
<tr>
<td>Dr. Ben Lipps</td>
<td>401</td>
<td>247</td>
<td>648</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>675</td>
<td>89</td>
<td>764</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>1,776</td>
<td>-18</td>
<td>1,758</td>
</tr>
<tr>
<td>Total</td>
<td>7,870</td>
<td>808</td>
<td>8,678</td>
</tr>
</tbody>
</table>

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 63rd year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension’s starting percentage of 30% of the last basic salary increases with every full year of service as Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

30% of the gross amount of any later income from an occupation of the Management Board member is set off against the pension. Furthermore, 100% (or in the case of Management Board member Rainer Baule 70%) of any amounts accruing to Management Board members or their surviving dependents from the Management Board member’s vested rights in other company pension plans, also from employment with other companies, is also set off.

In the event of the death of one of the aforesaid Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, own legitimate children of the deceased Management Board member receive an orphan’s pension equivalent to 20% of the pension entitlement accruing at the time of death until completion of their vocational training but at the most until the age of 25 years. However, all orphans’ pensions and the widow’s pension are capped at an aggregate 90% of the Management Board member’s pension entitlement.

If a Management Board member’s service as a member of the Management Board of Fresenius Management SE ends before the age of 63 years for reasons other than professional or occupational incapacity, the rights to the said pension benefits vest but the pension payable upon the occurrence of a pensionable event is reduced pro rata according to the actual length of service as a Management Board member compared to the potential length of service until the age of 63 years.

With the Management Board member Rainer Baule it was agreed in 2010 that instead of increasing the amounts of the life insurance policies taken out by Fresenius in his favor a sum of €78 thousand be paid, due at the age of 63 years. This amount carried interest as from January 1, 2010 until payment at an annual rate of 4.4% and became due in 2011.

The pension commitment for Dr. Ernst Wastler provides for a normal pension, an early retirement pension, a professional incapacity pension, and a widow’s and orphan’s pension. The normal pension is payable at the earliest at the age of 60 years and the early retirement pension at the earliest at the age of 55 years. The pension benefits are equivalent to 1.2% per year of service based on the last basic compensation, with a cap of 40%. The widow’s pension (60%) and the orphan’s pension (20% each) are capped in aggregate at not more than Dr. Ernst Wastler’s pension entitlement at the time of death. Pensions, retirement and other benefits from third parties are set off against the pension benefit.

With the Management Board member Dr. Ben Lipps, there is the following individual agreement in plan: Instead of a pension provision, and taking account of a restriction of competition after the ending of the service agreement between
him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 33% of the non-performance-related compensation components paid to him in the fiscal year 2011. The net present value of this commitment as of December 31, 2011 is €2,304 thousand. In addition, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the annual basic compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The Management Board members’ service agreements do not contain express provisions for the event of a “change of control”.

All Management Board members have received individual contractual commitments for the continuation of their payments in cases of sickness for a maximum of 12 months, although as of 6 months of sick leave, insurance benefits may be set off therewith. If a Management Board member dies, the surviving dependents will be paid three more monthly amounts after the month of death, until the end of the respective service agreement at the longest, however.

MISCELLANEOUS
In the fiscal year 2011, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

To the extent permitted by law, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company concluded a Directors’ & Officers’ insurance with an excess, which complies with the requirements of the German Stock Corporation Act. 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 termination of the membership of the Management Board in each case.

Based on pension commitments, to former members of the Management Board, €776 thousand and €776 thousand were paid in the years 2011 and 2010, respectively. The benefit obligation for these persons amounted to €10,513 thousand in 2011 (2010: €11,039 thousand).

COMPENSATION OF 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 13 of the articles of association of Fresenius SE & Co. KGaA. Each member of the Supervisory Board shall receive a fixed compensation of €13 thousand. The members of the Audit Committee of Fresenius SE & Co. KGaA receive an additional €10 thousand each and the Chairman of the committee a further €10 thousand. For each full fiscal year, the remuneration increases by 10% for each percentage point that the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time a member of the Supervisory Board of the general partner Fresenius Management SE and receives remuneration for his service on the Supervisory Board for Fresenius Management SE, the remuneration shall be reduced by half. The same applies with respect to the additional part of the remuneration for the Chairman or one
of his deputies if they are at the same time the Chairman or one of his deputies on the Supervisory Board of Fresenius Management SE. If the deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive remuneration for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the remuneration of the Supervisory Board of Fresenius Management SE was charged to Fresenius SE & Co. KGaA.

For the years 2011 and 2010, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, including compensation for committee services, was as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fixed compensation</th>
<th>Compensation for committee services</th>
<th>Variable compensation</th>
<th>Total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fresenius SE &amp; Co. KGaA</td>
<td>Fresenius Management SE</td>
<td>Fresenius SE &amp; Co. KGaA</td>
<td>Fresenius Management SE</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Dr. Gerd Krick</td>
<td>14</td>
<td>26</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Dr. Dieter Schenk</td>
<td>1</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Niko Stumpföger</td>
<td>19</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Prof. Dr. med. D. Michael Albrecht (since January 28, 2011)</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Prof. Dr. h. c. Roland Berger</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dario Ilossi</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Konrad Köbl</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Klaus-Peter Müller</td>
<td>7</td>
<td>13</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Dieter Reuß (since May 5, 2011)</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gerhard Roggemann</td>
<td>12</td>
<td>13</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilhelm Sachs (until May 5, 2011)</td>
<td>4</td>
<td>13</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Dr. Karl Schneider</td>
<td>1</td>
<td>13</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Stefan Schubert</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rainer Stein</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>183</td>
<td>60</td>
<td>0</td>
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1 until January 28, 2011 member of the Supervisory Board of Fresenius SE & Co. KGaA, since January 28, 2011 member of the Supervisory Board of Fresenius Management SE

**DIRECTORS & OFFICERS INSURANCE**

Fresenius SE & Co. KGaA has concluded a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2012. 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.
REPORT OF THE SUPERVISORY BOARD

The change of Fresenius SE’s legal form into Fresenius SE & Co. KGaA was entered into the commercial register on January 28, 2011. On that day, the term of office of Fresenius SE’s Supervisory Board ended and the term of Fresenius SE & Co. KGaA’s Supervisory Board began. In 2011, both Supervisory Boards fulfilled their obligations in their respective terms in accordance with the provisions of the law, the articles of association, and the rules of procedure. They regularly advised the Fresenius SE Management Board and the management board of the general partner, Fresenius Management SE, respectively, regarding the management of the Company, and have supervised the management in accordance with their Supervisory Board responsibilities.

This report refers to the activities of the Supervisory Board of Fresenius SE and of the Supervisory Board of Fresenius SE & Co. KGaA. Information regarding the composition and the tasks of the Supervisory Board of the general partner, Fresenius Management SE, can be found in the annual report on page 16 – Corporate Governance Declaration and Report.

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Management Board regularly kept the Supervisory Board informed – in a timely and comprehensive oral and written manner – about all important matters relating to business policy, business development, economic and financial position, profitability of the Company and the Group, the corporate strategy and planning, risk situation, risk management and compliance, as well as important business events. Based on the reports submitted from the Management Boards of both Fresenius SE and the general partner, respectively, the Supervisory Board discussed all business transactions...
that were important for the Company in its committees and at its meetings. The Management Boards of Fresenius SE and of the general partner, respectively, discussed the Company’s strategic direction with the Supervisory Board. The Supervisory Board passed resolutions within the framework of its legal and Company statutory authority.

The Supervisory Board of Fresenius SE held no meetings throughout the remainder of its term, which ended on January 28, 2011. The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2011 – in March, May, October, and December. In addition, the Supervisory Board had three informational events in July, September, and November in which the members of the Fresenius SE & Co. KGaA Supervisory Board were informed in particular about the Fresenius Management SE Supervisory Board’s approval of business management measures of Fresenius Management SE. Before the meetings, the Management Board of the general partner sent detailed reports and comprehensive approval documents to the members of the Supervisory Board. At each of its meetings, the Supervisory Board discussed in detail the business development and any important corporate decisions based on the reports from the general partner’s Management Board.

All matters requiring Supervisory Board approval were submitted with sufficient time to the Supervisory Board for proper scrutiny. After reviewing the related approval documents and detailed consultation with the Management Board of the general partner, the Supervisory Board approved all matters submitted to it.

The Supervisory Board was also informed about any important business events occurring between meetings. In a few cases, it passed resolutions by written proceeding in lieu of a meeting. In addition, the Chairman of Fresenius SE’s and the Chairman of the general partner’s Management Board, respectively, regularly informed the Chairman of the Supervisory Board in separate meetings about the latest developments of the business and forthcoming decisions and discussed them with him.

Every member of the Supervisory Board of Fresenius SE & Co. KGaA attended at least half of the regular Supervisory Board Meetings during their term of office in 2011.

**MAIN FOCUS OF THE SUPERVISORY BOARD’S ACTIVITIES**

In 2011, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments in the business segments. The Supervisory Board furthermore thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, for example, the acquisition of Liberty Dialysis Holdings, Inc. in the dialysis segment.
and the acquisitions of Damp Holding AG and Katholisches Klinikum Duisburg within our German hospital business. In addition, the Supervisory Board was kept informed about the implementation of the change of legal form and the share conversion. It discussed in detail the 2012 budget and the midterm planning of the Fresenius Group. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group’s risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE
The Supervisory Board and the Management Board of the general partner jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on March 9, 2011, and on December 20, 2011.

The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA 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.

Prof. Dr. med. Albrecht is a member of the Supervisory Board of our Company and is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden as well as a member of the supervisory boards of the University Hospitals in Aachen, Rostock, and Magdeburg. The Fresenius Group maintains regular business relationships with these hospitals in the ordinary course under customary conditions. Klaus-Peter Müller is a member of the Supervisory Board of our Company and the Chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2011, the Fresenius Group paid about €600,000 to Commerzbank AG for services provided in connection with the Senior Notes issuances of Fresenius Medical Care. Dr. De Meo, member of the Management Board of the general partner of Fresenius SE & Co. KGaA, was a member of the supervisory board of Allianz Private Krankenversicherungs-AG until July 6, 2011. The Fresenius Group pays insurance premiums to Allianz under customary conditions and in customary amounts. They amounted to €4.34 million in 2011 (2010: €3 million).

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. However, one of the Group’s companies had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants. Prof. Dr. h. c. Berger – also a member
of the Supervisory Board of Fresenius Management SE – was a member of the Fresenius SE Supervisory Board until January 28, 2011, and has been a member of the Fresenius SE & Co. KGaA Supervisory Board since then. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants. The Fresenius Group paid €675,000 to that company for services rendered in 2011 (2010: €0.2 million). The Supervisory Board has closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from the voting. The approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

Furthermore, various companies of the Fresenius Group were advised by the international law firm Noerr LLP. Dr. Schenk, Deputy Chairman of the Supervisory Board of Fresenius SE until January 28, 2011, member of the Supervisory Board of Fresenius Management SE since March 11, 2010, and Deputy Chairman of the same since May 12, 2010, is also a partner of this law firm. The Fresenius Group paid a total of €1.43 million to this law firm in 2011 (2010: €1 million). This corresponds to 2% of the total amount paid by Fresenius Group for services and legal advice in 2011 (2010: 1.5%). Thereof, about €45,000 were attributable to services for Group companies not related to the business segment Fresenius Medical Care. Those services rendered for Group companies of the business segment Fresenius Medical Care require a separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius SE & Co. KGaA, of which Dr. Schenk is not a member, has closely examined the mandate of the law firm Noerr from January 1, 2011 until the change of legal form on January 28, 2011 and approved it unanimously. The approval was made on the basis of a written submission which listed all individual mandates and their corresponding individual invoices. In 2011, the invoices were paid only after the Supervisory Board gave its approval. The Supervisory Board of Fresenius SE & Co. KGaA did not pass a resolution with respect to the commissioning of the law firm Noerr after the change of legal form became effective because Dr. Schenk is not a member of this Supervisory Board. Instead, the Supervisory Board of Fresenius Management SE, of which Dr. Schenk is a member, oversaw the commissioning of the law firm Noerr and approved it.

The payments mentioned in the above section “Corporate Governance” are net amounts in Euro. In addition, VAT and insurance tax were paid.
WORK OF THE COMMITTEES

The Audit Committee held three meetings and four conference calls in 2011. The main focus of its controlling activities was on the preliminary audit of the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2010 and discussions with the auditors about their reports and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board on which auditing firm to propose to the AGM for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2011. The Supervisory Board’s proposal to the Annual General Meeting in 2011 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2011 quarterly reports, the controlling reports on the development of the acquisitions, the compliance, the risk management system, the internal control system, and the internal auditing system.

The Company’s Nomination Committee did not meet in 2011.

The Joint Committee, whose approval is necessary for certain important transactions of Fresenius SE & Co. KGaA and for certain legal acts between the Company and the Else Kröner-Fresenius Foundation, did not meet in 2011 because no transactions were effected that required the Joint Committee’s approval.

The chairman of the Audit Committee reported regularly to next Supervisory Board meetings on the work of the committee.

There is no Mediation Committee because the Supervisory Board of Fresenius SE & Co. KGaA does not appoint the Management Board members of Fresenius Management SE.

For more information about the committees, their composition, and their work methods, please refer to the Corporate Governance Declaration and Report on pages 18 to 20 and to page 218 of the Annual Report.

The term of office of the Supervisory Board of Fresenius SE ended with the change of legal form of Fresenius SE to Fresenius SE & Co. KGaA on January 28, 2011. The Supervisory Board of Fresenius SE & Co. KGaA met in its constitutive meeting on March 11. Effective May 5, 2011, Wilhelm Sachs resigned from the Supervisory Board. By resolution of the European Works Council effective as of May 5, 2011, Dieter Reuß has been elected to succeed him in the Supervisory Board. We would like to thank Mr. Sachs for his many years of dedicated service. Since then, no other changes were made to the composition of the Supervisory Board of Fresenius SE & Co. KGaA.

The change of legal form also brought the terms of office of the Management Board members of Fresenius SE to an end. The members of the Management Board of Fresenius SE became members of the Management Board of the general partner Fresenius Management SE. Since then, no other changes were made to the composition of the Management Board of the general partner Fresenius Management SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the Management Report of the Company for 2011 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor at the Annual General Meeting of Fresenius SE & Co. KGaA on May 13, 2011, and was subsequently commissioned by the Supervisory Board. The auditors of KPMG issued their unqualified audit opinion for these statements. The same applies to the Company’s consolidated financial statements prepared according to IFRS accounting principles and to the Company’s consolidated financial statements prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors’ reports were submitted to each member of the Company’s Supervisory Board within the required time. At their meetings on March 8 and 9, 2012, the Audit Committee and then the Supervisory Board discussed all the documents in detail.
The auditors delivered a detailed report on the results of the audit at each of these meetings. They found no weaknesses in the internal control system and risk management with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.

The Audit Committee and the Supervisory Board noted and approved the auditors’ findings. Also the Audit Committee’s and the Supervisory Board’s own review found no objections to the Company’s financial statements and Management Report or the consolidated financial statements and the Group Management Reports. At its meeting on March 9, 2012, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner’s proposal on the allocation of the 2011 distributable profit.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their outstanding achievements in a still difficult economic environment.

Bad Homburg v. d. H., March 9, 2012

The Supervisory Board

Dr. Gerd Krick
Chairman