FRESENIUS

2010

ANNUAL REPORT

CONTENT

2 To our shareholders
6 Summary of the fiscal year
8 Fresenius shares
14 Corporate governance declaration and report
34 Business segments
34 Fresenius Medical Care
38 Fresenius Kabi
42 Fresenius Helios
46 Fresenius Vamed

50 Management report
(see detailed register on page 50)
51 Operations and business environment
51 Group structure and business
56 Corporate performance criteria, goals, and strategy
58 Overall business development
66 Results of operations, financial position, assets and liabilities
66 Results of operations
70 Financial position
75 Assets and liabilities
77 Non-financial performance indicators and other success factors
77 Employees
80 Research and development
87 Procurement
90 Quality management
94 Responsibility, environmental management, sustainability
98 Sales, marketing, and logistics
99 Overall assessment of the business situation
99 Opportunities and risk report
99 Opportunities management
99 Risk management
100 Risk areas
106 Assessment of overall risk
106 Corporate rating
107 Subsequent events
107 Outlook
107 General and mid-term outlook
108 Future markets
109 Economic outlook
110 Health care sector and markets
113 Group sales and earnings
113 Sales and earnings by business segment
114 Financing
114 Investments
115 Procurement
115 Research and development
116 Corporate structure and organization
116 Planned changes in human resources and the social area
116 Dividend

117 Consolidated financial statements
118 Consolidated statement of income
119 Consolidated statement of comprehensive income
120 Consolidated statement of financial position
122 Consolidated statement of cash flows
124 Consolidated statement of changes in equity
126 Consolidated segment reporting
130 Notes
(see detailed register on page 130)
131 General notes
145 Notes on the consolidated statement of income
150 Notes on the consolidated statement of financial position
177 Other notes
199 Notes in accordance with the German Commercial Code (HGB)

201 Auditor's report

202 Report of the Supervisory Board

209 Boards
209 Supervisory Board Fresenius SE & Co. KGaA
211 Management Board Fresenius Management SE
212 Supervisory Board Fresenius Management SE

213 Glossary

216 Index

FRESENIUS

FRESENIUS GROUP IN FIGURES

€ in millions	**2010**	2009	2008	2007	2006
Sales and Earnings					
Sales	**15,972**	14,164	12,336	11,358	10,777
EBIT	**2,418**	2,054	1,727[1]	1,609	1,444
Net income[2]	**660**[1]	514[1]	450[1]	410	330
Depreciation and amortization	**639**	562	783	421	399
Earnings per ordinary share in €	**4.08**[1]	3.18[1]	2.85[1]	2.64	2.15[8]
Earnings per preference share in €	**4.08**[1]	3.19[1]	2.86[1]	2.65	2.16[8]
Cash flow and Balance sheet					
Operating cash flow	**1,911**	1,553	1,074	1,296	1,052
Operating cash flow in % of sales	**12.0%**	11.0%	8.7%	11.4%	9.8%
Total assets	**23,577**	20,882	20,544	15,324	15,024
Non-current assets	**17,142**	15,519	15,466	11,033	10,918
Equity[3]	**8,844**	7,491	6,943	6,059	5,728
Net debt	**8,015**	7,879	8,417	5,338	5,611
Net debt/EBITDA[5,9]	**2.6**	3.0	3.6	2.6	3.0
Equity ratio[3]	**38%**	36%	34%	40%	38%
Investments[4]	**1,402**	931	4,617	1,318	4,314
Profitability					
EBIT margin	**15.1%**	14.5%	14.0%[1]	14.2%	13.4%
Return on equity after taxes (ROE)[6,9,10]	**13.3%**	12.1%	10.5%	12.0%	10.4%
Return on operating assets (ROOA)[5,9]	**11.6%**	10.5%	9.8%	11.4%	10.4%
Return on invested capital (ROIC)[5,9]	**8.9%**	8.2%	7.3%	8.4%	7.4%
Dividend per ordinary share in €	**0.86**[7]	0.75	0.70	0.66	0.57
Employees (December 31)	**137,552**	130,510	122,217	114,181	104,872

[1] 2008 before special items from the APP acquisition; 2010 and 2009 adjusted for the effects of the mark-to-market accounting of the MEB and the CVR. Both are non-cash items.
[2] Net income attributable to Fresenius SE & Co. KGaA
[3] Equity including noncontrolling interest
[4] Investments in property, plant and equipment and intangible assets, acquisitions
[5] 2006 pro forma Renal Care Group, excluding earnings from the divestiture of US dialysis clinics as well as their first quarter 2006 earnings
[6] 2006 pro forma Renal Care Group, excluding first quarter 2006 earnings of divested US dialysis clinics
[7] Proposal
[8] Adjusted for share split in February 2007
[9] 2008 pro forma APP Pharmaceuticals and excluding special items from the APP-acquisition
[10] 2010 and 2009 adjusted for the effects of the mark-to-market accounting of the MEB and the CVR

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

FRESENIUS MEDICAL CARE

DIALYSIS PRODUCTS,
DIALYSIS CARE

	2010 US$ in millions	2009 US$ in millions	Change
Sales	**12,053**	11,247	7%
EBIT	**1,924**	1,756	10%
Net income[1]	**979**	891	10%
Operating cash flow	**1,368**	1,339	2%
Capital expenditure/ acquisitions	**1,314**	766	72%
R & D expenses	**97**	94	3%
Employees (December 31)	**77,442**	71,617	8%

FRESENIUS KABI

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

	2010 € in millions	2009 € in millions	Change
Sales	**3,672**	3,086	19%
EBIT	**737**	607	21%
Net income[1]	**294**	200	47%
Operating cash flow	**567**	397	43%
Capital expenditure/ acquisitions	**205**	157	31%
R & D expenses	**143**	129	11%
Employees (December 31)	**22,851**	21,872	4%

FRESENIUS HELIOS

HOSPITAL OPERATION

	2010 € in millions	2009 € in millions	Change
Sales	**2,520**	2,416	4%
EBIT	**235**	205	15%
Net income[1]	**131**	107	22%
Operating cash flow	**311**	219	42%
Capital expenditure/ acquisitions	**179**	203	-12%
Order intake	**n/a**	n/a	
Employees (December 31)	**33,321**	33,364	0%

FRESENIUS VAMED

ENGINEERING AND SERVICES
FOR HOSPITALS AND
OTHER HEALTH CARE FACILITIES

	2010 € in millions	2009 € in millions	Change
Sales	**713**	618	15%
EBIT	**41**	36	14%
Net income[1]	**30**	27	11%
Operating cash flow	**47**	29	62%
Capital expenditure/ acquisitions	**14**	7	100%
Order intake	**625**	539	16%
Employees (December 31)	**3,110**	2,849	9%

[1] Net income attributable to the parent company of the respective business segment

FRESENIUS

FRESENIUS MEDICAL CARE

FRESENIUS KABI

FRESENIUS HELIOS

FRESENIUS VAMED

Fresenius is a health care group providing products and services for dialysis, hospitals and the medical care of patients at home. In addition, Fresenius focuses on hospital operation, as well as on engineering and services for hospitals and other health care facilities. More than 137,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

To Our Shareholders:

I am pleased to report record results for sales and earnings for 2010. We increased Group sales in constant currency by 8 percent to €16.0 billion. Earnings increased even more strongly by 23 percent in constant currency to €660 million before special items. The EBIT margin is at an all-time high of 15.1 percent. All of our business segments achieved or exceeded their financial targets.

We also exceeded our "15/15" midterm goal, a 2010 target announced in February 2007 with sales of €15 billion and an EBIT margin of 15 percent. This achievement is all the more notable given the economic crisis.

I sincerely thank the Group's associates for their outstanding contributions and untiring commitment toward achieving our targets.

2010 was not just a year of excellent operating results. We initiated important structural changes by creating a single share class. This in combination with a change in legal form to a partnership limited by shares (KGaA) enhances the attractiveness of our stock, increases trading liquidity, and improves our access to the equity capital market. Our share price performance following the announcement of this change and the exceptionally high approval rate at the annual general meeting in May 2010 demonstrate that shareholders see this as a positive move. I am pleased that we were able to successfully implement these resolutions.

What are our goals for the future? Looking ahead, the global economic environment will remain challenging and cost-containment efforts in the health care sector will continue. We must respond with both medical innovations for our patients and providers and continued cost and efficiency measures. We remain focused on strong organic growth in all our business segments as the basis for our success. In addition, we intend to pursue small and mid-sized acquisition opportunities to support our organic growth.

Below are key components of our business segments' agendas for 2011:

- In 2011, **Fresenius Medical Care** faces a switch to a bundled reimbursement system in its important U.S. market. As an integrated company offering both dialysis products and dialysis services from a single source, Fresenius Medical Care is well positioned to compete in this new system. I see high growth potential for Fresenius Medical Care in the Asia-Pacific region and Eastern Europe. International business expansion is therefore a key priority in the coming years.

- The focus at **Fresenius Kabi** is on launching new products and further international roll-out of the existing portfolio. We will continue to place special emphasis on product quality and reliability. These proved to be especially important success factors in 2010, when competitors experienced numerous supply constraints in the U.S. IV drug market. Fresenius Kabi achieved above-average growth by being a reliable partner with top-quality products, and was able to alleviate market drug supply shortages.

- **Fresenius Helios** is consistently working to further advance quality awareness at its clinics and to provide patients with best-in-class medicine. The company has launched numerous initiatives designed to improve quality and to prevent medical errors. Although hospital privatization activity in Germany was modest over the last two years, we expect the market to pick up again midterm. Consequently, Fresenius Helios will continue to grow through acquisitions.

- **Fresenius Vamed** has an excellent foundation for further growth, thanks to its high order backlog. With its competence in both project development and out-sourcing services, Fresenius Vamed can successfully support health care facilities over the course of their life cycles. Key markets will continue to be Europe, the Asia-Pacific region and Africa.

Through our global presence in growth markets, our medical and technological competence, and our flexible, decentralized organizational structure, we are well positioned for future success. We face 2011 with confidence and expect to increase sales in constant currency by ≥7 percent and net income by 8 to 12 percent.

We are grateful for your trust. Looking ahead, we will continue to strive to achieve the best for our patients and sustainably increase the value of our company.

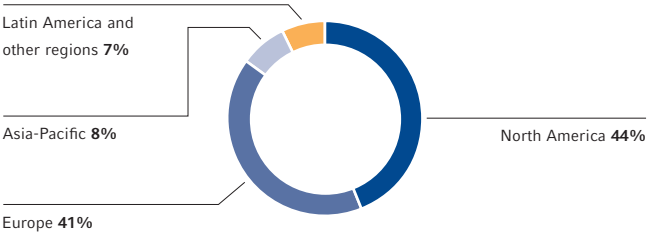
Dr. Ulf M. Schneider
Chairman of the Management Board

SUMMARY OF THE FISCAL YEAR

SALES. Consolidated sales increased by 13% to €15,972 million in 2010 (2009: €14,164 million). Excellent organic growth of 7% was achieved, while acquisitions contributed 1%. Currency translation had a positive effect of 5%.

EARNINGS. Operating income (EBIT) grew by 18% to €2,418 million (2009 adjusted: €2,054 million). All the business segments contributed to this substantial growth with double-digit rates. The EBIT margin reached a record level of 15.1% (2009: 14.5%).

SALES BY REGION



2010: €16.0 billion

EARNINGS

€ in millions	2010	2009	Change	Change in constant currency
EBIT	**2,418**	2,054	18%	13%
Net interest	**-566**	-580	2%	6%
Income taxes, adjusted	**-609**	-463	-32%	-26%
Noncontrolling interest	**-583**	-497	-17%	-12%
Net income[1]	**660**	514	28%	23%

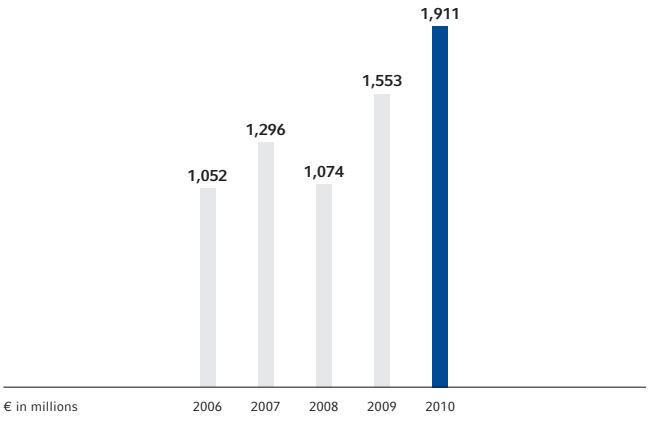
[1] Net income attributable to Fresenius SE & Co. KGaA; adjusted for the effects of mark-to-market accounting of the MEB and the CVR

- In North America, sales increased by 9% in constant currency and 8% organically. This was mainly due to the successful business operations of APP Pharmaceuticals.
- In Europe, sales grew by 7% in constant currency, with organic sales contributing 6%.
- Emerging markets continued to post strong organic growth rates, achieving 7% in Asia-Pacific and 11% in Latin America.
- Group net interest was -€566 million (2009: -€580 million). Lower average interest rates had a positive effect while currency translation had a negative effect due to the strong US$ against the Euro.
- Net income[1] grew by an excellent 28% to €660 million. Earnings per ordinary and preference share each rose by 28%.

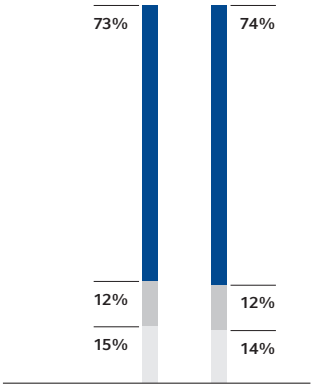
CASH FLOW. Operating cash flow grew by 23% to €1,911 million. This was mainly driven by strong earnings growth and tight working capital management.

BALANCE SHEET. Total assets rose by 13% to €23,577 million. In constant currency, the increase was 7%. Shareholders' equity, including noncontrolling interest, increased by 18% to €8,844 million.

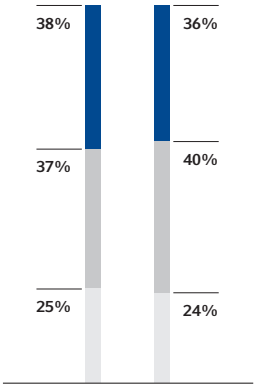
OPERATING CASH FLOW



ASSETS



EQUITY AND LIABILITIES



- Non-current assets
- Trade accounts receivable
- Other current assets
- Equity and noncontrolling interest
- Debt
- Other liabilities

- Operating cash flow margin was 12.0% (2009: 11.0%).
- Cash flow before acquisitions and dividends increased strongly to €1,178 million (2009: €891 million).
- We achieved cash flow of €345 million after acquisitions and dividends (2009: €389 million). 2010 was impacted by higher acquisition spending at Fresenius Medical Care compared to 2009.
- The equity ratio, including noncontrolling interest, increased to 37.5%.
- Group debt increased to €8,784 million (December 31, 2009: €8,299 million). In constant currency, the increase was 1%.
- The net debt/EBITDA ratio improved to 2.6 (December 31, 2009: 3.0).

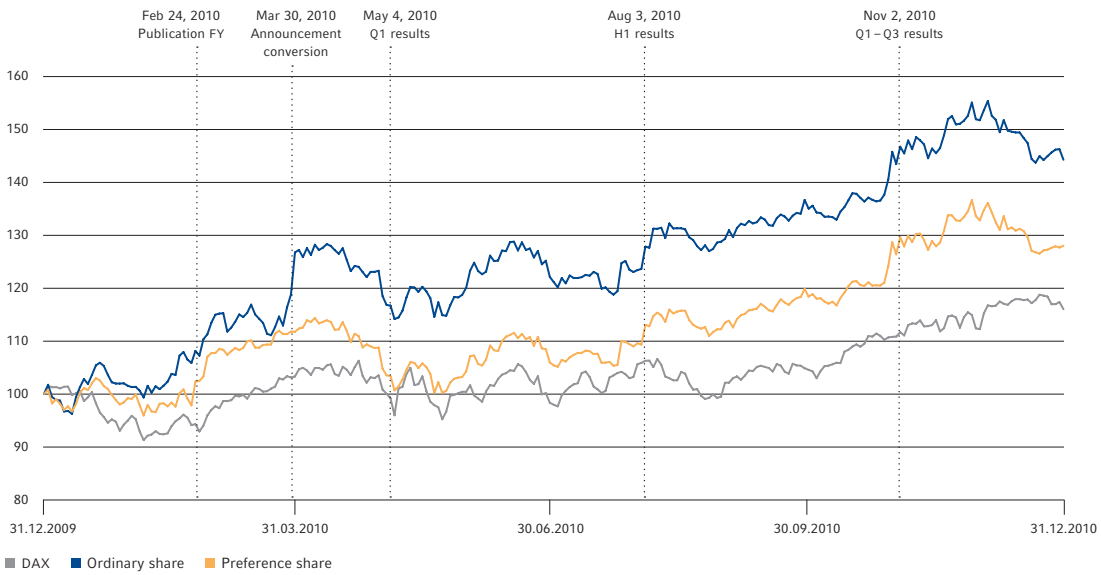
FRESENIUS SHARES. For the stock markets 2010 was marked by the economic recovery in many countries but also by the sovereign debt crisis in Europe. Strong economic growth fueled the DAX. Fresenius shares displayed strength driven by excellent financial results and the announced share conversion. They significantly outperformed the DAX. At year end the ordinary share closed with a gain of 44%, the preference share with 28%.

STOCK MARKETS

Stock markets started off the year with setbacks against the backdrop of a **debt crisis** and concerns over even higher borrowing requirements in some countries in Europe. The mounting uncertainty and resultant depreciation of the euro was mitigated by discussions over an EU safety net, which was set up in mid-June. Thereafter, the sentiment on the capital market brightened appreciably. Instead of the widely

RELATIVE SHARE PRICE PERFORMANCE ORDINARY AND PREFERENCE SHARES VS. DAX

December 31, 2009 = 100



expected market correction in the autumn, share prices continued to climb and brought some of the developed equity markets their strongest performance in many years. In Germany especially, the upward trend continued – with smallish corrections – until just before the end of the year.

The **DAX** reached its low for the year of 5,434 points at the beginning of February 2010. Starting out from a level that was just below that at the beginning of the year, the DAX rallied strongly from the end of August onwards, reaching its high for the year of 7,078 points – its highest level since 2008 – in December 2010. The DAX closed the year at 6,914 points, a gain of 16% over the year.

That was an outstanding performance in comparison with other European blue chip indices. The **Euro Stoxx 50** lost 6%. The European **Dow Jones Stoxx 600** Index closed 2010 with a gain of 9%. The best performing sectors in this index were Automobiles (44%), Industrials (33%), and Consumer Goods (27%), while Oil and Gas (0%), Utilities (-9%), and Banks (-12%) were the worst three performers. The leading U.S. indices also posted substantial gains. The **S & P 500** closed 2010 up 13%, while the **Dow Jones Industrial Average** gained 11%.

FRESENIUS SHARES

In 2010, both our ordinary shares and our preference shares clearly outperformed the DAX.

At the beginning of the year, Fresenius shares showed a modest performance in line with the market as a whole. The price of the **ordinary share** reached its **low** for the year of €41.80 on January 12, 2010. The price of the **preference share** reached its **low** for the year of €47.96 on February 5, 2010. Thereafter, both share classes continuously gained ground. On March 30, 2010 we announced our plan to convert the preference shares into ordinary shares in combination with a change of legal form to a partnership limited by shares (KGaA). Following the announcement, the price of the ordinary share jumped to the level of that of the preference share, closing the gap between the two share classes barring a few euro cents. At the beginning of May, uncertainties surrounding the size of the EU safety net and concerns whether still more countries might need to take recourse to it triggered a short downward correction. Fresenius shares were also affected. With the announcement of good financial results for the first quarter they steadied and began to recover. Both share classes rallied strongly after excellent six-month figures were released and the outlook for individual business segments was raised at the beginning of August. The upward trend gathered pace, driven by another round of excellent results in the third quarter of 2010, whereupon the outlook for the Group was raised again. The ensuing price rise took both the ordinary share and the preference share to all-time highs.

The **ordinary shares** reached their year **high** of €67.59 on December 2, 2010 before closing at €62.75 shortly thereafter. The **preference shares** reached their year **high** of €68.40 on November 26, 2010 and went on to close the year at €64.07. The ordinary share achieved an increase of 44% and the preference share of 28% over their year-end 2009 closing prices.

Fresenius SE's **market capitalization** was €10.3 billion as of December 31, 2010, an increase of 37% compared to December 31, 2009.

As the table shows, the average daily **trading volume** in Fresenius shares on **Xetra** was lower in 2010 than in 2009. DAX trading volume was down 2% in the same time period.

XETRA TRADING VOLUME

	Average trading volume 2010 No. of shares	Average trading volume 2009 No. of shares	Change in %
Ordinary share	**60,288**	72,012	-16
Preference share	**371,172**	500,509	-26

Fresenius shares are listed on the stock exchanges in Frankfurt am Main, Düsseldorf, and Munich. Fresenius is included in Germany's leading index, the DAX, as well as the Prime Standard Pharma & Healthcare Index, and the Dow Jones Stoxx 600 Healthcare Index. We are also listed in the Dow Jones Euro Stoxx and the FTSE Eurofirst 300 indices.

STOCK CONVERSION AND CHANGE OF LEGAL FORM

In 2010, we announced our plan to simplify the share structure by converting the preference shares into ordinary shares in combination with a change of legal form to a partnership limited by shares (KGaA). The proposal was approved at the annual general meeting on May 12, 2010 by a large majority of 98% of the ordinary shareholders and 94% of the preference shareholders. The change of legal form to Fresenius SE & Co. KGaA became effective with its entry in the Commercial Register Bad Homburg v. d. H. on January 28, 2011. 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 nonvoting preference shares of Fresenius SE were mandatorily converted at a 1:1 exchange ratio into voting ordinary shares of Fresenius SE & Co. KGaA. The Company's total share capital remained unchanged. Accordingly, the listing of the two classes of Fresenius SE share was discontinued on January 28, 2011. The ordinary shares of Fresenius SE & Co. KGaA commenced trading on January 31, 2011.

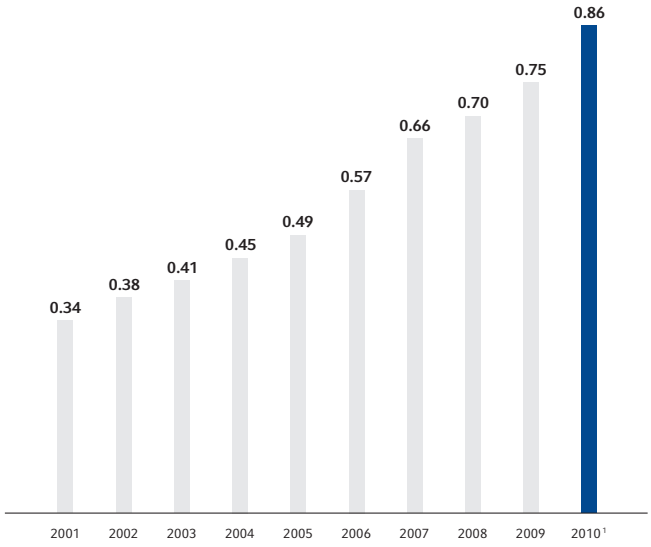
With the stock conversion we have created a single share class. The simplified share structure strengthens Fresenius' position in the capital market and increases the liquidity of the Fresenius share. A higher index weighting will consolidate the share's position in the DAX and improve access to the capital market. This considerably enhances Fresenius' attractiveness and transparency for investors.

CAPITAL STRUCTURE

Stock options on ordinary and preference shares under the 1998 and 2003 stock option plans were exercised in 2010, increasing the number of ordinary and preference shares by 567,357 each. Further information on the stock option plans can be found on pages 191 to 198 of the Annual Report.

At the end of 2010, there were 81,225,045 bearer ordinary shares and 81,225,045 bearer preference shares outstanding.

DEVELOPMENT OF ORDINARY SHARE DIVIDENDS IN €



[1] Proposed

DIVIDEND

Based on the Group's excellent financial results, we intend to increase the dividend for 2010 and thus continue our **earnings-linked dividend** policy. For the 18th consecutive year, we are proposing to our shareholders a dividend increase to €0.86 (2009: €0.75) per ordinary share, an increase of 15% per share. The total proposed dividend distribution will be €139.7 million, equivalent to 21% of Group net income before special items. Based on the proposed dividend and the closing price of our ordinary share at the end of 2010, the dividend yield would be approximately 1.4%.

Fresenius shares are an attractive investment, especially for long-term investors. Anyone who invested about €1,000 in Fresenius ordinary shares five years ago and reinvested the dividends would have increased their capital to €1,877 as of December 31, 2010. That is an average annual return of 14%. We have added a total return calculator as a service on our website at www.fresenius.com under Investor Relations – The Fresenius Shares – Share Price. You can use the value calculator to determine the total return on your Fresenius shares, including dividend payments.

SHAREHOLDER STRUCTURE

The following describes the shareholder structure by the end of 2010 – before the conversion of preference shares into ordinary shares. The Else Kröner-Fresenius-Stiftung was the largest shareholder of Fresenius SE, with approximately 58% of the voting shares. Allianz Lebensversicherungs-AG claimed to hold between 5 and 10% of the voting shares. In addition, we received notifications pursuant to the German Securities Trading Act (WpHG) from Artio Global Investors and from Fidelity. For further information on notifications after the conversion, please see pages 173 to 174 of the Notes.

As of **December 31, 2010**, a **shareholder survey** covering 92% of our subscribed capital identified the ownership of 99% of the ordinary shares and 85% of the preference shares. According to this survey, a total of 306 institutional investors held about 85.3 million shares (52% of subscribed capital). This was split into 22.2 million ordinary shares (27% of the ordinary shares) and 63.0 million preference shares (78% of the preference shares). 4.7 million ordinary shares and 5.5 million preference shares were identified as retail holdings. The **top ten investors** held 14% of the ordinary share capital and 29% of the preference share capital. Both share classes were mostly held by investors in Germany, Great Britain, and the United States.

The analysis of our shareholder structure provides us with valuable information on the current structure and any changes that have occurred. The regional distribution of our institutional investors, for instance, serves as a good basis for the targeted planning and adjustment of our roadshow activities. The latest survey showed that our shareholder base is solid. This confirms we are right in pursuing our path of intensifying the dialogue with institutional investors and our roadshow activities in Europe and the United States.

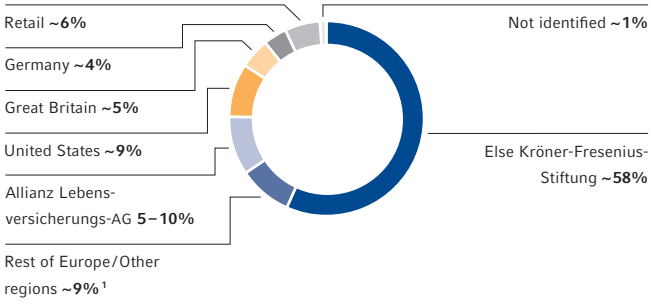
EARNINGS PER SHARE

Adjusted for the special effects of the mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) relating to the acquisition of APP Pharmaceuticals, the Fresenius Group achieved earnings per ordinary and preference share of €4.08 in 2010 – an increase of 28% for both share classes. Further details on earnings and information on earnings per share can be found on page 68 of the Management Report and on page 149 of the Notes.

ANALYST RECOMMENDATIONS

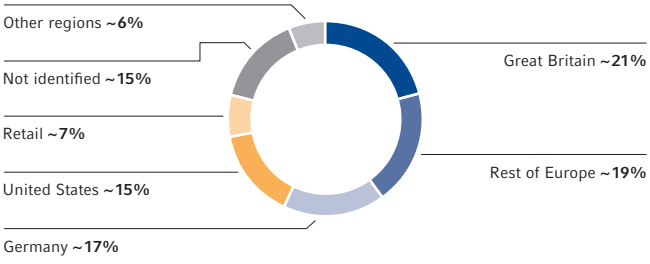
The recommendations published by financial analysts are an important guide for institutional as well as private investors when making investment decisions. According to our survey,

SHAREHOLDER STRUCTURE ORDINARY SHARES



[1] Thereof Other regions ~1%

SHAREHOLDER STRUCTURE PREFERENCE SHARES



as of February 22, 2011 we were rated with 24 "buy", 4 "hold", and 0 "sell" recommendations. This reflects analysts' confidence in the long-term earning power of the Fresenius Group and the potential both for our business and for our shares.

The following table lists the banks which provide regular analyst coverage of Fresenius and their latest recommendations.

ANALYST RECOMMENDATIONS

Bankhaus Lampe	November 2010	Buy
Bankhaus Metzler	November 2010	Buy
BofA/Merrill Lynch	January 2011	Buy
Cheuvreux	January 2011	Outperform
Commerzbank	February 2011	Add
Credit Suisse	February 2011	Outperform
Deutsche Bank	February 2011	Buy
DZ Bank	February 2011	Buy
equinet Bank AG	November 2010	Hold
Evolution Securities	February 2011	Buy
Exane BNP Paribas	November 2010	Outperform
Jefferies	January 2011	Buy
Kepler Capital	November 2010	Buy
LBBW	October 2010	Buy
Macquarie	February 2011	Outperform
MainFirst Bank	November 2010	Neutral
M. M. Warburg	February 2011	Hold
Morgan Stanley	February 2011	Overweight
Nomura	November 2010	Buy
NordLB	November 2010	Buy
Piper Jaffray	September 2010	Overweight
Royal Bank of Scotland	November 2010	Buy
Redburn Partners LLP	November 2010	Buy
Silvia Quandt Research	November 2010	Buy
Société Générale	November 2010	Hold
UBS	November 2010	Buy
UniCredit	November 2010	Buy
WestLB	February 2011	Add

INVESTOR RELATIONS

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

In 2010, we intensified **our dialogue with the capital market** in order to enable investors and analysts to make a fair assessment of Fresenius Group's business situation and market conditions. In addition to the annual analysts' meeting and the quarterly conference calls/webcasts, Fresenius also made presentations in important financial markets in Europe and the United States. Regular contacts were further extended at 15 international investor conferences, 18 roadshows, and numerous one-on-one meetings with institutional investors and analysts. In collaboration with banks, we also conducted so-called field trips, which offer the possibility for investors and analysts to discuss matters with the Management Board.

We also continued the dialogue with our **private investors**. The internet is an important tool for us in this regard. Our private shareholders can follow live webcasts of the quarterly conference calls and annual analysts' meetings on our website at www.fresenius.com. Presentations can be downloaded shortly before and, of course, after the events in the "Investor Relations" section under "Presentations". We also publish all presentations given at international investor conferences. We intend to make further improvements in the ways we communicate with private shareholders and would welcome any suggestions you may care to make. In 2011, we also plan to increase the information content of our website.

In 2010, we received important **commendations** for the standard of our financial communication. In the competition for the best annual report conducted by the German business magazine manager magazin, which analyzed about 200 annual reports published by German and European companies, we came 11th in the DAX category. In addition, we received the Silver Award for our annual report in the category "Health

Care – Equipment & Supplies" from the League of American Communications Professionals (LACP). More than 4,000 companies from over 25 countries took part in this contest.

Fresenius SE's online annual report also won first place with the Platinum Award in the EMEA & Asia-Pacific category at the LACP 2010 spotlight awards. In 2010, the jury consisting of communications experts from different sectors and functions reviewed a total of more than 1,100 online annual reports. We ranked 50th in the category Top 100 Communication Materials out of all the online annual reports reviewed.

If you would like to contact us or find out about key dates in our financial calendar 2011, please take a look at the last page of this report or visit us at our website www.fresenius.com under "Investor Relations".

KEY DATA OF THE FRESENIUS SHARES

	2010	2009	2008	2007	2006
Number of shares	**162,450,090**	161,315,376	161,143,734	155,164,770	51,451,292
Ordinary shares	**81,225,045**	80,657,688	80,571,867	77,582,385	25,725,646
Preference shares	**81,225,045**	80,657,688	80,571,867	77,582,385	25,725,646
Stock exchange quotation ordinary share[1] in €					
High	**67.59**	43.76	60.87	63.35	51.32[2]
Low	**41.80**	27.69	31.93	50.17	35.47[2]
Year-end quotation	**62.75**	43.45	36.23	56.00	50.57[2]
Stock exchange quotation preference share[1] in €					
High	**68.40**	50.01	59.25	63.12	55.32[2]
Low	**47.96**	31.40	37.23	50.70	37.41[2]
Year-end quotation	**64.07**	50.01	41.59	56.90	54.27[2]
Market capitalization[3] in million €	**10,301**	7,538	6,270	8,759	8,091
Beta factor[4]	**0.67**	0.29	0.85	0.80	0.88
Total dividend distribution in million €	**139.7**[5]	121.8	113.6	103.2	88.8
Per share in €					
Dividend ordinary share	**0.86**[5]	0.75	0.70	0.66	0.57
Dividend preference share	**n. a.**	0.76	0.71	0.67	0.58
Earnings per ordinary share	**4.08**[6]	3.18[6]	2.85[7]	2.64	2.15[2]
Earnings per preference share	**4.08**[6]	3.19[6]	2.86[7]	2.65	2.16[2]

[1] Xetra closing prices on the Frankfurt Stock Exchange
[2] Adjusted for share split
[3] Total number of ordinary and preference shares multiplied by the respective Xetra year-end quotation on the Frankfurt Stock Exchange
[4] Fresenius preference share (source: Bloomberg)
[5] Proposal
[6] Adjusted for special items resulting from changes in the market value (mark-to-market accounting) of the Mandatory Exchangeable Bonds (MEB) and Contingent Value Rights (CVR) in connection with the acquisition of APP Pharmaceuticals
[7] Before special items relating to the APP acquisition

CORPORATE GOVERNANCE DECLARATION AND REPORT.

The Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term corporate strategies, solid financial management, strict adherence to legal and ethical business standards, and transparency in corporate communication are key factors.

In this Corporate Governance Declaration, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA – Fresenius Management SE – (Management Board of the general partner) report pursuant to Section 289a of the German Commercial Code (HGB) and clause 3.10 of the German Corporate Governance Code – Corporate Governance Report. The Management and Supervisory Boards have published the Corporate Governance Declaration and the Corporate Governance Report on the company website at www.fresenius.com, see Who we are – Corporate Governance.

Fresenius SE completed the fiscal year 2010 in the legal form of an SE (Societas Europaea). The Company's change of legal form to a partnership limited by shares (KGaA) was registered with the Commercial Register in Bad Homburg on January 28, 2011. The resulting effects on corporate governance at Fresenius SE & Co. KGaA are summarized after the presentation for 2010.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE GUIDELINES AND DECLARATION OF CONFORMITY

The German Corporate Governance Code (Code) was established to increase confidence in the corporate governance of publicly traded companies. It aims to provide more transparency for domestic and foreign investors with regard to existing regulations covering the management and monitoring of companies. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations, and proposals for **responsible management** contained in the Code, have been

basic components of our activities for many years. Extensive information on the subject of corporate governance can be found on our website.

The Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner have issued the following **Declaration of Conformity** pursuant to Section 161 of the German Stock Corporation Act (AktG) and have made it available to shareholders on the website of the Company:

"Declaration by the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, on the basis of the German Corporate Governance Code's version of June 18, 2009 (below under I) and of May 26, 2010 (below under II), pursuant to Section 161 AktG.

I. The Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA (hereafter the 'Management Board') declare that the recommendations of the 'Government Commission on the German Corporate Governance Code' published by the Federal Ministry of Justice (Justizministerium) in the official section of the electronic Federal Gazette (Bundesanzeiger) (hereafter the 'Code') in the version of June 18, 2009 were complied with since issuance of the last declaration of conformity. Only the following recommendations have not been adhered to:

- **Clause 3.8, para. 3 of the Code: D & O insurance deductible for the Supervisory Board**
  Pursuant to clause 3.8 paragraph 3 of the Code, a D & O insurance for the Supervisory Board should provide for a deductible which reflects the mandatory deductible for Management Board members as introduced by the Act on the Appropriateness of Executive Board Compensation (VorstAG). Such deductible amounts to 10% of the damage, up to a maximum amount of one and a half times the fixed annual remuneration. Until the end of June 2010 the D & O insurance taken out at Fresenius was a group insurance for a multitude of individuals which did not contain a deductible in the recommended amount. For the Management Board of Fresenius SE (hereafter also the Management Board) the insurance now taken out as from July 1, 2010 does contain a deductible in line with the VorstAG requirement. A corresponding deductible for the members of the Supervisory Board was also introduced as from July 1, 2010.

- **Clause 4.2.3, para. 4 of the Code: Compensation cap**
  Pursuant to clause 4.2.3 paragraph 4 of the Code, upon termination of a Management Board contract, it should be ensured that the payments to the Management Board member whose service for the company is prematurely terminated shall not, including all ancillary payments, exceed the value of two annual remunerations (compensation cap) and shall remunerate for no more than the remaining term of the Management Board agreement. The compensation cap shall be calculated on the basis of the total compensation for the previous financial year and, as applicable, also the expected total compensation for the current financial year.

  The service agreements of the members of the Management Board do not include a provision dealing with the early termination of service for the company without good cause. Such compensation provision would contradict the concept to conclude the service agreements with the Management Board members for the period of their appointment, such concept practiced by Fresenius since long in line with the German Stock Corporation Act (Aktiengesetz). Applying this concept, any early termination of the service agreement requires good cause.

- **Clauses 5.1.2, para. 2, sentence 3 and 5.4.1, sentence 2 of the Code: Age limit for members of Management Board and Supervisory Board**
  Pursuant to clause 5.1.2, sentence 2 of the Code, when submitting nominations for the election of Supervisory Board members, an age limit to be specified for the Supervisory Board members shall be taken into account. In the same way, an age limit shall be specified for the Management Board members in accordance with clause 5.1.2, paragraph 2, sentence 3. Fresenius is of the opinion that the determination of an age limit for the members of the Management Board and the Supervisory Board would generally limit the selection of qualified candidates.

- **Clauses 5.1.2, para. 1, sentence 2 and 5.4.1, sentence 2 of the Code: Composition of the Management Board and the Supervisory Board**
  The Supervisory Board shall take diversity into account, with regard to the composition of the Management Board as well as when submitting nominations for the election

of Supervisory Board members (clauses 5.1.2 and 5.4.1 of the Code). The composition of Fresenius SE's corporate bodies was made in line with the requirements of the company. The company's international engagement has already been taken into account of in both bodies.

- **Clause 5.3.3 of the Code: Nomination Committee**
  Pursuant to clause 5.3.3 of the Code, the Supervisory Board shall constitute a nomination committee which shall consist solely of shareholder representatives and which proposes suitable candidates to the Supervisory Board for the nomination it makes to the Annual General Meeting. This recommendation has generally been complied with in the past and it is intended to follow it in the future. However, the nomination committee which has been constituted by the Supervisory Board has, as a precautionary measure, abstained from submitting proposals for nominations for the election of Supervisory Board members of the company in the new legal form which was scheduled for the Annual General Meeting 2010 in combination with the change of the legal form into a KGaA. The nominations to the Annual General Meeting were submitted by the entire Supervisory Board. This was made due to the following background: two out of the three members of the nomination committee, Messrs. Dr. Dieter Schenk and Dr. Karl Schneider, are also members of the Administrative Board of Else Kröner-Fresenius-Stiftung and executors of the will over the estate of Ms Else Kröner. Being the sole shareholder of the general partner, Else Kröner-Fresenius-Stiftung is prevented from participating in the election of the Supervisory Board members. In order to eliminate also other influences on the composition of the Supervisory Board, the Supervisory Board decided, exceptionally, not to invoke a proposal by the nomination committee.

II. With regard to the recommendations of the 'Government Commission on the German Corporate Governance Code' published by the Federal Ministry of Justice (Justizministerium) in the official section of the electronic Federal Gazette (Bundesanzeiger) in the version of May 26, 2010, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board declare that these recommendations are being complied with. In addition to the deviations from the Code's recommendations in clauses 4.2.3, paragraph 4, 5.1.2 and 5.4.1 described above (these also not being applied mutatis mutandis in the version of May 26, 2010) only the following recommendations are not being applied:

- **Clause 5.4.1, paras. 2 and 3 of the Code: Specification of concrete objectives regarding the composition of the Supervisory Board and taking them into account when making recommendations to the competent election bodies**
  Pursuant to clause 5.4.1, paragraphs 2 and 3 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition and, when making recommendations to the competent election bodies, take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. These recommendations are not adhered to. The composition of Fresenius' Supervisory Board needs to be aligned with the requirements of the company and must ensure effective supervision of and consultation by the Management Board. Therefore, when composing the Supervisory Board, knowledge, skills and professional experience required for the proper execution of the duties by each of its members shall take precedence. In contrast, fixed diversity quotas and age limits would generally limit the selection of qualified candidates.

Bad Homburg v. d. H., March 2011
The Supervisory Board of Fresenius SE & Co. KGaA
The Management Board of the general partner of
Fresenius SE & Co. KGaA (Fresenius Management SE)"

In accordance with Section 161 AktG and clause 3.10 sentence 4 of the Code, this declaration and all past declarations are published on our website at www.fresenius.com. To download these documents, see Who we are – Corporate Governance.

Fresenius SE completed the fiscal year 2010 in the legal form of an SE (Societas Europaea). The following statements relate to the relevant corporate governance practices and procedures of the Management and Supervisory Boards of Fresenius SE for that reporting period. It is intended that in future the corporate governance practices and Management Board and Supervisory Board procedures described below for Fresenius SE shall also continue to apply accordingly in the legal form of the KGaA. The future effects on corporate governance at Fresenius SE & Co. KGaA resulting from the change of legal form are summarized after the corporate governance report for 2010.

SHAREHOLDERS

The shareholders exercised their **voting rights** at the Annual General Meeting. Each ordinary share of Fresenius SE conferred one vote. Preference shares of Fresenius SE essentially carried no voting rights. However, holders of these shares had precedence in the distribution of earnings and were entitled to a higher **dividend**. None of the shares carried multiple or preferential voting rights. We treated all shareholders and principal interest groups equally. We made information on significant new circumstances publicly available without delay. Equal treatment is essential for building confidence in the capital market.

We report in more detail on our investor relations activities in the section on Fresenius shares on page 12 and 13.

ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) was held on May 12, 2010, in Frankfurt am Main. Approximately 88% of the ordinary share capital and about 62% of the preference share capital were represented at the meeting. Those shareholders unable to attend the AGM were able to listen to the speech of the Chairman of the Management Board, which is broadcast live over the Internet in the "Investor Relations" section of our website, see "Annual General Meeting" at www.fresenius.com. In addition, shareholders were able to have their voting rights exercised by proxy, or, in line with the recommendation in the Code, by a voting representative appointed by Fresenius SE.

At the AGM on May 12, 2010, a majority of 98% of the ordinary shareholders and a majority of 94% of the preference shareholders voted in favor of the conversion of the preference shares into ordinary shares in combination with a change of Fresenius SE's legal form into a partnership limited by shares (KGaA). The resolved measures became effective with their entry into the Commercial Register in Bad Homburg on January 28, 2011. For further details, please see page 54 of the Annual Report.

With a majority of more than 99%, the shareholders also approved the proposal of the Management and Supervisory Boards to increase the dividend for 2009 by 7%. Ordinary shareholders received a dividend of €0.75 per share (2008: €0.70), while preference shareholders received a dividend of €0.76 per share (2008: €0.71). Other passed resolutions included the approval of the compensation system for the members of the Management Board for fiscal year 2010.

Documents and information on the Annual General Meeting are available on our website at www.fresenius.com, see Investor Relations – Annual General Meeting.

MANAGEMENT BOARD AND SUPERVISORY BOARD PROCEDURES

Fresenius SE had a **two-tier board structure**, consisting of a Management Board and a Supervisory Board. The management and control functions were strictly separated. The Management Board of Fresenius SE managed the Company on its own responsibility. The members of the Management Board had a joint responsibility for the management of Fresenius SE. The Supervisory Board appointed, supervised, and advised the Management Board and was directly involved in decisions that were of fundamental importance for the Company.

MANAGEMENT BOARD PROCEDURES

The Management Board of Fresenius SE conducted the Company's business. It formulated the Company's strategy, coordinated this strategy with the Supervisory Board, and oversaw its implementation. The actions and decisions of the Management Board were aligned with the Company's best interests. The Management Board took diversity into account when selecting suitably qualified candidates to fill executive positions and especially strove to achieve an appropriate degree of female representation. 27% of the persons participating in the Fresenius Group executive officer stock option plans are female. The Management Board of Fresenius SE was committed to increasing the value of the Company on a sustainable basis. The rules of procedure of the Management Board of Fresenius SE defined the activities within the Board more specifically, especially with regard to the individual duties and responsibilities of the members, matters reserved for the full Management Board, and resolutions to be passed by the full Management Board. The **meetings of the Management Board** of Fresenius SE were convened as required, but at least once a month, and were chaired by the Chairman of the Management Board, or, if he was incapacitated, by the Chief Financial Officer, or, if he was also incapacitated, by the Management Board member present who was the most senior in age. However, Management Board meetings were usually held twice a

month. The person chairing the meeting decided the order for dealing with the items on the agenda and the form in which the voting was conducted. Except in cases where mandatory provisions of law or the Company's statutes required a unanimous vote or action by all the Management Board members, the Management Board of Fresenius SE passed its resolutions by a simple majority of the votes cast, or, outside its meetings, by a simple majority of its members. The Chairman of the Management Board of Fresenius SE had the casting vote if a vote was tied. If the Chairman abstained or was absent or incapacitated, the motion was deemed rejected in cases when a vote was tied. The rules of procedure of Fresenius SE also regulated dealings between the Company's Management Board and Supervisory Board and matters that required the Supervisory Board's approval. The Management Board of Fresenius SE consisted of seven members. They are listed on page 211 of the Annual Report.

The chief executive officers of the four business segments were members of the Management Board of Fresenius SE. This ensured that the full Management Board of Fresenius SE was kept constantly informed about important events, plans, developments, and measures within the business segments. There were no Management Board committees, owing to Fresenius SE's role as an operating holding company.

SUPERVISORY BOARD PROCEDURES

The Supervisory Board of Fresenius SE consisted of twelve members who were elected at the AGM. The nominations for election to the Supervisory Board took account of the knowledge, ability, and expertise required to perform the tasks and the diversity of the Supervisory Board's composition. Specifying fixed quotas and age limits for the composition of the Supervisory Board of Fresenius SE and taking them into account in the election proposals – as proposed by the Corporate Governance Code – would, on the other hand, have generally limited the selection of qualified candidates. A Nomination Committee had been created for proposals regarding the **shareholder representatives**. Its activities were aligned with the provisions of law and the Code. Of the twelve members of the Supervisory Board, six were proposed directly by the **employees**; the AGM was bound by these nominations. The term of office of the incumbent Supervisory Board members in the reporting period ended with the entry of the change of legal form in the Commercial Register. The Supervisory Board of Fresenius SE included what it deemed a sufficient number of independent members who had no business or personal relations with the Company or its Management Board that could have caused a conflict of interest. The **statutes** of Fresenius SE regulated the details with regard to the Supervisory Board's election, constitution, and term of office, its meetings and resolutions, and its rights and duties. These statutes are published on our website at www.fresenius.com (to download, see Who we are – Corporate Governance).

The Supervisory Board of Fresenius SE had established its rules of procedure in accordance with clause 5.1.3 of the Code. The Chairman of the Supervisory Board was responsible for coordinating the activities of the Supervisory Board, chairing its **meetings**, and representing its interests externally. The Supervisory Board of Fresenius SE was supposed to convene once each calendar quarter, and had to convene twice each calendar half-year. The meetings were convened and chaired by the Chairman, or, if he was incapacitated, by a chairperson named by the Chairman. The person chairing the meeting decided the order for dealing with the items on the agenda and the form in which the voting was conducted. Unless other majorities were mandatory by law, the Supervisory Board passed its resolutions by a simple majority of the votes submitted in the voting. If a vote was tied, the Chairman cast the deciding vote or, if he did not take part in the voting, the matter was resolved by the vote of the Deputy Chairman, who was a shareholder representative.

The Supervisory Board conducted its business in accordance with the provisions of law, the Company's statutes, and its rules of procedure. Regular dialogue with the Management Board ensured that the Supervisory Board was well informed at all times about the Company's operating performance, corporate development, and planning and strategy. It approved all corporate planning and, taking into account the auditor's reports, approved the Group's annual financial statements. Another important part of the Supervisory Board's activities was the work conducted within the committees formed in accordance with the requirements of the German Stock Corporation Act (AktG) and the recommendations of the Code.

The members of the Supervisory Board kept themselves regularly informed, through internal and external sources, about the latest requirements with regard to their supervisory activities. With the support of the Company, the Supervisory Board of Fresenius SE ensured at all times that its members were suitably qualified, kept their professional knowledge up to date, and further developed their judgment and expertise to the extent necessary for the proper performance of their duties, including those of its committees. Information was sourced from various external experts, and representatives from the Company's specialist divisions kept the members informed about important developments, for instance about relevant new laws or changes in the U.S. GAAP and IFRS accounting and auditing standards.

The report of the Supervisory Board on pages 202 to 208 of the Annual Report informs about the main focuses of its activities and those of its committees in 2010.

COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE had three permanent committees: the Audit Committee, consisting of five members, and the Personnel Committee and the Nomination Committee, each comprising three members. The members of the committees were elected by a majority of the Supervisory Board votes for the duration of their term of office on the Supervisory Board of Fresenius SE. The provisions applying to the Supervisory Board of Fresenius SE applied analogously to the committees. The committees held meetings as required. The meetings were convened by the committee chairmen. They reported on the activities of the committees at the next Supervisory Board meeting. The rules of procedure for the committees were regulated in the Supervisory Board's rules of procedure. The committees did not have their own rules of procedure.

AUDIT COMMITTEE

The Chairman of the Audit Committee satisfied the requirements of clause 5.3.2 of the Corporate Governance Code. Prof. Dr. h. c. Roland Berger, Chairman of the Audit Committee, meets the required standards to qualify as a financial expert pursuant to Section 100 paragraph 5 of the German Stock Corporation Act. The Audit Committee's function was, among other things, to prepare the Supervisory Board's approval of the financial statements and the consolidated financial statements, to draft the Supervisory Board's proposal to the AGM on the appointment of the auditor for the financial statements, and to make a preliminary review of the proposal on the allocation of distributable profits. It also reviewed the quarterly reports before they were published, and – in consultation with the Management Board – engaged the auditor for the financial statements (and concluded the agreement on the auditor's fees), determined the main focuses of the audit, and defined the auditor's reporting duties in relation to the Supervisory Board of Fresenius SE. Other matters within its remit were, especially, the review of the Company's risk management and control system, the auditing system, and compliance issues.

In 2010, the members of the Audit Committee were Prof. Dr. h. c. Roland Berger (Chairman), Roland Kölbl, Dr. Gerd Krick, Dr. Karl Schneider, and Rainer Stein.

PERSONNEL COMMITTEE

The Personnel Committee of Fresenius SE submitted proposals to the Supervisory Board on the compensation system for the Management Board of Fresenius SE and on the compensation of the individual members of the Management Board of Fresenius SE. It determined the terms of the contracts with the members of the Management Board of Fresenius SE that were not compensation-relevant. The Chairman of the Supervisory Board of Fresenius SE was the Chairman of the Personnel Committee.

In 2010, the members of the Personnel Committee were Dr. Gerd Krick (Chairman), Wilhelm Sachs, and Dr. Karl Schneider.

NOMINATION COMMITTEE

The Nomination Committee proposed suitable candidates to the Supervisory Board for the nominations it made to the AGM for the election of Supervisory Board members on the shareholders' side. It consisted solely of shareholder representatives. In making its proposals, the Nomination Committee was

guided by the requirements of the Code. An exception was the proposed election of members to the Supervisory Board of the new legal entity within the framework of Fresenius SE's proposed change of legal form to a partnership limited by shares (KGaA) at the AGM in 2010. All the election proposals for the Supervisory Board of the KGaA were resolved without exception by the full Supervisory Board of Fresenius SE within the framework of its resolutions on the agenda for the AGM. The reasons for this exception are explained in detail in the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), which is fully included at the beginning of this Corporate Governance Declaration. We accordingly make reference to this information.

In 2010, the members of the Nomination Committee were Dr. Gerd Krick (Chairman), Dr. Dieter Schenk, and Dr. Karl Schneider.

MEDIATION COMMITTEE

There was no mediation committee at Fresenius SE because the German Co-Determination Act did not apply to the legal form of an SE – Societas Europaea – and the Corporate Governance Code does not require such a committee.

Information on positions held by committee members on statutorily required supervisory boards and comparable domestic and foreign control bodies of other business enterprises can be found on pages 209 and 210 of the Annual Report.

In accordance with the statutes of Fresenius SE, only members of the Audit Committee and the Personnel Committee receive additional compensation (Section 14 paragraph 2).

SUPERVISORY BOARD EFFICIENCY EVALUATION

The Supervisory Board of Fresenius SE deliberated on the efficiency evaluation in accordance with clause 5.6 of the Code at its meeting in March 2010.

It reviewed the efficiency of its activities through an open discussion within the full Supervisory Board. A **company-specific questionnaire** covering the salient points for a self-evaluation serves as the basis for the discussion. Among other things, this included the organization and structuring of the meetings, the amount of information, and how this information was provided. The self-evaluations conducted by the Supervisory Board showed that the Supervisory Board was efficiently organized and that the cooperation between the Management Board and the Supervisory Board functioned very well.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

Good corporate governance requires **trusting and efficient cooperation** between the Management Board and the Supervisory Board. The Management and Supervisory Boards of Fresenius SE worked closely together in the interests of the Company. Open communication was of great importance. In particular, the Management Board and Supervisory Board of Fresenius SE discussed the Company's strategic focus. As the monitoring body, the Supervisory Board of Fresenius SE also needed to receive comprehensive information about operating performance, corporate planning, and the risk situation – including risk management and compliance. The Management Board supplied the Supervisory Board with this information in compliance with its duties. Important business transactions require the approval of the Supervisory Board. All matters requiring the approval of the Supervisory Board were submitted to it in sufficient time before the Supervisory Board was due to pass resolution. In all cases the Supervisory Board issued its approval after examining the relevant documents and after detailed discussion with the Management Board.

AVOIDANCE OF CONFLICTS OF INTEREST

The Management and Supervisory Boards of Fresenius SE have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies had to be reported to, and approved by, the Supervisory Board. The Supervisory Board of Fresenius SE reported to the AGM on any conflicts of interest and how they were dealt with.

Mr. Müller is a member of the Supervisory Board of our company and is Supervisory Board Chairman of Commerzbank AG. The Fresenius Group keeps business relations with Commerzbank under customary conditions. The member of the Supervisory Board Dr. Rupprecht was a member of the Management Board of Allianz SE until December 31, 2010, Chairman of the Management Board of Allianz Deutschland AG until June 30, 2010, and Chairman of the Supervisory Board of Allianz Deutschland AG from July 1 to December 31, 2010. Dr. De Meo, member of the Management Board of Fresenius Management SE (former member of the Management Board of Fresenius SE), is a member of the Supervisory Board of Allianz Private Krankenversicherungs-AG. The Fresenius Group pays insurance premiums to Allianz under customary conditions and in customary amounts. They amounted to €3 million in 2010 (2009: €7 million).

Consultancy and other service relationships between Supervisory Board members and the Company also existed in the case of Dr. Schenk, who was a member of the Supervisory Board of Fresenius SE and is a partner in the international law firm Noerr LLP. This law firm provided legal advice to the Fresenius Group in 2010. The Fresenius Group paid €1 million to this law firm for services rendered in 2010 (2009: €1 million), corresponding to 1.5% of the total amount paid for legal advice in 2010. Further consulting or service contracts between Supervisory Board members and our Company existed in the case of Prof. Dr. h. c. Berger, who is a member of the Supervisory Board of the Company and is at the same time a partner in Roland Berger Strategy Consultants and was Chairman of its Supervisory Board until August 1, 2010. The Fresenius Group paid €0.2 million to that company for services rendered in 2010. No services were rendered and no fees were paid in 2009. The Audit Committee and the Supervisory Board of Fresenius SE have examined the two aforesaid mandates closely and they were approved by the Supervisory Board of Fresenius SE. Dr. Schenk and Prof. Dr. h. c. Roland Berger did not take part in the voting concerning their respective persons. There are no other consulting or service contracts between Supervisory Board members and the Company.

Fresenius has disclosed the information on related parties in the quarterly reports and on page 198 of the Annual Report for 2010.

RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The members of the Management Board of Fresenius SE, who were responsible for managing the Company, conducted its business with the due care and diligence of a prudent and conscientious company director in compliance with the provisions of law, the statutes of Fresenius SE, the rules of procedure of the Fresenius SE Management Board, the resolutions passed by the full Management Board, and the respective employment contracts. Corporate governance practices extending beyond the requirements of law are defined in the **Fresenius Code of Conduct**. This Code of Conduct contains the key principles and rules for our conduct within the Company and in our relations with external partners and with the public. The principles of this Code of Conduct and the rules in place

DIRECTORS' DEALINGS MANAGEMENT BOARD OF FRESENIUS SE

2010	Name	Class of share	Quantity	Price in € [1]	Total volume in €	Type of transaction
August 6	R. Baule	Ordinary share	12,900	36.10	465,628.52	Stock option exercise [2]
August 6	R. Baule	Preference share	12,900	35.20	454,067.10	Stock option exercise [2]
November 3	R. Baule	Ordinary share	10,965	49.37	541,329.67	Stock option exercise [2]
November 3	R. Baule	Preference share	10,965	51.34	562,939.62	Stock option exercise [2]
November 4	J. Götz	Ordinary share	4,500	23.46	105,583.19	Stock option exercise [2]
November 4	J. Götz	Preference share	4,500	23.46	105,583.19	Stock option exercise [2]
November 4	J. Götz	Ordinary share	7,305	6.58	48,088.31	Stock option exercise [2]
November 4	J. Götz	Ordinary share	3,000	7.75	56,635.67	Stock option exercise [2]
November 4	J. Götz	Preference share	3,000	34.51	103,538.79	Stock option exercise [2]
November 4	J. Götz	Ordinary share	7,740	34.53	103,599.00	Stock option exercise [2]
November 4	U. Schneider	Ordinary share	7,311	49.50	361,915.93	Stock option exercise [2]
November 4	U. Schneider	Preference share	7,311	52.18	381,509.91	Stock option exercise [2]
November 10	U. Schneider	Ordinary share	7,311	48.85	357,177.26	Stock option exercise [2]
November 10	U. Schneider	Preference share	7,311	51.88	379,272.75	Stock option exercise [2]
November 18	U. Schneider	Ordinary share	7,308	51.55	376,749.32	Stock option exercise [2]
November 18	U. Schneider	Preference share	7,308	53.93	394,113.13	Stock option exercise [2]
May 5	S. Sturm	Ordinary share	1,000	51.41	51,400.00	Purchase

[1] Price rounded to two decimal places
[2] Exercise of stock options on Fresenius shares of the stock option plan and sale of the shares (cash settlement)

DIRECTORS' DEALINGS SUPERVISORY BOARD OF FRESENIUS SE

2010	Name	Class of share	Quantity	Price in € [1]	Total volume in €	Type of transaction
November 3	R. Berger	Ordinary share	44	64.50	2,383.00	Sale
November 3	R. Berger	Preference share	1,000	65.07	65,065.00	Sale
November 4	R. Berger	Ordinary share	2,800	64.06	179,378.08	Sale
November 4	R. Berger	Preference share	27,200	64.54	1,755,444.48	Sale
November 5	R. Berger	Preference share	2,336	65.16	152,214.46	Sale
November 8	R. Berger	Preference share	25,000	65.12	1,627,995.00	Sale
November 9	R. Berger	Preference share	10,000	65.37	653,707.00	Sale
November 9	R. Berger	Preference share	11,500	65.19	749,647.05	Sale
May 25	G. Krick	Ordinary share	4,998	19.29	96,436.41	Stock option exercise [2]
May 25	G. Krick	Preference share	4,998	8.30	41,498.39	Stock option exercise [2]
May 27	G. Krick	Ordinary share	4,998	19.95	99,715.10	Stock option exercise [2]
May 27	G. Krick	Preference share	4,998	8.43	42,126.14	Stock option exercise [2]
May 31	G. Krick	Ordinary share	10,002	20.76	207,645.52	Stock option exercise [2]
May 31	G. Krick	Preference share	10,002	9.38	93,838.76	Stock option exercise [2]
May 31	G. Krick	Ordinary share	5,802	20.78	120,539.38	Stock option exercise [2]
May 31	G. Krick	Preference share	5,802	9.36	54,319.18	Stock option exercise [2]
September 9	G. Krick	Ordinary share	5,160	26.71	137,818.44	Stock option exercise [2]
September 9	G. Krick	Preference share	5,160	23.20	119,706.84	Stock option exercise [2]
September 30	G. Krick	Ordinary share	7,740	28.52	220,760.28	Stock option exercise [2]
September 30	G. Krick	Preference share	7,740	25.29	195,775.56	Stock option exercise [2]
November 3	G. Krick	Ordinary share	7,740	33.05	255,798.26	Stock option exercise [2]
November 3	G. Krick	Preference share	7,740	29.29	226,702.15	Stock option exercise [2]
December 2	G. Krick	Ordinary share	5,160	36.52	188,460.75	Stock option exercise [2]
December 2	G. Krick	Preference share	5,160	33.21	171,379.08	Stock option exercise [2]

[1] Price rounded to two decimal places
[2] Exercise of stock options on Fresenius shares of the stock option plan and sale of the shares (cash settlement)

for complying with them are binding for all company employees. They must be observed in business relations of any kind. The Fresenius Code of Conduct serves as a role model for the further elaboration and adoption of proprietary codes of conduct within the business segments. It was implemented by the Fresenius SE Management Board. Ensuring compliance with the principles of the Code of Conduct is regarded as part of our executives' managerial responsibilities. The Code of Conduct is published on our website at www.fresenius.com. To download, see Who we are – Corporate Governance.

DISCLOSURES ON DIRECTORS' DEALINGS AND SHAREHOLDINGS IN 2010

Members of the Management and Supervisory Boards, other executive officers, and persons closely related to them are required, pursuant to Section 15a of the German Securities Trading Act (WpHG), to disclose purchases and sales of the Company's shares and financial instruments based on them (Directors' Dealings). Directors' dealings in 2010 are disclosed in the tables.

In compliance with clause 6.6 of the Code, ownership of shares of the Company and financial instruments based on them must be disclosed by Management Board and Supervisory Board members if more than 1% of the shares issued by the Company are held either directly or indirectly. No member of either board holds, directly and indirectly, more than 1% of these shares. As of December 31, 2010, members of the

Management and Supervisory Boards together held 1.2% of the Fresenius SE shares outstanding in the form of shares or financial instruments and stock options under the Fresenius SE stock option plans, respectively, based on them. Of the total, both the Management Board and the Supervisory Board held 0.6%.

After the change of legal form took effect as of January 28, 2011, the members of the Management and Supervisory Boards of Fresenius Management SE and the members of the Supervisory Board of Fresenius SE & Co. KGaA together hold 1.2% of the Fresenius SE & Co. KGaA shares outstanding as of January 28, 2011 in the form of shares or financial instruments and stock options under the Fresenius SE & Co. KGaA stock option plans. 0.6% are held by the members of the Management Board of Fresenius Management SE, 0.6% by the members of the Supervisory Board of Fresenius Management SE, and also 0.6% by the members of the Supervisory Board of Fresenius SE & Co. KGaA. Due to the fact that some persons are members of both Supervisory Boards, the amount of shares held by the Boards of Fresenius SE & Co. KGaA and Fresenius Management SE in total is smaller than the cumulative holdings of the three Boards in the form of shares or financial instruments and stock options.

We received no notifications that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act.

TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations of clause 6 of the Code. Transparency is guaranteed by continuous communication with the public. In that way we are able to validate and deepen the trust given to us. Of particular importance to us is the **equal treatment** of all recipients. To ensure that all market recipients receive the same information at the same time, we post all important publications on our website www.fresenius.com in the "Investor Relations" section and under Who we are – Corporate Governance. These publications include financial reports and disclosures on directors' dealings in accordance with Section 15a of the German Securities Trading Act (WpHG). We report in detail on our 2010 investor relations activities in the section on Fresenius shares on page 12 and 13 of the Annual Report.

RISK MANAGEMENT AND CONTROL SYSTEM

In our view, the responsible handling of risks is an element of good corporate governance. Fresenius has a systematic risk management and control system that allows the Management Board to make early identifications of market trends and to react promptly to relevant changes in our risk profile. Our risk management and control system and efficiently designed processes help to enhance the Company's performance. Our risk management is reviewed as part of the annual audit of the financial statements and through audits by the Internal Audit division. The control system is regularly reviewed by the Management Board and the Internal Audit division. Further information can be found on pages 99 to 100 of the Management Report.

The **Internal Audit** division supports the Management Board as an independent function outside the Company's day-to-day operations. The division assesses internal processes from an objective viewpoint and with the necessary distance. Its mission is to create value for Fresenius – and thus help to achieve its organizational goals – through improved internal controls, optimized business processes, enhanced cost reduction and efficiency, and by preventing corruption. Fresenius Medical Care AG & Co. KGaA has its own internal risk management and control system.

COMPLIANCE

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

The **Fresenius Code of Conduct** contains the key principles and rules for conduct within the Company and in relations with external partners and the public. They are embodied in Company guidelines and procedures. The principles may not be undermined by individual directives and instructions and must be heeded in business relations of any kind. Their purpose is to help our employees make the right decisions in their day-to-day work. The Fresenius Code of Conduct serves

as the model for the adoption and further elaboration of proprietary codes of conduct within all the business segments. As a rule, this does not affect the **compliance programs** already in place if they do not conflict with the spirit and intent of the principles of the Fresenius Code of Conduct. The Code's principles and rules apply globally – through the compliance programs and the codes of the business segments – to all employees of the Fresenius Group. We organize **training programs** to instruct our employees on the applicable legal requirements and internal company guidelines. Management superiors and compliance officers at the Group level and within the business segments support and advise our employees on implementing and applying these rules. By complying with the laws and observing the principles and rules of the Fresenius Code of Conduct, every employee makes his or her contribution toward ensuring that Fresenius is perceived as an honest and reliable partner in the health care sector for patients, customers, suppliers, governments, and the public.

We have published the Fresenius Code of Conduct on our website at www.fresenius.com (see Who we are – Corporate Governance).

At Fresenius, compliance is generally regarded as a management task on all decision levels. As a corporate governance function, the Corporate Compliance division reports to the **Chief Compliance Officer**, the member of the Management Board responsible for Legal Affairs, Compliance, and Human Resources. The division supports the Chief Compliance Officer in establishing and implementing guidelines and procedures which shall ensure that both the applicable statutory requirements and the requirements of the Fresenius compliance program are adhered to.

Compliance activities and guidelines have been implemented in each business segment and a chief compliance officer has been appointed who is responsible for communicating information and for introducing, elaborating, and monitoring the compliance procedures in the respective business segments. He is supported by additional compliance officers appointed on the basis of the organizational and business structures. The employees of the Corporate Compliance departments support and advise the compliance officers at the business segment, regional, and country levels so as to ensure uniform application of high ethical standards throughout the Company and strict adherence to our values, applicable local and international laws and regulations, and the Company's guidelines and procedures.

An **internal reporting system** and individual audits by the Internal Audit division help to monitor and ensure adherence to legal requirements and compliance standards. The Internal Audit division conducts audits at the companies and in the business segments worldwide. Within the scope of their audit assignment, the auditors have unrestricted authority to demand information and inspect records at the audited companies.

FINANCIAL ACCOUNTING AND REPORTING

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

CORPORATE GOVERNANCE OF FRESENIUS SE & CO. KGAA

Fresenius SE's change of legal form to an SE & Co. KGaA (a partnership limited by shares with a Societas Europaea – a company incorporated under European law – as general partner) was entered in the Commercial Register in Bad Homburg v. d. H. on January 28, 2011. Fresenius Management SE is the general partner. The chart beside shows the new structure.

Since the change of legal form became effective, the subscribed capital of Fresenius SE & Co. KGaA consists only of **ordinary shares** and was divided into 162,450,090 shares as of January 28, 2011. Each ordinary share confers one vote. Starting with the financial statements for the fiscal year 2010,

the Company's annual financial statements will be adopted by resolution of the general meeting with the consent of the general partner.

The distribution of **corporate responsibilities** has also changed: Fresenius SE & Co. KGaA does not have its own Management Board. The Management Board of the general partner is responsible for conducting the business of the SE & Co. KGaA. Its composition is identical to that of the former **Management Board** of Fresenius SE. It formulates strategy, coordinates this strategy with the Supervisory Board of Fresenius SE & Co. KGaA, and sees to its implementation. It is guided solely by the best interests of Fresenius SE & Co. KGaA.

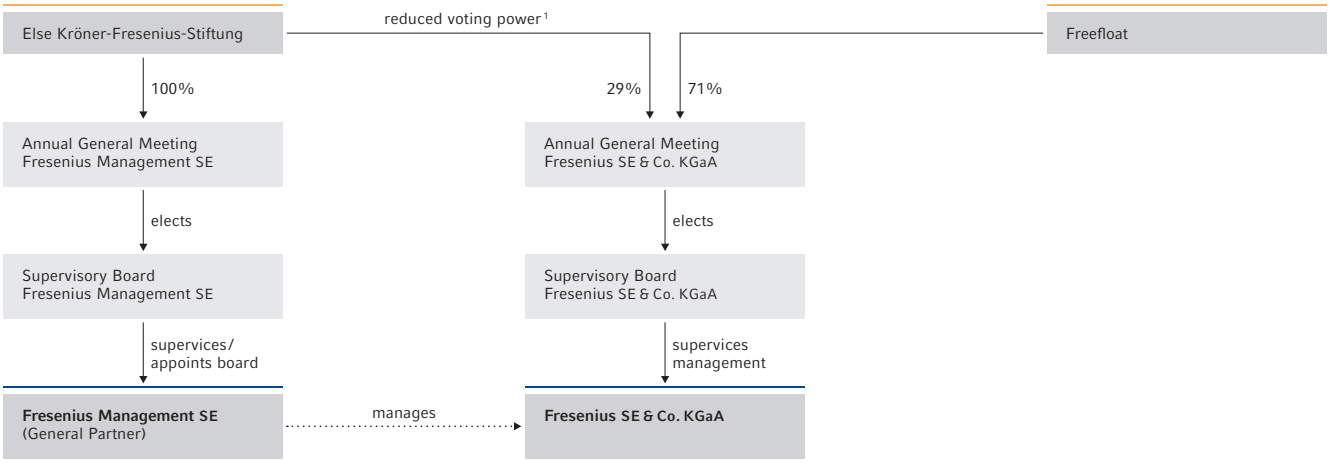
The members of the Management Board of the general partner – Fresenius Management SE – are listed on page 211 of the Annual Report.

The **Supervisory Board** of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner and the latter's Management Board. It supervises business operations to ensure that corporate decisions are compliant, suitable, and financially sound. The members of the Management Board of the general partner are appointed by the Supervisory Board of Fresenius Management SE, not by the Supervisory Board of the KGaA.

The term of office of the incumbent Supervisory Board members ended with the change of legal form on January 28, 2011, so new elections for the Supervisory Board were required. In light of a priorly conducted legal review process (Statusverfahren), the Supervisory Board of Fresenius SE & Co. KGaA consists – as hitherto – of an equal number of six shareholder representatives and six employee representatives according to the provisions of the German Act on Employee Co-Determination in Case of Cross-Border Mergers (MgVG).

The Supervisory Board of Fresenius SE & Co. KGaA consists of twelve members. One half of the members of the Supervisory Board is elected by the General Meeting. A Nomination Committee submits election proposals for **shareholder representatives**. Its activities are aligned with the provisions of law and the Corporate Governance Code. The proposals for the members of the Supervisory Board primarily take account of the knowledge, ability, and expertise required to perform the tasks. While consideration is also given to diversity in the composition of the Supervisory Board, fixed quotas for diversity and age limits would generally limit the selection of qualified candidates in the composition of the Supervisory Board and their consideration in the election proposals.

STRUCTURE FRESENIUS SE & CO. KGAA



[1] For selected items no voting power, e. g.: election of Supervisory Board SE & Co. KGaA, discharge of General Partner and Supervisory Board of SE & Co. KGaA for the fiscal year, election of auditors

Of the twelve members of the Supervisory Board, six are elected by the **employees**. The term of office of the current Supervisory Board members will end at the close of the Company's AGM in 2016. The Supervisory Board includes what it deems a sufficient number of independent members who have no business or personal relations with the Company or its Management Board that could cause a conflict of interest. The **articles of association** of Fresenius SE & Co. KGaA regulate the details with regard to the Supervisory Board's election, constitution, and term of office, its meetings and resolutions, and its rights and duties. They are published on our website at www.fresenius.com (to download, see Who we are – Corporate Governance).

The six shareholder representatives on the Supervisory Board of Fresenius SE & Co. KGaA were elected at the AGM on May 12, 2010. The six employee representatives were appointed provisionally by court order of the District Court in Bad Homburg vor der Höhe on January 31, 2011.

The members of the Supervisory Board of Fresenius SE & Co. KGaA and the members of the Supervisory Board of the general partner are listed on pages 209 to 210 and 212 of the Annual Report.

The Supervisory Board of Fresenius SE & Co. KGaA has established its rules of procedure in accordance with clause 5.1.3 of the Code. The Chairman of the Supervisory Board is responsible for coordinating the activities of the Supervisory Board, chairing its **meetings**, and representing its interests externally. The Supervisory Board should convene once each calendar quarter, and must convene twice each calendar half-year. The meetings are convened and chaired by the Chairman, or, if he is incapacitated, by a chairperson named by the Chairman. The person chairing the meeting decides the order for dealing with the items on the agenda and the form in which the voting is conducted. Unless other majorities are mandatory by law, the Supervisory Board passes its resolutions by a simple majority of the votes submitted in the voting. If a vote is tied, the Chairman casts the deciding vote or, if he does not take part in the voting, the matter is resolved by the vote of the Deputy Chairman, who is a shareholder representative.

The Supervisory Board of Fresenius SE & Co. KGaA conducts its business in accordance with the provisions of law, the articles of association of Fresenius SE & Co. KGaA, and its rules of procedure. Regular dialogue with the Management Board of the general partner – Fresenius Management SE – ensures that the Supervisory Board is well informed at all times about the Company's operating performance, corporate development, and planning and strategy. It approves all corporate planning and, taking into account the auditor's reports, approves the Group's annual financial statements. Another important part of the Supervisory Board's activities is the work conducted within the committees formed in accordance with the requirements of the German Stock Corporation Act (AktG) and the recommendations of the Code.

The members of the Supervisory Board keep themselves regularly informed, through internal and external sources, about the latest requirements with regard to their supervisory activities. With the support of the Company, the Supervisory Board at all times ensures that its members are suitably qualified, keep their professional knowledge up to date, and further develop their judgment and expertise to the extent necessary for the proper performance of their duties, including those of its committees. Information is sourced from various external experts, and representatives from the Company's specialist divisions keep the members informed about important developments, for instance about relevant new laws or changes in the U.S. GAAP and IFRS accounting and auditing standards.

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 were elected at the constitutive meeting on March 11, 2011. In accordance with the articles of association of Fresenius SE & Co. KGaA, only members of the Audit Committee receive additional compensation (Section 13 paragraph 2). There is no Personnel Committee in the KGaA because the Supervisory Board of Fresenius SE & Co. KGaA is not responsible for appointing members of the Management Board of the general partner or for their contracts. Responsibility for these personnel matters lies with the Supervisory Board of the general partner.

COMPENSATION REPORT

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

COMPENSATION OF THE MANAGEMENT BOARD

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

In the fiscal year 2010, the compensation of the members of the Management Board of the general partner of Fresenius SE & Co. KGaA already took into account the newly worded requirements in accordance with the German Act on the Appropriateness of Executive Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG), which entered into force on August 5, 2009. The Management Board compensation system was reviewed by an independent external compensation expert at the beginning of the fiscal year 2010 and later submitted to the shareholders' meeting of Fresenius SE (since January 28, 2010: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, The shareholders' meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast.

The objective of the compensation system is to enable the members of the Management Board to participate reasonably in the sustainable development of the Company's business with the compensation paid and to reward them based on their duties and performance as well as their successes in managing the Company's economic and the financial position while giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2010:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options and postponed bonus payments)

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

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

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2010. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2010 as a variable bonus. The amount of the bonus in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz –, the amount of the variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Half of the amount of the variable bonus of Dr. Wastler in each case is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Dr. Lipps receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2010 and 2009, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**900**	800	**47**	56	**908**	1,032	**1,855**	1,888
Rainer Baule	**500**	425	**42**	41	**608**	800	**1,150**	1,266
Dr. Francesco De Meo	**500**	425	**18**	18	**498**	543	**1,016**	986
Dr. Jürgen Götz	**375**	325	**30**	28	**464**	424	**869**	777
Dr. Ben Lipps[1]	**905**	860	**354**	251	**1,172**	1,200	**2,431**	2,311
Stephan Sturm	**500**	425	**85**	85	**574**	732	**1,159**	1,242
Dr. Ernst Wastler	**425**	375	**32**	27	**461**	473	**918**	875
Total	**4,105**	3,635	**608**	506	**4,685**	5,204	**9,398**	9,345

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 35% of the total subscribed capital. As Dr. Ben Lipps is a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] Includes insurance premiums, private use of company cars, contributions to pension and health insurance as well as other benefits.

In the fiscal year, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €3,463 thousand. This equals 79% of the total bonus. The remaining part in an amount of €897 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

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

The system of compensation for the Management Board moreover provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to

be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

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

In the fiscal year 2010, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 were granted as components with long-term incentive effects. The number of stock options to be allotted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

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

For the fiscal years 2010 and 2009, the number and value of stock options issued as well as the value of the postponed performance-related compensation is shown in the table below.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2010 correspond to their fair value at the time of grant, namely a value of €12.92 (2009: €8.24) per stock option of Fresenius SE & Co. KGaA and €8.07 (2009: €7.64) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €53.44 (2009: €36.89).

As the financial targets of the year 2010 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of €391 thousand (2009: €341 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three years vesting period.

At the end of the fiscal year 2010, the members of the Management Board held a total of 978,960 (2009: 901,500) stock options and convertible bonds of Fresenius SE & Co. KGaA and 598,870 (2009: 703,416) stock options and convertible bonds of FMC-AG & Co. KGaA.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed performance-related compensation[2]		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**56,760**	51,600	**733**	425	**174**	0	**907**	425
Rainer Baule	**28,380**	25,800	**367**	213	**241**	0	**608**	213
Dr. Francesco De Meo	**28,380**	25,800	**367**	213	**131**	0	**498**	213
Dr. Jürgen Götz	**28,380**	25,800	**367**	213	**98**	0	**465**	213
Dr. Ben Lipps	**99,600**	99,600	**804**	761	**391**	341	**1,195**	1,102
Stephan Sturm	**28,380**	25,800	**367**	213	**208**	0	**575**	213
Dr. Ernst Wastler	**28,380**	25,800	**367**	213	**95**	0	**462**	213
Total	**298,260**	280,200	**3,372**	2,251	**1,338**	341	**4,710**	2,592

[1] Stock options that were granted in 2010 and 2009 under the Fresenius SE & Co. KGaA stock option plan. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.
[2] The details for Dr. Ben Lipps refer to a stock-based compensation with cash settlement.

The development and the status of the stock options of the Management Board in the fiscal year 2010 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2010								
number	322,500	187,050	81,600	88,530	703,416	139,320	82,500	**901,500**
average exercise price in €	36.65	34.42	46.66	46.74	28.44	41.63	44.04	**39.53**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	99,600	28,380	28,380	**198,660**
average exercise price in €	53.44	53.44	53.44	53.44	42.68	53.44	53.44	**53.44**
Options exercised during fiscal year								
number	43,860	47,730	0	29,610	204,146	0	0	**121,200**
average exercise price in €	13.59	17.31		46.77	24.49			**23.16**
average stock price in €	64.91	59.71		64.44	43.14			**62.75**
Options outstanding on December 31, 2010								
number	335,400	167,700	109,980	87,300	598,870	167,700	110,880	**978,960**
average exercise price in €	42.51	42.51	48.41	48.90	32.15	43.63	46.44	**44.38**
average remaining life in years	5.3	5.3	5.7	5.6	4.4	5.4	5.5	**5.4**
range of exercise prices in €	21.33 to 57.27	21.33 to 57.27	36.89 to 57.27	36.89 to 57.27	14.47 to 42.68	29.92 to 57.27	21.33 to 57.27	**21.33 to 57.27**
Exercisable options on December 31, 2010								
number	160,820	80,410	25,000	10	300,070	80,410	27,400	**374,050**
average exercise price in €	35.56	35.56	47.49	57.27	27.61	37.91	40.11	**37.20**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options and convertible bonds of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2010 and 2009:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Ulf M. Schneider	**1,855**	1,888	**907**	425	**2,762**	2,313
Rainer Baule	**1,150**	1,266	**608**	213	**1,758**	1,479
Dr. Francesco De Meo	**1,016**	986	**498**	213	**1,514**	1,199
Dr. Jürgen Götz	**869**	777	**465**	213	**1,334**	990
Dr. Ben Lipps	**2,431**	2,311	**1,195**	1,102	**3,626**	3,413
Stephan Sturm	**1,159**	1,242	**575**	213	**1,734**	1,455
Dr. Ernst Wastler	**918**	875	**462**	213	**1,380**	1,088
Total	**9,398**	9,345	**4,710**	2,592	**14,108**	11,937

The stock options and the entitlement to a stock-based compensation can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2010 and 2009 are stated in the following table.

	Expenses for long-term incentive components	
€ in thousands	**2010**	2009
Dr. Ulf M. Schneider	**681**	694
Rainer Baule	**341**	347
Dr. Francesco De Meo	**268**	171
Dr. Jürgen Götz	**327**	289
Dr. Ben Lipps	**1,739**	1,857
Stephan Sturm	**341**	357
Dr. Ernst Wastler	**268**	171
Total	**3,965**	3,886

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

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Jürgen Götz and Stephan Sturm based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment of VAMED AG, Vienna. The Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €7,870 thousand as of December 31, 2010 (2009: €5,040 thousand). The additions to pension liability in the fiscal year 2010 amounted to €2,830 thousand (2009: €924 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2010	Additions	**As of December 31, 2010**
Dr. Ulf M. Schneider	726	514	**1,240**
Rainer Baule	2,225	1,137	**3,362**
Dr. Jürgen Götz	157	259	**416**
Dr. Ben Lipps	341	60	**401**
Stephan Sturm	365	310	**675**
Dr. Ernst Wastler	1,226	550	**1,776**
Total	5,040	2,830	**7,870**

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

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

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

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

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

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

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

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

With the Management Board member Dr. Ben Lipps, there is the following individual agreement in plan: Instead of a pension provision, and taking account of a restriction of competition after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 33% of the non-performance-related compensation components paid to him in the fiscal year 2010. The net present value of this commitment as of December 31, 2010 is €2,153 thousand. In additon, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

A subsequent non-competition clause has been agreed for all Management Board members. Should this enter into effect, the Management Board members receive for each year for which the competitive restriction applies to them a waiting allowance equivalent to half of the annual basic compensation plus half of the contractually agreed minimum bonus, or in the case of Management Board member Rainer Baule half of the last contractually agreed payment received, for a maximum of two years.

The Management Board members' service contracts do not contain express provisions for the event of a "change of control".

All Management Board members have received individually agreed commitments for the continued payment of their compensation in case of illness for a maximum of 12 months. Insurance benefits may be set off, as applicable, from the sixth month of incapacity due to illness. In the event of the death of a Management Board member, a further three months' compensation after the month in which the death occurs, however at the most for the period until the end of the respective service contract, will be paid to the surviving dependents.

MISCELLANEOUS

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

As far as legally permitted, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the

Company concluded a Directors' & Officers' insurance with an excess, which complies with the requirements of the German Act on the Appropriateness of Executive Board Compensation (VorstAG). The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

Based on pension commitments, to former members of the Management Board, €776 thousand and €744 thousand were paid in the years 2010 and 2009, respectively. The benefit obligation for these persons amounted to €11,039 thousand in 2010 (2009: €9,878 thousand).

INFORMATION ON THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 14 of the articles of association of Fresenius SE & Co. KGaA. Each member of the Supervisory Board shall receive a fixed compensation of €13 thousand. The members of the Audit Committee of Fresenius SE & Co. KGaA and the members of the Personnel Committee acting in the fiscal year 2010 receive an additional €10 thousand each and the Chairman of the committee a further €10 thousand. For each full fiscal year, the remuneration increases by 10% for each percentage point that the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

For the years 2010 and 2009, the compensation for the members of the Supervisory Board of Fresenius SE & Co. KGaA, including compensation for committee services, was as follows:

	Fixed compensation		Compensation for committee services		Variable compensation		Total compensation	
€ in thousands	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Dr. Gerd Krick	**26**	26	**30**	30	**214**	186	**270**	242
Dr. Dieter Schenk	**20**	20	**0**	0	**161**	139	**181**	159
Niko Stumpfögger	**20**	20	**0**	0	**161**	139	**181**	159
Prof. Dr. h. c. Roland Berger	**13**	13	**20**	20	**107**	93	**140**	126
Dario Ilossi	**13**	13	**0**	0	**107**	93	**120**	106
Konrad Kölbl	**13**	13	**10**	10	**107**	93	**130**	116
Klaus-Peter Müller	**13**	13	**0**	0	**107**	93	**120**	106
Dr. Gerhard Rupprecht	**13**	13	**0**	0	**107**	93	**120**	106
Wilhelm Sachs	**13**	13	**10**	10	**107**	93	**130**	116
Dr. Karl Schneider	**13**	13	**20**	20	**107**	93	**140**	126
Stefan Schubert	**13**	13	**0**	0	**107**	93	**120**	106
Rainer Stein	**13**	13	**10**	10	**107**	93	**130**	116
Total	**183**	183	**100**	100	**1,499**	1,301	**1,782**	1,584

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2011. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

FRESENIUS MEDICAL CARE. We achieved record sales and earnings and increased our profitability. We further expanded our worldwide leading position in dialysis and strengthened our business, especially in Europe and Asia-Pacific. We successfully continued to improve the quality of our medical outcome. This is especially important to us.

Fresenius Medical Care is the world's leading provider of dialysis care and dialysis products for patients with chronic kidney failure. When the kidney function of patients with this disease fails, dialysis takes over the vital task of cleansing the blood from toxins and surplus water.

In dialysis, two treatment methods are distinguished: hemodialysis (HD) and peritoneal dialysis (PD). With HD, the patient's blood is cleansed with a dialyzer, or "artificial kidney", a process that is controlled by a hemodialysis machine. In the case of PD, the patient's peritoneum is used as a "filter" to cleanse the blood. Fresenius Medical Care treats dialysis patients and also manufactures the dialysis products. As a vertically integrated company, we offer our services and dialysis products along the entire dialysis value chain in over 120 countries. Fresenius Medical Care has a worldwide network of more than 40 production sites. Our largest plants are in the United States, Germany, and Japan.

As the table shows, we further expanded our leading market position in 2010: we treated 214,648 patients at 2,757 dialysis clinics worldwide. The number of treatments exceeded the 30 million mark for the first time.

FRESENIUS MEDICAL CARE BY REGION

	North America	Europe/ Middle East/ Africa	Latin America	Asia-Pacific	Total 2010	Change 2010/2009
Dialysis clinics (December 31)	1,823	499	193	242	2,757	8%
Dialysis patients (December 31)	137,689	38,061	22,471	16,427	214,648	10%
Treatments (in million)	20.85	5.45	3.39	1.97	31.67	8%

BUSINESS DEVELOPMENT

Fresenius Medical Care increased its sales by 7% to US$12,053 million in 2010 (2009: US$11,247 million). Organic growth was 6%. Acquisitions accounted for 1% of the growth.

Sales from **dialysis care** increased by 9% to US$9,070 million (2009: US$8,350 million). This increase was driven by excellent organic growth of 7%. With 75%, dialysis care contributed the largest share to total sales.

Sales of **dialysis products** grew by 3% to US$2,983 million (2009: US$2,897 million). Including dialysis products applied in our own dialysis clinics, sales increased by 5% to US$4,098 million (2009: US$3,891 million). Dialysis products accounted for 25% of total sales.

EBIT increased by 10% to US$1,924 million (2009: US$1,756 million). The EBIT margin was improved to 16.0% (2009: 15.6%). Net income[1] increased by 10% to US$979 million (2009: US$891 million).

NORTH AMERICA

Sales in North America, Fresenius Medical Care's largest business region, increased by 7% to US$8,130 million (2009: US$7,612 million). Organic growth was 6%.

Dialysis care was by far the largest contributor to sales, with a share of 90%. Sales from dialysis care increased by 7% to US$7,303 million (2009: US$6,794 million). Growth in the number of treatments and the higher revenues per treatment were the drivers for the positive business development. In 2010, the average revenue per treatment in the United States rose by 3% to US$356 (2009: US$347). The rise is largely due to an increase in reimbursement rates especially for privately insured patients.

Sales of **dialysis products** increased by 1% to US$827 million (2009: US$818 million). The growth drivers were bloodline systems, solutions, concentrates, and dialysis machines. This was partly offset by lower sales with renal pharmaceuticals.

EBIT increased by 11% to US$1,386 million (2009: US$1,250 million). The EBIT margin rose to 17.0% (2009: 16.4%). The improvement was due to higher average revenues per treatment and scale effects as well as a favorable cost structure for renal pharmaceuticals.

SALES BY SEGMENT

US$ in millions	2010	2009	Change
North America			
Dialysis care	7,303	6,794	7%
Dialysis products	827	818	1%
Total	**8,130**	**7,612**	**7%**
International			
Dialysis care	1,767	1,556	14%
Dialysis products	2,156	2,079	4%
Total	**3,923**	**3,635**	**8%**
Worldwide			
Dialysis care	9,070	8,350	9%
Dialysis products	2,983	2,897	3%
Total	**12,053**	**11,247**	**7%**

INTERNATIONAL

The International segment comprises the business regions **Europe/Middle East/Africa, Asia-Pacific, and Latin America**. In 2010, we derived about 33% of Fresenius Medical Care's total sales from these regions.

Sales in the International segment increased by 8% to US$3,923 million (2009: US$3,635 million). Organic growth was 5%, while net acquisitions contributed 3%.

Sales from **dialysis care** increased by 14% to US$1,767 million (2009: US$1,556 million). Acquisitions contributed 8%; organic growth was 6%.

Sales from **dialysis products** rose to US$2,156 million (2009: US$2,079 million). Higher sales of dialyzers, solutions, and concentrates were offset by lower sales of renal pharmaceuticals.

The table on the next page shows the development of sales in the International segment by business region.

[1] Net income attributable to Fresenius Medical Care AG & Co. KGaA

EBIT in the International segment rose by 6% to US$678 million (2009: US$637 million). The operating margin was 17.3% (2009: 17.5%). Scale effects as a result of the sales growth and favorable currency translation had a positive effect on EBIT. These effects were neutralized by expenses as a result of the depreciation of the Venezuelan bolivar and lower profit margins at newly acquired dialysis clinics.

EXPANSION OF THE INTERNATIONAL BUSINESS

Fresenius Medical Care considerably strengthened its business in both dialysis products and dialysis care through acquisitions and alliances in 2010:

Fresenius Medical Care acquired **KNC**, an operator of dialysis clinics in the Krasnodar region of Russia. KNC, the region's only provider, treats over 1,000 patients at five clinics. Prior to the acquisition, Fresenius Medical Care had operated five dialysis clinics with about 570 patients. With this acquisition, we have further strengthened our presence in the growing Russian market for dialysis care and have become the leading provider in the country, where there are currently over 20,000 patients receiving dialysis treatment.

In December 2010, Fresenius Medical Care acquired **Gambro's global peritoneal dialysis business**. A key element of our growth strategy is to expand our position in home dialysis, where peritoneal dialysis plays an important role. Gambro was the world's third largest provider of peritoneal dialysis and treated over 4,000 patients in more than 25 countries. With this acquisition, we have expanded our activities, especially in Europe and the Asia-Pacific region. The acquisition is expected to add approximately US$60 million to Fresenius Medical Care's annual sales.

The Asia-Pacific region, where the number of dialysis patients is rising at an above-average rate, is a growth market for Fresenius Medical Care. In July 2010, we acquired **Asia Renal Care Ltd.** The company treats approximately 6,200 patients at about 100 clinics throughout Asia and was the second largest provider of dialysis care in the Asia-Pacific region after Fresenius Medical Care. Asia Renal Care is expected to add about US$80 million to Fresenius Medical Care's annual sales. This considerably expands Fresenius Medical Care's leading position in dialysis care in the Asia-Pacific region, where there are over 680,000 long-term patients who rely on life-sustaining dialysis. This number is expected to rise to over one million in the next five years.

In Japan, we signed a distribution agreement with **Nikkiso Co. Ltd.** for hemodialysis and peritoneal dialysis products. Through the combination of Fresenius Medical Care's efficient manufacturing operations and Nikkisos' powerful sales organization, the two companies want to further expand their share of the Japanese market, especially for dialyzers and peritoneal dialysis products. With the acquisition of Nikkiso Medical Korea Co. Ltd., a subsidiary of Nikkiso Co. Ltd., Fresenius Medical Care is also expanding its leading position in the dialysis products business in the Republic of Korea. The acquisition adds about US$15 million to Fresenius Medical Care's annual sales.

In January 2011, Fresenius Medical Care signed an agreement to acquire **International Dialysis Centers (IDC)**, the dialysis care business of Euromedic International. With this acquisition, Fresenius Medical Care especially wants to expand its dialysis care activities in Eastern Europe, where IDC is market leader. IDC operates 70 dialysis clinics in nine countries and treats over 8,200 hemodialysis patients, largely in Central and Eastern Europe. When the acquisition is completed, IDC will add annual sales of about US$180 million. The acquisition price of €485 million was initially financed from cash flow and available credit lines. In February 2011, the transaction was refinanced by placing senior notes.

SALES BY REGION

US$ in millions	2010	2009	Change	Currency translation effects	% of total sales
North America	**8,130**	7,612	7%	0%	67%
Europe/Middle East/Africa	**2,549**	2,479	3%	-3%	21%
Asia-Pacific	**777**	639	22%	7%	7%
Latin America	**597**	517	16%	7%	5%
Total	**12,053**	11,247	7%	0%	100%

RENAL PHARMACEUTICALS

Renal pharmaceuticals broaden the portfolio vertically beyond our offering of dialysis products and dialysis care. Patients receiving dialysis treatment also usually have to take drugs, for instance to maintain the right balance of minerals in the body or to prevent anemia. The spectrum of renal pharmaceuticals includes erythropoiesis-stimulating agents (EPO), phosphate binders, iron preparations, vitamin D preparations, and so-called calcimimetics.

Broadening the portfolio of renal pharmaceuticals is an integral part of Fresenius Medical Care's growth strategy. In 2010, Fresenius Medical Care announced its intention to set up a joint venture with Galenica Ltd. – Vifor-Fresenius Medical Care Renal Pharma Ltd. – for the development and worldwide distribution of drugs for kidney patients. The products distributed by this joint venture serve to treat anemia and to regulate the bone metabolism of dialysis patients and patients suffering from chronic kidney failure who do not yet need dialysis treatment. Fresenius Medical Care will own 45% of the new joint venture.

PARADIGM CHANGE IN REIMBURSEMENT

Fundamental changes in the reimbursement of dialysis treatment for patients in the **United States** covered by the public health care program were passed in 2010 and apply as from 2011. Products and services previously reimbursed at a composite rate, and other services, such as the administration of certain drugs and the performance of diagnostic laboratory tests, are now reimbursed at a single flat-rate payment (**bundled rate**). The bundled rate takes individual patient parameters, such as age and weight, into account. Adjustments are also provided for patients who require exceptional medical care, with correspondingly high costs. Besides being inflation-linked, another special feature of the new reimbursement scheme is its orientation to certain quality parameters.

For Fresenius Medical Care, this changed reimbursement structure presents advantages, opportunities, and challenges. Thanks to its integrated business model, Fresenius Medical Care is not only in a position to offer all products and services at the required standard of quality but also to work in an even more focused way on the further development of products and services.

For further information on reimbursement, please see page 105 of the annual report.

TREATMENT QUALITY

Our central concern is the health of our patients. Our long-term mission is to improve their quality of life by continuously optimizing their dialysis treatment.

As shown by the various quality indicators in the table below, we were able to further improve the quality of our dialysis treatment in 2010. This applies for instance for the hemoglobin value as well as the Kt/V value, which gives an indication of the filtering performance of a treatment by establishing the ratio of the length of treatment and the filtration rate of certain toxic molecules. Albumin, a protein, is one quality parameter used to monitor a patient's general nutritional condition.

For further information, please see Fresenius Medical Care's Annual Report 2010 or visit the website at www.fmc-ag.com. Please see page 113 and 114 of the Management Report for the 2011 outlook of Fresenius Medical Care.

QUALITY INDICATORS OF FRESENIUS MEDICAL CARE PATIENTS [1]

	USA		EMEA	
	2010	2009	**2010**	2009
Kt/V≥1,2	**97%**	96%	**95%**	95%
Hemoglobin=10–12 g/dl	**71%**	64%	**54%**	52%
Albumin≥3,5 g/dl [2]	**84%**	83%	**86%**	86%
Phosphate 3,5–5,5 mg/dl [2]	**57%**	55%	**59%**	61%

[1] Data refer to the last quarter
[2] International standard BCR CRM470

FRESENIUS KABI. We reached record levels in sales and earnings. Our business has grown in all regions and in all product segments. We achieved exceptionally strong growth in North America at APP Pharmaceuticals, driven by new products and also consistent quality and supply.

Fresenius Kabi specializes in the therapy and care of chronically and critically ill patients, providing intravenously administered generic drugs (IV drugs), infusion therapies, clinical nutrition, and related medical devices. Our products cover the full range of patient care: emergency cases, surgery, intensive care, hospital wards, and outpatient care.

Our **portfolio** of IV drugs includes anesthetics, analgesics, anti-infectives, and drugs for the treatment of oncological and other critical diseases. For infusion therapy, we provide blood volume substitution products and infusion solutions. In the area of clinical nutrition, we are one of the few companies worldwide that offer both parenteral and enteral nutrition products. To administer our products, we supply infusion pumps, infusion management systems, nutrition pumps, and disposables. For transfusion technology, we offer a range of products used by blood banks and blood donation units to produce blood products.

BUSINESS DEVELOPMENT

In 2010, Fresenius Kabi increased **sales** by 19% to €3,672 million (2009: €3,086 million). Excellent organic growth of 12% was achieved. Acquisitions contributed 1%. Currency translation had an effect of 6%.

The sales growth by **region** was as follows:

€ in millions	2010	2009	Change
Europe	**1,702**	1,566	9%
North America	**975**	728	34%
Asia-Pacific	**593**	482	23%
Latin America/Africa	**402**	310	30%
Total	**3,672**	3,086	19%

Excellent progress was achieved, especially in North America, where organic sales growth was 26%. APP Pharmaceuticals in the United States was the major contributor, with sales growth of 29% to US$1,143 million, driven by new product launches and higher demand as a result of supply constraints at competitors. We also continued to achieve strong organic

growth in Asia-Pacific with 13% and in Latin America with 18%. China is our third largest market after the United States and Germany. We have achieved double-digit rates of organic growth there for years.

Sales by **product segment** were as follows:

€ in millions	2010	2009	Organic growth
Infusion therapy	**843**	712	6%
IV drugs	**1,328**	1,027	23%
Clinical nutrition	**1,062**	924	9%
Medical devices/ Transfusion technology	**439**	423	1%
Total	**3,672**	3,086	12%

We improved on the excellent **earnings progress** of past years. EBIT increased by 21% to €737 million (2009: €607 million), including investments of €20 million in ongoing efficiency improvements outside North America. The EBIT margin rose to 20.1% (2009: 19.7%). The strong margin improvement was especially due to the excellent progress in North America. EBIT at APP Pharmaceuticals increased to US$391 million and the EBIT margin to 34.2%. Adjusted EBITDA[1] was US$464 million. The APP acquisition was accretive to Group earnings per share in 2010.

All regions contributed to the growth in EBIT:

€ in millions	2010	2009	Change
Europe	**359**	335	7%
EBIT margin	**21.1%**	21.4%	
North America	**335**	216	55%
EBIT margin	**34.4%**	29.7%	
Asia-Pacific/Africa	**183**	151	21%
EBIT margin	**18.4%**	19.1%	
Administrative and corporate R & D expenses	**-140**	-95	-47%
EBIT	**737**	607	21%
EBIT margin	**20.1%**	19.7%	

Fresenius Kabi's net income[2] rose by 47% to €294 million (2009: €200 million).

INFUSION THERAPY

Infusion solutions are used widely in everyday hospital routines. Among other things, they are administered to patients suffering fluid loss or electrolyte deficiencies. They also serve as carrier solutions for intravenously administered drugs. We offer a comprehensive range of products in infusion bags and bottles that meet the high safety standards for use in hospitals and in outpatient care. The port technology on our freeflex® PVC-free infusion bag and KabiPac® plastic bottle, for instance, helps to prevent possible mistakes in the use of the infusion and injection ports.

For **blood volume substitution** we offer artificial colloids, which can be infused regardless of blood group. Our products contain hydroxyethyl starch (HES). We have been active in this market for decades, and have set standards in volume substitution and volume therapy with our innovative products. We offer a comprehensive portfolio of HES products and are the world leader in this market. Our main product Voluven® is distributed in about 100 countries, and in over half of these markets we are the leading supplier. In 2010, further progress was achieved in the marketing of this product, especially in the growth markets of Asia-Pacific and Latin America. We also successfully introduced our blood volume substitute Volulyte® in other markets, e. g. in England. Just three years after the product's initial launch, we are already selling Volulyte® in over 20 countries.

We achieved further successes with our **medical devices** for the application of infusion therapies and managed to expand our market presence. Our Agilia line has become especially successful established in our markets. With our products, we are one of the leading suppliers in Europe, Asia-Pacific, and Latin America. We also launched our new port canula system Ambix Intrastick Safe in Germany, for instance. There are frequent accidental needle stick injuries at clinics every day. Ambix Intrastick Safe has an integral safety mechanism that prevents contact with the syringe needle, thus preventing injuries through pricks, cuts, and scratches.

In **transfusion technology**, we are one of Europe's leading suppliers of blood bag systems and medical devices for collecting, processing, and transporting blood products. Our

[1] Non-GAAP financial measures – Adjusted EBITDA is a defined term in the indenture governing the Contingent Value Rights (CVR) relating to the APP Pharmaceuticals acquisition, however, it is not a recognized term under GAAP.
[2] Net income attributable to Fresenius Kabi AG

CompoFlow concept was launched in 2009 and is now being marketed in a number of European countries, including Germany and Italy.

INTRAVENOUSLY ADMINISTERED DRUGS

Fresenius Kabi is one of the world's top three suppliers of generic IV drugs. We have a comprehensive product portfolio for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and critical diseases. We not only manufacture the drug but also produce some of the active ingredients. For instance, we produce our own cytostatic agents and cephalosporin and penicillin group antibiotic agents and thus have the expertise to cover the entire pharmaceutical value chain – a factor of particular relevance for quality and price flexibility.

APP Pharmaceuticals is the second largest supplier of generic IV drugs in the United States. The company offers a broad portfolio of anesthetics, anti-infectives, oncology drugs, and products for critical diseases. In 2010, additional supplies of the anesthetic Propofol came from Fresenius Kabi plants in Europe to avoid shortages of anesthetics arising from product recalls of competitors. Together with APP's anesthetic Diprivan®, Fresenius Kabi was able to assure a more or less seamless supply of the U.S. market.

There were also supply constraints at competitors for other drugs in the United States in 2010. APP Pharmaceuticals' broad portfolio enabled it to make a significant contribution toward meeting the shortages in the market.

APP Pharmaceuticals has an extensive portfolio of products for the treatment of critical diseases and is the leading supplier of unfractionated heparin in North America. Heparin is used for the prophylaxis and treatment of blood clotting after surgery and in extracorporeal blood circulation, such as dialysis. In 2010, APP Pharmaceuticals continued its information campaign "Working Together for Patient Safety".

APP Pharmaceuticals also successfully launched new products in the market: Indomethacin, which is used for babies born with heart defects, Aztreonam, the first generic for this antibiotic, the virostatic drug Ganciclovir, and the oncology drugs Topotecan and Anastrozole. APP Pharmaceuticals also introduced the cytostatic drug Oxaliplatin, for which Fresenius Kabi Oncology has marketing authorization. Under a license agreement with Sanofi-Aventis, the manufacturer of the original preparation, the sale of the product in the United States was only permitted until June 30, 2010 and thereafter only as of August 2012.

APP Pharmaceuticals and Fresenius Kabi Oncology received a total of ten new marketing authorizations from the FDA in 2010, seven of which were for APP Pharmaceuticals. There were 28 pending applications at the FDA at the end of 2010.

We also expanded our portfolio of IV generics **outside North America**. We launched five new products in the areas of antibiotics and anesthetics in various formulations and dosage forms in a number of European markets. Our goal is to roll out our product portfolio across Europe and the growth regions of Latin America and Asia-Pacific.

Fresenius Kabi Oncology specializes in generic drugs for cancer treatment. We successfully continued with the internationalization of these **oncology products** in 2010. The cytostatic drug Gemcitabin Kabi, for instance, was launched very successfully e. g. in South and Eastern Europe. This product is used, for example, in chemotherapy for pancreatic and bladder cancer. The cytostatic drug Irinotecan Kabi, which is used for the treatment of colon cancer, was also sold very successfully in numerous European markets in 2010. Further progress was also achieved with the introduction of Paclitaxel Kabi in Europe. This product is used for instance for the treatment of ovarian and breast cancer. We are already marketing a large number of oncology drugs in the Asia-Pacific region, where we were able to strengthen our market leadership in India, Thailand, and the Philippines.

Today, Fresenius Kabi is providing patients with a comprehensive range of products for cancer treatment. Our offering includes generic drugs as well as enteral and parenteral **nutrition products** for improving the nutritional condition of patients. We also supply medical devices for administering the solutions as well as patient-specific preparations (**compounding**) that can also be used in outpatient care.

CLINICAL NUTRITION

Clinical nutrition serves to supply patients who are unable to eat any (or sufficient) normal food. This applies especially to patients in intensive care units, to the severely and chronically ill, and to those who are malnourished. The use of clinical nutrition products is steadily increasing. Weight loss and deficiencies in essential nutrients can result in higher complication rates, longer recovery periods, a diminished quality of life, and elevated mortality rates.

Three-chamber bags are reference products for **parenteral nutrition therapy** in hospitals. One bag covers the entire required daily intake of amino acids, lipids, glucose, and electrolytes. In 2010, we were once again extremely successful in this product segment. Our pioneering bag design offers an impressively high level of safety in everyday hospital use. We also continued with the international rollout of this product and now sell the new bag design in about 70 countries.

Another growth driver for our business with three-chamber bags was the further marketing rollout of SmofKabiven®. We use our SMOFlipid® product as the lipid component in this new product and therefore offer a multi-chamber bag for parenteral nutrition with a balanced fatty acid profile and an optimized Omega-6 to Omega-3 fatty acid ratio. After the product's successful launch in Europe, we have now started also marketing SmofKabiven® in Chile, among other countries. The product is already sold in over 20 countries around the world. The individual lipid solution SMOFlipid® has also continued to successfully establish itself in our markets. We launched this product in a number of countries in the Asia-Pacific region in 2010.

Nutrition is also particularly important in pediatric care. Undeveloped or severe gastrointestinal defects at birth and acute ailments are indications for parenteral nutrition in pediatric patients. In 2010, we began marketing SMOFlipid® for use in pediatric care. SMOFlipid® can provide the fat component of a parenteral nutrition therapy supplying all nutrients necessary to prevent malnutrition and support the growth and development of pediatric patients.

In the field of **enteral nutrition therapy**, we offer a comprehensive range of sip and tube feed products. Enteral products are used, for instance, in geriatric, pediatric, and intensive care as well as in outpatient care. Enteral nutrition is also acquiring growing importance as a supportive component of the overall therapy process, for instance in cancer treatment.

In other European countries, we conducted a successful 2010 launch of our high-calorie, high protein sip feed product Fresubin® 2kcal DRINK, which is for instance well suited for tumor patients. We have also broadened our range with the addition of another innovative alternative to sip feeds: Fresubin® YOcrème, a high-calorie, protein-rich, balanced nutrition product of a yoghurt-like creamy consistency that is ideal for patients who have heightened nutritional needs or are suffering from dysphagia. We also launched two additional high-calorie enteral sip feeds: Fresubin® 5kcal SHOT and Fresubin® jucy DRINK. Fresubin® 5kcal SHOT has a very high energy density, with 5 kcal per milliliter, so patients can already cover a large part of their required energy intake with small quantities. The product is particularly well suited as an additional sip feed supplement for oncology patients or sufferers from liver or kidney diseases. Fresubin® jucy DRINK provides patients with a high energy content in juice form.

We have introduced Fresubin® thickened, which is a high-calorie, protein-rich, pre-thickened sip feed, especially for dysphagia patients. Our products developed for this patient group can effectively combat malnutrition and dehydration. It is possible to choose between two consistencies depending on individual swallowing difficulty.

We hold a strong position with our enteral nutrition products not only in Europe but also in Asia-Pacific. We are for example one of the leading suppliers in China.

We are one of the leading suppliers in Europe in the field of medical devices for the application of clinical nutrition. In 2010, we continued with the regional expansion of our product portfolio.

For further information, please see Fresenius Kabi's website at www.fresenius-kabi.com. Please see page 113 and 114 of the Management Report for the 2011 financial outlook of Fresenius Kabi.

FRESENIUS HELIOS. We are more than the sum of our parts: our strong clinic network and the interdisciplinary exchange of know-how guarantee our patients best-in-class treatment and care. The increase in hospital admissions was again the basis for successful growth in 2010. Our mission is to continue improving the high standard of quality we provide.

Fresenius Helios is one of the largest German private hospital operators. The HELIOS Group operates 63 proprietary clinics. In addition to 43 acute care hospitals, including 5 maximum care clinics in Berlin-Buch, Erfurt, Krefeld, Schwerin, and Wuppertal, the HELIOS Group has 20 post-acute care clinics. 28 medical care centers and 4 nursing homes are also affiliated with HELIOS. The Group has more than 18,500 beds and treats more than two million patients – including approximately 600,000 inpatients – each year. HELIOS had more than 33,000 employees at the end of 2010.

HELIOS' medical and commercial success is based on four **strategic goals**:

- enhancing patient protection and leading position in quality management
- safeguarding the existence and further development of the clinics on a sustainable basis
- building HELIOS into a knowledge enterprise
- selective growth and consolidation of HELIOS' market position

We measure the quality of our medical results in order to systematically improve the standard of treatment and care we provide. Our sustainable achievements are visible: we compare our medical and commercial targets with the actual results in various publications and on our website.

BUSINESS DEVELOPMENT

In 2010, Fresenius Helios increased its **sales** by 4% to €2,520 million (2009: €2,416 million). Excellent organic growth of 5% was achieved (2009: 7%), mainly driven by a higher number of admissions. The divestiture of an acute care clinic reduced sales by 1%. The acute care clinics accounted for 88% of sales (2009: 89%), while the post-acute care clinics accounted for 9% of sales (2009: 9%). 3% was attributable to other revenues (2009: 2%).

These figures reflect the high confidence that patients and doctors place in us. They are also evidence for the successful restructuring of the acquired clinics.

As the table shows, both sales and **earnings** were much improved:

€ in millions	2010	2009	Change
Sales	**2,520**	2,416	4%
thereof acute care	**2,229**	2,142	4%
thereof post-acute care	**222**	211	5%
EBITDA	**318**	286	11%
EBITDA margin in %	**12.6**	11.8	
EBIT	**235**	205	15%
EBIT margin in %	**9.3**	8.5	
Net income[1]	**131**	107	22%

[1] Net income attributable to HELIOS Kliniken GmbH

EBITDA increased by 11% to €318 million (2009: €286 million). The EBITDA margin rose to 12.6% (2009: 11.8%). Fresenius Helios achieved an excellent EBIT growth of 15% to €235 million (2009: €205 million). The EBIT margin also improved, climbing to 9.3% (2009: 8.5%). Net income[1] was €131 million, an increase of 22% (2009: €107 million).

Fresenius Helios' business exhibits **stable cash flows**. The cash flow margin was 12.3% (2009: 9.1%). In 2010, days sales outstanding were 38 days (2009: 36 days). This is also reflected in the low loss on revenue of 0.2% (2009: 0.2%).

HOSPITAL ADMISSIONS AND TREATMENTS

The introduction of Diagnosis Related Groups (DRGs), with standardized base rates in each federal state, means hospitals in Germany face increasing competition for patients. The HELIOS clinics have successfully adjusted to the changed reimbursement and competitive conditions. Due to the broadening of services being offered and our high treatment quality, we were able to increase the number of inpatients treated in Germany by 3% to 640,296 (2009: 620,268). We also treated substantially more outpatients at our clinics in 2010. The number of outpatient admissions was 1,696,919 (2009: 1,634,170), an increase of 4%.

	2010	2009	Change
Inpatient and semi-inpatient admissions	**640,296**	620,268	3%
Acute care clinics	**606,880**	586,123	4%
Post-acute care clinics	**33,416**	34,145	-2%
Outpatient admissions	**1,696,919**	1,634,170	4%

As the table below shows, our other structural data and performance indicators also improved. At the acute care hospitals, the average length of stay improved slightly to 6.9 days (2009: 7.1 days). The average length of stay at the post-acute care clinics in 2010 was 29.5 days (2009: 29.7 days). At 80.2%, the occupancy level at the post-acute care clinics was below that of the previous year (2009: 82.5%).

	2010	2009	Change
Acute care clinics	**42**	43	-2%
Beds	**15,097**	15,116	0%
Length of stay (days)	**6.9**	7.1	-3%
Post-acute care clinics[1]	**20**	19	5%
Beds	**3,467**	3,467	0%
Length of stay (days)[2]	**29.5**	29.7	-1%
Occupancy[2]	**80.2%**	82.5%	

[1] Separate presentation of one clinic, which was part of an acute care clinic until 2009
[2] Germany only

INVESTMENTS IN HOSPITAL BUILDINGS

In 2010, Fresenius Helios invested €268 million in its clinics (2009: €272 million). **Own investments** were €166 million (2009: €124 million), equivalent to 7% of sales. About €49 million of this was invested in new buildings under construction at two hospitals in Krefeld; a total of €180 million will be invested there by 2014. Another important project was the acquisition of the land and buildings at the hospital in Siegburg, which was a prerequisite to start its reconstruction in December 2010.

€ in millions	2010	2009	Change
Investments	**268**	272	-1%
Own investments in property, plant and equipment	**166**	124	34%
Subsidies[1]	**89**	69	29%
Acquisitions	**13**	79	-84%

[1] Total of purpose-related public investment subsidies according to Section 9 of the Hospital Funding Act (KHG).

[1] Net income attributable to HELIOS Kliniken GmbH

Our investments assure the continued operation of the hospitals and the high standards of medical quality they provide over the long-term. The level of **public subsidies** was 43% (2009: 45%).

WAGE TARIFF AGREEMENT

HELIOS aims to be an attractive employer. HELIOS concluded a **Group-wide trade union wage tariff agreement** with ver.di (the United Services Union), in force since the end of 2006, and with the Marburger Bund, in force since the beginning of 2007.

HELIOS began negotiations on new pay scales with the Marburger Bund and ver.di. We expect an agreement to be reached with the two trade unions in the first half of 2011.

POSITION IN THE HOSPITAL MARKET

HELIOS' business model is based on **growth through acquisitions** on the one hand, and **growth in admissions** and treatments on the other. One element of our acquisition strategy is the regional proximity of hospitals – sufficiently close to one another to form networks (clusters). Regional clustering enables cost savings, especially by concentrating non-medical services (for example, laundry or catering) in one hospital. Moreover, patients benefit from the bundling of medical expertise from the HELIOS clinics in – and also outside – the region. For instance, doctors on emergency duty can consult the HELIOS Group's stroke centers via a videoconferencing link. Supported by experts at the larger clinics, they can make an efficient diagnosis and act fast.

After a hospital is acquired, we carry out modernizations. Besides structural improvements, this also includes alterations – in some cases even the construction of completely new buildings – and investment in medical equipment. We also reorganize the hospital's internal processes and implement the proven HELIOS quality management system. This ensures a target-driven, performance-oriented management of the hospital. Our goal is to increase the EBITDA margin of an acute care clinic to 15% within five years after acquisition.

The **restructuring plan of our acute care clinics** includes all clinics within the Group according to their years of consolidation.

In 2010, HELIOS acquired the St. Marienberg district hospital in Helmstedt/Lower Saxony. The hospital has 267 beds and, with 620 employees, treats about 12,000 patients each year. The hospital had revenues of about €32 million in 2009. It is being consolidated as from January 1, 2011.

As an experienced **privatization partner**, HELIOS is in an excellent position to make further acquisitions and will continue to focus on expanding its market position in Germany. Great strides were made in integrating the clinics in Sangerhausen, Lutherstadt Eisleben, Hettstedt, Northeim, and Bad Gandersheim, which were consolidated for the first time in 2009. Taken together, the number of admissions at these five locations increased by 2%. This was due to the above-mentioned measures that HELIOS swiftly implements after acquiring a clinic. They have significantly improved medical standards. HELIOS clinics are perceived as vital providers of excellent medical standing within the infrastructure of their local regions.

RESTRUCTURING PLAN ACUTE CARE CLINICS 2010

	Years in portfolio							
	<1	1	2	3	4	5	>5	Total
Number of clinics	–	–	6	4	7	–	25	42
Sales in million €	–	–	186	261	175	–	1,607	2,229
Target								
EBITDA margin, in %	–	3.0	6.0	9.0	12.0	15.0	15.0	
EBITDA in million €	–	–	11.2	23.5	20.9	–	241.1	296.7
Reported								
EBITDA margin, in %	–	–	4.0	10.8	11.9	–	15.8	13.9
EBITDA in million €	–	–	7.5	28.2	20.8	–	254.2	310.7
Number of clinics > target	–	–	3	3	4	–	14	24
Number of clinics < target	–	–	3	1	3	–	11	18

Reported figures according to IFRS

HELIOS SERVICE SPECTRUM

The HELIOS Group offers patients competent services in acute and outpatient care as well as post-acute care and residential care for the elderly. Our goal is to provide high standards of medical care in all areas and at all levels.

Acute care is the group's core focus. 43 acute care clinics cover virtually the whole medical spectrum, with a broad-based portfolio ranging from basic and standard care hospitals through to maximum care hospitals. There are 28 medical care centers attached to the clinics, which also have an excellent reputation outside their local regions.

The total medical care we provide for our patients also includes relevant **outpatient care** after hospital treatment. Possibilities for treatment at either the clinic itself or our medical care centers and the collaboration with numerous external doctors enable a seamless integration of outpatient and inpatient care within the HELIOS network. The success of our concept was once again demonstrated by the high number of outpatient admissions in 2010.

Our acute and outpatient care concept is supplemented, both regionally and medically, by our **post-acute care clinics**. The numbers speak for themselves: in 2010, we treated more than 33,000 patients at our post-acute care clinics.

At our **nursing homes**, the mission is to provide quality residential care with dignity and respect. Residents additionally benefit from the close links with our acute care facilities, which assure fast and optimum treatment.

Our service offering is supplemented by a **Web 2.0** tool. In 2010, HELIOS was the first German hospital operator to launch its own proprietary application for iPhone and BlackBerry – the **KlinikFinder**. The KlinikFinder enables GPS-supported searches for the nearest acute and post-acute care clinic or specialist, and establishes direct contact with the clinic. The application has been downloaded about 1,000 times since it was made available on the Internet. The content and functions are constantly being added to, and for the future it is planned to integrate clinics also beyond the HELIOS network.

In a **mediatheque** on the HELIOS website we provide a wide range of public digital information: information films for patients, interviews with employees, and videos giving portraits of our clinics. All the films are also available in our HELIOS channel on the Internet platform YouTube.

QUALITY OF MEDICAL RESULTS AND PATIENT CARE

In 2010, HELIOS continued its program for further improving the quality of its medical results. A unique **quality management system**, developed in-house, assures continuous improvement in the standards of patient care. More information on quality management and the "Initiative of Quality Management" (IQ^M) co-founded by HELIOS can be found on page 92 of the Management Report.

Another integral part of patients' benefit, besides the quality of the medical outcomes, is the **quality of the nursing care**, which is also a factor of strategic relevance for HELIOS. For us, it is important that patients and their families are satisfied – and our efforts are bearing fruit. On page 93 we report on the results of our patient survey. They show that we are on the right track.

It is our goal to constantly improve the quality of medical outcomes at HELIOS. We will continue to pursue this rigorously in 2011. We want to achieve standards of treatment quality that are better than the German average or other customary international benchmarks in all important areas. For further information, please see Fresenius Helios' website at www.helios-kliniken.de (German only).

Please see pages 113 and 114 of the Management Report for the 2011 financial outlook of Fresenius Helios.

Information on the German hospital market can be found on pages 63 to 65 and 111 to 112 of the Management Report.

FRESENIUS VAMED. We achieved excellent results in 2010: both sales and EBIT reached historical record levels. Order intake and order backlog also increased substantially, providing a solid basis for further growth.

Fresenius Vamed specializes in international projects and services for hospitals and other health care facilities. Our portfolio ranges along the entire **value chain** in the health care area: from consulting, project development, planning, and turnkey construction, via maintenance, to administrative management and total operational management. This entire competency enables us to support complex health care facilities efficiently and successfully at each level of their life cycle. The company is also a pioneer in public-private partnership (PPP) models for hospitals in Central Europe.

VAMED is a worldwide acting provider of a full line of services for the health care industry. Meanwhile, we hold a unique position with our comprehensive range of services.

We have completed approximately 500 projects in more than 60 countries.

BUSINESS DEVELOPMENT

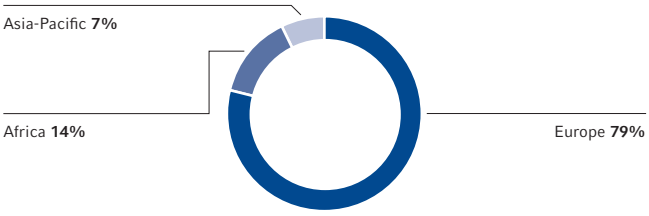
In 2010, Fresenius Vamed achieved excellent **sales** growth of 15% to €713 million (2009: €618 million). Organic growth was 15%.

The table shows the sales development by activity:

€ in millions	2010	2009	Change
Project business	**487**	420	16%
Service business	**226**	198	14%

VAMED VALUE CHAIN

SALES BY REGION



2010: €713 million

The strongest region was Europe with 79% of total sales. Africa and Asia-Pacific contributed 14% and 7%, respectively.

In addition, VAMED was responsible for revenues of €569 million from management contracts. The related fees are included in VAMED's financial statements.

Order intake and **order backlog** for projects developed excellently, as the table shows:

€ in millions	2010	2009	Change
Order intake	**625**	539	16%
Order backlog (December 31)	**801**	679	18%

Earnings performance at Fresenius Vamed was also excellent. EBIT rose by 14% to €41 million (2009: €36 million). At 5.8%, the EBIT margin was at previous year's level (2009: 5.8%). In the project business, EBIT increased by 28% to €23 million (2009: €18 million). In the service business, EBIT was at previous year's level with €18 million. Fresenius Vamed's net income[1] was €30 million, an increase of 11% (2009: €27 million).

Property, plant and equipment including intangible assets amounted to 14% of Fresenius Vamed's total assets. Since the business is not capital intensive, Fresenius Vamed achieved an excellent return on equity (ROE) before taxes of 21.9% (2009: 22.0%).

PROJECT BUSINESS

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

Our project business was again very successful in 2010. The following highlights some of our main projects in the respective **target markets**:

EUROPE

We achieved another major success in **Germany**, winning a contract for the planning, financing, and turnkey construction of the new examination and treatment center (U / B West) at the university clinic in Cologne. The construction phase is due to be completed in 2012, at a cost of €65 million. Within the framework of a PPP project, we have also been entrusted with the technical operational management for 25 years. The project for the construction of a new wing at a hospital in Cologne-Merheim, begun in 2009, is proceeding according to plan. A special feature of this contract is that we are carrying out the construction work while the hospital is still operating. In addition, consulting, planning, and project management contracts for various hospitals round off our successful business acquisition activities in Germany.

In the **Austrian market**, the focus was on the development of further PPP projects and holistic realization models. We won a contract for the modernization and extension of a 520-bed hospital in Lower Austria worth over €100 million. We completed the planning and construction of the 150-bed post-acute care clinic in Schruns, Vorarlberg, and the post-acute care center in Gmundnerberg, Upper Austria, according to plan in summer 2010. The two clinics are now operational. We were responsible for their planning and execution and have now also assumed the total operational management for the two projects. We are expanding our existing PPP partnership for a nursing home in the Burgenland region with a contract for the extension and operation of two homes.

In **Bosnia**, we won a large contract for the turnkey realization of the Bijeljina General Hospital. The 220-bed hospital is now under construction. In **Romania**, contracts were signed for the modernization and refurbishment of a total of three hospitals.

[1] Net income attributable to VAMED AG

In **Russia**, work continued according to plan on the turnkey construction of a 300-bed hospital in Krasnodar. It is due to be completed in 2012. After the successes in 2009, we continued our intensive coverage of the market in **Turkmenistan** in 2010 and were able to win another three contracts for the supply of medical equipment, including installation, commissioning, and training. All the existing projects are proceeding to the full satisfaction of our clients. In **Ukraine**, the large-scale contract for the supply of medical equipment that we received in 2009 was successfully completed.

AFRICA

In **Gabon**, the work on the turnkey construction of the specialist hospital for cancer diseases in Angondje is proceeding on schedule and within budget. In 2011, we plan to complete this large-scale project, which is worth over €80 million. Other extension projects at the central hospital in Libreville, begun in 2008, were continued according to plan. In the fourth quarter 2010, we were awarded a €76 million turnkey construction for the university clinic in Owendo.

In **Nigeria**, we successfully continued finalizing the total of 14 university clinics, which are modernized by us.

In **Ghana**, we completed the turnkey construction of the five polyclinics on time and within budget.

In addition to the intensive coverage of our existing target markets in Africa, we have also identified **Mali** as a promising market for VAMED and received our first order entry in 2010.

ASIA-PACIFIC

Key markets for VAMED in Asia are Malaysia, Vietnam, and China, where VAMED has been operating successfully for many years. High client satisfaction with the execution of existing contracts helped us win new contracts in **China**, among other countries. We received a large-scale contract for the supply of medical equipment for the Wu An Peoples Hospital near Peking. We also won a contract for the supply of medical equipment for several hospitals, including commissioning and training, in the province of Henan.

SERVICE BUSINESS

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

The following gives an overview of the relevant developments in the **target markets**:

EUROPE

In 2010, VAMED successfully continued its more than 20-year partnership with university clinic AKH in Vienna. In addition to VAMED's technical management role, which we have been performing since 1986, this included a number of structural building projects to round off the hospital's facilities. AKH is one of Europe's largest hospitals and comprises 31 clinics and institutes with a total of about 2,100 beds.

We also successfully continued performing the technical management of two hospitals in Lower Austria with a total of 1,230 beds. After AKH Vienna, this is the largest technical service contract ever awarded in **Austria**.

With the start-up of two post-acute care centers in Vorarlberg and Upper Austria, we were able to fill important gaps in the infrastructure and at the same time become the largest private provider of post-acute care in Austria. An oncological post-acute care center in the Burgenland region was opened at the beginning of 2010.

The PPP model in Oberndorf near Salzburg is already becoming a reference project for integrated health care even before its completion. Here VAMED was engaged to operate the existing acute care hospital, make structural improvements, and extend it. We are also constructing a post-acute care center (due to be completed in 2011) and a new medical center (due to be completed in 2012).

In **Germany**, with the award of the PPP project U/B West for the university clinic in Cologne, we have not only been entrusted with the planning, construction, and equipment of a new examination and treatment center but have also signed a contract for the technical management of the new facility for 25 years. The center is due to be completed at the end of 2012.

The service contract with the Charité University Clinic in Berlin was renewed for another two years until 2012. Charité CFM Facility Management GmbH, the consortium headed by VAMED, is responsible for all operations at Charité except the purely medical services. In 2010, approximately 2,600 employees again successfully carried out their services under this contract, which is one of the largest service contracts in the hospital sector in Europe.

The service contract with the university clinic in Hamburg-Eppendorf was also continued to the customer's complete satisfaction. It has already been renewed twice and currently runs until 2013.

A new five-year cooperation was concluded with the university clinic Schleswig-Holstein with the aim of improving the quality of IT-services and operating the IT-infrastructure more efficiently.

ASIA-PACIFIC

At the international level, VAMED successfully continued all its operational management contracts. After the Prince Court Medical Center (PCMC) in Kuala Lumpur, **Malaysia**, and the Al Ain Hospital in Abu Dhabi, **United Arab Emirates**, the National Research Center for Maternal and Child Health in Astana, **Kazakhstan** with about 500 beds is the third hospital in our target markets in Asia where we are responsible for the total operational management. All three projects are being conducted in cooperation with the Vienna University of Medicine and are important reference projects for VAMED's all-round competence.

Through close market coverage, business in **Thailand** has also developed very positively for VAMED. After initial contracts in 2009, we won another service contract for the Ramathibodi University Clinic and a consulting contract for a medical spa in Bangkok.

AFRICA

In **Gabon**, VAMED is responsible for the overall management of a total of seven regional hospitals and for the technical management of the Omar Bongo Ondimba Hospital in Libreville. High client satisfaction led to a renewal of the latter contract for a further three years.

In **Libya**, the Medical Center Tripoli is one of the most important technical management reference projects. The general refurbishment of the Gharian Hospital in Libya, which we are executing while the hospital is still in operation, is proceeding according to plan and is due to be completed in 2012.

VAMED VITALITY WORLD

As a result of the new health consciousness trend and desire for vitality, **thermal spa and wellness resorts** are acquiring ever greater importance as health facilities. We are responding to this trend with our VAMED Vitality World thermal spa resorts and have been successfully designing, constructing, and operating projects for many years.

In partnership with the City of Vienna, we expanded the thermal spa center in Vienna into a unique health and wellness center, the new thermal spa Vienna. It was successfully opened in 2010 and is considered one of the most advanced city health tourism facilities in Europe.

In 2010, we also started operating the €83 million thermal spa center project Tauern SPA Zell am See-Kaprun, Salzburg. VAMED not only developed and constructed this exceptional spa project but is also responsible for its overall management, clearly demonstrating its competence across the complete value chain.

In November 2010, the St. Martins Thermal Center & Lodge in Burgenland in Austria celebrated its first anniversary. It combines, in unique fashion, the attraction of a health tourism facility with the natural splendor of the surrounding national park Neusiedler See-Seewinkel.

OUTLOOK

In Europe, the focus of VAMED's activities will continue to be on holistic realization and PPP projects in 2011. As health centers have high value for preventive care, and health tourism is becoming increasingly popular, we see development potential in this segment as well. Outside Europe, the focus will be on custom-tailored solutions for hospitals along the VAMED value chain.

Further information on VAMED can be found on its website at www.vamed.com. Please see page 113 and 114 of the Management Report for the 2011 financial outlook of Fresenius Vamed.

CONTENT MANAGEMENT REPORT

51 Operations and business environment
51 Group structure and business
52 Management and control
53 Key products and services
53 Important markets and competitive position
53 Legal and economic factors
54 Capital, shareholders, articles of association
56 Corporate performance criteria, goals, and strategy
56 Strategy and goals
58 Overall business development
58 Economic environment
60 Health care industry
65 The Management Board's assessment of the effect of general economic developments and those in the health care sector for Fresenius
65 Significant factors affecting operating performance
65 The Management Board's assessment of the business results
66 Comparison of the actual business results with the forecasts

66 Results of operations, financial position, assets and liabilities
66 Results of operations
66 Sales
68 Earnings structure
69 Reconciliation to Group net income
69 Development of other major items in the statement of income
70 Value added
70 Financial position
70 Financial management policies and goals
71 Financing
73 Effect of off-balance-sheet financing instruments on our financial position and assets and liabilities
73 Liquidity analysis
73 Dividend
73 Cash flow analysis
74 Investments and acquisitions
75 Assets and liabilities
75 Asset and liability structure
76 Currency and interest risk management

77 Non-financial performance indicators and other success factors
77 Employees
80 Research and development
87 Procurement
90 Quality management
94 Responsibility, environmental management, sustainability
98 Sales, marketing, and logistics

99 Overall assessment of the business situation

99 Opportunities and risk report
99 Opportunities management
99 Risk management
100 Risk areas
106 Assessment of overall risk
106 Corporate rating

107 Subsequent events

107 Outlook
107 General and mid-term outlook
108 Future markets
109 Economic outlook
110 Health care sector and markets
113 Group sales and earnings
113 Sales and earnings by business segment
114 Financing
114 Investments
115 Procurement
115 Research and development
116 Corporate structure and organization
116 Planned changes in human resources and the social area
116 Dividend

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

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

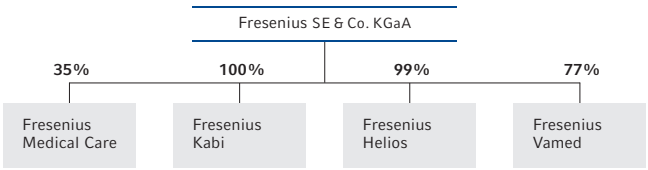
Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

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

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

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

GROUP STRUCTURE



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

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

MANAGEMENT AND CONTROL

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

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

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

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

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

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

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

The Company's annual corporate governance declaration can be found on pages 14 to 33 of this annual report and on our website www.fresenius.com, see Who we are – Corporate Governance. The description of both the compensation structure and individual amounts paid to the Management Board and Supervisory Board are included in the Compensation Report on pages 27 to 33 of this annual report. The Compensation Report is part of the Group's Management Report.

KEY PRODUCTS AND SERVICES

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

IMPORTANT MARKETS AND COMPETITIVE POSITION

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

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

LEGAL AND ECONOMIC FACTORS

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

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

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

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

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

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

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

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

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

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

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

Capital IV). Shareholders' pre-emptive rights of subscription are excluded. Authorized Capital IV may only be executed to the extent that convertible bonds for bearer ordinary shares were issued under the 2003 Stock Option Plan, the holders of these convertible bonds exercise their conversion rights, and the conversion rights are not serviced from Conditional Capital.

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

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

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

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

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 173 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company that it held 46,871,154 ordinary shares of Fresenius SE & Co. KGaA on January 28, 2011. This corresponds to an equity interest of 28.85%.

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

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

CORPORATE PERFORMANCE CRITERIA, GOALS, AND STRATEGY

The Management Board controls the business segments by setting strategic and operative targets and through various financial ratios. In line with our **growth strategy**, organic growth is a key performance indicator. Operating income (EBIT – earnings before interest and taxes) is another useful yardstick for measuring the profitability of the business segments.

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

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

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

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to Group **value added**. Group ROIC rose to 8.9% (2009: 8.2%), and Group ROOA to 11.6% (2009: 10.5%). The marked improvement in these two ratios versus 2009 was mainly due to the very good earnings growth in all business segments. We expect a continuing improvement in ROIC and ROOA in the future.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2010**	2009	**2010**	2009
Fresenius Medical Care	**8.8**	8.5	**12.5**	12.2
Fresenius Kabi	**9.0**	7.8	**11.9**	10.2
Fresenius Helios	**7.5**	6.7	**7.8**	7.1
Fresenius Vamed[1]	**–**	–	**22.2**	22.8
Group	**8.9**	8.2	**11.6**	10.5

[1] ROIC: Invested capital is insignificant due to prepayments, cash, and cash equivalents.

We calculate our **cost of capital** as weighted average of the cost of equity and the cost of debt. The WACC (weighted average cost of capital) of Fresenius Medical Care and the WACC of the other business segments was 6.4% and 5.9% respectively in 2010, was clearly exceeded by Group ROIC of 8.9%.

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

STRATEGY AND GOALS

Our goal is to build Fresenius into a leading global provider of products and therapies for critically and chronically ill people. We are concentrating our business segments on a few health care areas. Thanks to this clear focus, we have

developed unique competencies. We are following our long-term strategies consistently and are seizing our opportunities. Our aim is:

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

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

- To **expand our market position**: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs through APP Pharmaceuticals. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also to be expanded through the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.
- To **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.
- To **strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development in our operations to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services 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 2.6 as of December 31, 2010. We expect the ratio to remain within this range in 2011.

We report on our goals in detail in the Outlook section on pages 107 to 116.

OVERALL BUSINESS DEVELOPMENT

ECONOMIC ENVIRONMENT

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

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

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

GDP SHARE OF LEADING ECONOMIES

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

Sources: IMF, World Economic Outlook 2010, 2009

Europe

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

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

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

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

Among the emerging economies of **Eastern Europe**, which had already seen high current account deficits as well as rising levels of public debt before the global recession, only the particularly competitive countries, such as Poland

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

and the Czech Republic, or resource-rich countries, such as Russia, were able to stage a significant rebound. A number of **countries in South-Eastern Europe**, on the other hand, remain affected by the abrupt worsening of refinancing conditions and capital outflows and are still in recession.

United States

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

The ailing U.S. real estate market continued to be hampered by high surplus supply in 2010. The government was able to stem a further fall in property prices through various support measures, such as tax relief and a more flexible adjustment of installment rates for mortgage loans. Nonetheless, in summer 2010, the prices for private residential properties were still roughly 20% and those for commercial properties still more than 40% below their respective highs.

There are tentative signs that the country may end its expansive monetary and fiscal policy. Given the fragile economic recovery and the problems on the labor and real estate markets, the U.S. government passed another comprehensive round of economic support measures in 2010. Further purchases of U.S. Treasuries are also planned in order to stimulate the economy.

Asia

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

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

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

In **Japan**, the economic recovery was mainly supported by buoyant exports, especially to neighboring Asian countries, and by a favorable trend in private consumption. However, the

HEALTH CARE SPENDING AS % OF GDP

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

Sources: OECD Health Data 2010

effects of the financial crisis are still visible, especially in the high jobless rate and high public debt. Japan's GDP exceeded expectations and grew by 4.2% in 2010 (2009: -5.2%).

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

Latin America

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

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

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

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

HEALTH CARE INDUSTRY

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

The main **growth factors** are:

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

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

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

At the same time, the cost of health care is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.0% of GDP in the OECD countries in 2008, with an average of US$3,060 spent per capita. The United States had the highest per capita spending (US$7,538), as in the previous years, followed by Norway (US$5,003) and Switzerland (US$4,627). Germany ranked ninth among the OECD countries with per capita spending of US$3,737.

Per capita health care spending in the OECD countries grew at an average annual rate of 4.2% between 2000 and 2008. In Germany, per capita health care spending increased by 1.6% per year over the same period. This is the smallest increase among all OECD countries during this period. The relatively slow growth in health care spending in Germany is due in particular to the introduction of cost-containment measures.

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

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

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

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

Our most important markets developed as follows:

The dialysis market

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

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

DIALYSIS PATIENTS BY REGION

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

Dialysis care

Of the approximately 2.0 million patients receiving regular dialysis treatment in 2010, more than 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis.

The majority of hemodialysis patients are treated in dialysis clinics. There are about 29,000 dialysis clinics worldwide with an average of 70 hemodialysis patients per clinic.

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

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

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

In 2010, the number of **peritoneal dialysis patients** worldwide was about 219,000. Fresenius Medical Care supplies approximately 39,000 patients with peritoneal dialysis products, and has a market share of about 17% according to sales. In the United States, its market share was 26%. Fresenius Medical Care is the global No. 2 in this market after Baxter.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services (CMS)**, cover the medical services for more than 80% of all dialysis patients in the United States. In 2010, CMS reimbursements accounted for 32% of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

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

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

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

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

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

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

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

Based on its own estimates, Fresenius Kabi considers its relevant market for infusion therapy and clinical nutrition (excluding the United States and Japan) to be about €8 billion.

We also expect the demand for **generics** to continue growing. Generic drugs are more advantageous from health economics aspects than original preparations because of their significantly lower price and they already make a vital contribution to health care today.

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

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

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

The German hospital market

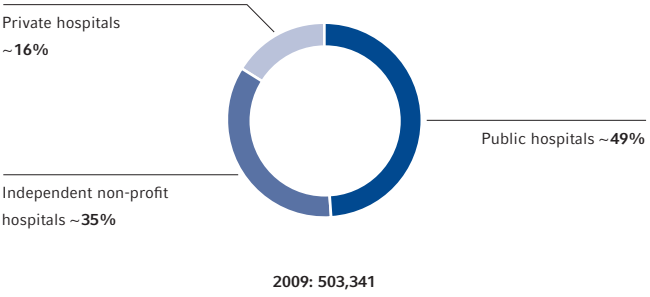
The total volume for hospital treatment[1] (excluding research and teaching) in Germany was about €70 billion in 2008. This was approximately one-fourth of total health care expenditures. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel costs rose by 3.4%,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

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

[1] Data 2009 not available

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

HOSPITAL BEDS BY OPERATOR



2009: 503,341

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

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

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

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

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

The **Hospital Funding Reform Act** (KHRG) that came into force in March 2009 also had an overall positive effect on the financial situation of hospitals in Germany in 2010 and led to increased revenues, which experts estimate at 4% per

KEY FIGURES FOR INPATIENT CARE IN GERMANY

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

[1] Total costs, gross

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

year in 2009 and 2010. Since the convergence phase expired at the end of 2009, hospitals now only bill on the basis of the standardized base rates (DRG system) valid throughout the particular federal state.

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

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

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

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

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

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

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

SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

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

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

THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS

The Management Board is of the opinion that the Fresenius Group's performance in 2010 was excellent – with sales and earnings improvements in all business segments. Fresenius Medical Care sustained its positive performance trend with organic sales growth of 6% and a significant increase in earnings. Fresenius Kabi profited from the continued strong demand for products, bolstered additionally by new product launches and supply constraints at competitors, and generally outperformed the market. This was reflected in excellent

organic growth of 12% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 5% and further improved its earnings. Fresenius Vamed was able to report very good organic sales growth of 15% and a further increase in earnings in 2010 and, in the project business, achieved important growth in order intake and order backlog.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

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

The achieved sales growth of 8% in constant currency was fully in line with our forecast range of 8 to 9%. The forecast growth in net income [1] of about 20% in constant currency was exceeded with growth of 23%. All sales and earnings for the business segments were also fully achieved or exceeded.

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

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

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

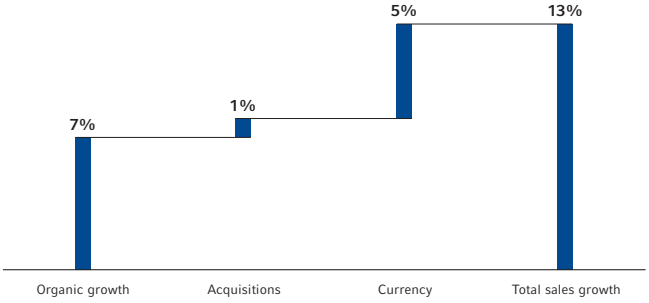
RESULTS OF OPERATIONS

SALES

In 2010, we increased Group sales by 8% in constant currency and by 13% at actual rates to €15,972 million (2009: €14,164 million).

The chart shows the various influences on Fresenius' Group sales. Very good organic growth of 7% was achieved, while acquisitions contributed 1%. Currency translation had a positive impact of 5%. More information can be found on page 54.

SALES GROWTH ANALYSIS



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

ACHIEVED GROUP TARGETS 2010

Group	Targets for 2010 announced in February 2010	Increased guidance announced in August 2010	Increased guidance announced in November 2010	Achieved in 2010
Sales (growth, in constant currency)	7–9%		8–9%	8%
Net income (growth, in constant currency) [1]	8–10%	10–15%	~20%	23%
Capital expenditure on property, plant and equipment (% of Group sales)	~5%			5%

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

Sales growth by region was as follows:

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

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

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved sales of €9,091 million in 2010 (2009: €8,064 million), an increase of 13%. Organic growth was 6%, while acquisitions contributed 1%. Currency translation had a positive impact of 6%. Fresenius Medical Care achieved significant increases in constant currency in dialysis care (9%), growth in dialysis patients was 3%. The growth in dialysis care was mainly due to organic growth in treatments and higher average revenues per treatment.
- Fresenius Kabi increased sales by 19% to €3,672 million (2009: €3,086 million). The company achieved organic growth of 12%, to which all regions contributed. This was notably driven by the excellent growth in North America, where new product launches and strong demand due to supply constraints at competitors had a positive effect. Acquisitions contributed 1%. Currency translation impacted sales by 6%. This was mainly attributable to the strengthening of the currencies in North America, Brazil, and China against the euro.
- Fresenius Helios increased sales by 4% to €2,520 million (2009: €2,416 million). Organic growth was 5%. This was mostly due to an increase in hospital admissions compared to 2009. The divestiture of an acute care clinic at the beginning of the year had an impact of 1%.
- Fresenius Vamed achieved strong sales growth of 15% to €713 million (2009: €618 million). Organic growth was 15%. Sales in the project business increased by 16% to €487 million (2009: €420 million). Sales in the services business rose by 14% to €226 million (2009: €198 million).

SALES BY REGION

€ in millions	2010	2009	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**7,020**	6,113	15%	8%	6%	1%	44%
Europe	**6,515**	6,045	8%	6%	1%	1%	41%
Asia-Pacific	**1,307**	1,088	20%	7%	10%	3%	8%
Latin America	**814**	641	27%	11%	13%	3%	5%
Africa	**316**	277	14%	6%	8%	0%	2%
Total	**15,972**	14,164	13%	7%	5%	1%	100%

SALES BY BUSINESS SEGMENT

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

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

EARNINGS STRUCTURE

We again achieved excellent growth rates in earnings in 2010. **Group net income**[1] rose by 28% to €660 million. Currency translation had a pronounced positive effect, leading to growth in constant currency of 23%. Earnings per ordinary share[1] and earnings per preference share[1] rose to €4.08 (2009: €3.18 per ordinary share, €3.19 per preference share). This represents an increase of 28% at actual rates and of 23% in constant currency for both share classes. Including special items, Group net income[2] was €622 million and earnings per share were €3.85 both per ordinary share and per preference share. Inflation had no significant effect on results of operations in 2010.

Group EBITDA rose by 12% in constant currency and by 17% at actual rates to €3,057 million (2009: €2,616 million). **Group EBIT** increased by 13% in constant currency and by 18% at actual rates to €2,418 million (2009: €2,054 million).

The development of EBIT by business segment was as follows:

- Fresenius Medical Care increased EBIT by 15% to €1,451 million (2009: €1,259 million). The EBIT margin rose to 16.0% (2009: 15.6%). This was due to higher average revenue per dialysis treatment and economies of scale. These effects were partially offset by the devaluation of the Venezuelan bolivar and related charges and by lower gross profit margins of acquired dialysis clinics in Europe and Asia-Pacific.
- Fresenius Kabi increased EBIT by 21% to €737 million (2009: €607 million). The EBIT growth was due to the strong operating results in all regions; it was mainly driven by the excellent development in North America, where new product launches and high demand due to supply constraints at competitors had a positive effect. The EBIT margin was 20.1% (2009: 19.7%). EBIT includes €20 million for investments in ongoing efficiency improvements outside of North America. Adjusted by that amount, the EBIT margin was 20.6%.
- Fresenius Helios achieved an excellent EBIT performance. In 2010, this business segment reported EBIT of €235 million (2009: €205 million) thanks to the very good business progress at the established clinics and the continued targeted progress at the clinics covered by the restructuring plan. The latter are clinics which have been in the Fresenius Helios portfolio for less than five years. EBIT grew by 15%. The EBIT margin rose to 9.3% (2009: 8.5%).
- Fresenius Vamed improved EBIT by 14% to €41 million (2009: €36 million). The EBIT margin was with 5.8% on the previous year's level.

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED

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

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

RECONCILIATION

€ in millions	2010 Other financial result	2010 Net income	2009 Other financial result	2009 Net income
Net income[1]		**660**		514
Other financial result:[2]				
Mandatory Exchangeable Bonds (MEB) (mark-to-market accounting)	**-98**	**-70**	-37	-26
Contingent Value Rights (CVR) (mark-to-market accounting)	**32**	**32**	6	6
Earnings according to U.S. GAAP[3]	**-66**	**622**	-31	494

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

RECONCILIATION TO GROUP NET INCOME

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

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

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

DEVELOPMENT OF OTHER MAJOR ITEMS IN THE STATEMENT OF INCOME

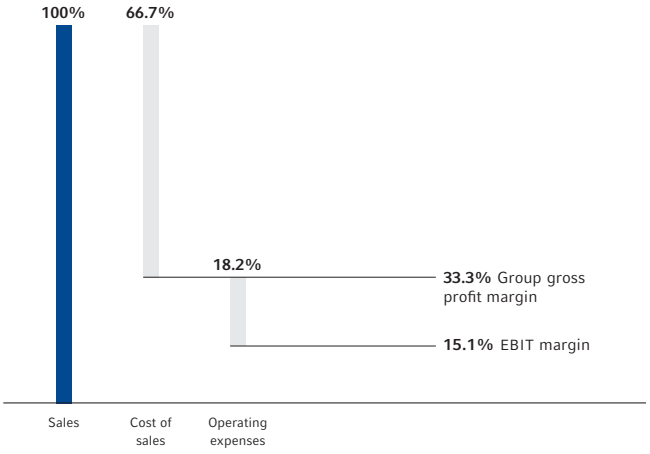
Group gross profit rose to €5,326 million, exceeding the €4,636 million in 2009 by 15% (10% in constant currency). We improved the gross margin to 33.3% (2009: 32.7%). The cost of sales rose by 12% to €10,646 million (2009: €9,528 million). **Cost of sales** as a percentage of Group sales

STATEMENT OF INCOME (SUMMARY)

€ in millions	2010	2009	Change	Change in constant currency
Sales	**15,972**	14,164	13%	8%
Cost of goods sold	**-10,646**	-9,528	-12%	-7%
Gross profit	**5,326**	4,636	15%	10%
Operating expenses	**-2,908**	-2,582	-13%	-8%
EBIT (operating result)	**2,418**	2,054	18%	13%
Net interest	**-566**	-580	2%	6%
Other financial result	**-66**	-31	-113%	-116%
Income taxes	**-581**	-452	-29%	-23%
Noncontrolling interest in profit	**-583**	-497	-17%	-12%
Net income[1]	**660**	514	28%	23%
Net income[2]	**622**	494	26%	21%
Earnings per ordinary share in €[1]	**4.08**	3.18	28%	23%
Earnings per ordinary share in €[2]	**3.85**	3.06	26%	21%
Earnings per preference share in €[1]	**4.08**	3.19	28%	23%
Earnings per preference share in €[2]	**3.85**	3.07	25%	20%
EBITDA	**3,057**	2,616	17%	12%
Depreciation and amortization	**639**	562	14%	9%

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

EARNINGS STRUCTURE



decreased from 67.3% in 2009 to 66.7%. **Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 14% to €2,664 million (2009: €2,342 million). Their ratio as a percentage of Group sales was 16.7% (2009: 16.5%). **Depreciation and amortization** was €639 million (2009: €562 million). Their ratio as a percentage of sales was 4.0% in 2010 (2009: 4.0%).

The chart above shows the earnings structure in 2010.

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

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

The adjusted **Group tax rate** (adjusted for the effects of the mark-to-market accounting of MEB and CVR) rose to 32.9% (2009: 31.4%; the revaluation of a tax claim at Fresenius Medical Care had a positive effect).

Noncontrolling interest rose to €583 million from €497 million in 2009 mainly due to the good earnings performance at Fresenius Medical Care. Of this, 93% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin progress.

VALUE ADDED

The value added statement shows Fresenius' total output in 2010 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached €7,904 million in 2010 (2009: €7,041 million). This is an increase of 12% over 2009. The distribution statement shows that, at €5,354 million or 68%, the largest portion of our value added went to our employees. Governments came next with €713 million (9%) and lenders with €566 million (7%). Shareholders received €140 million and noncontrolling interests €583 million. The Company retained €548 million for reinvestment.

FINANCIAL POSITION

FINANCIAL MANAGEMENT POLICIES AND GOALS

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

in %	**2010**	2009	2008[2]	2007	2006
EBITDA margin	**19.1**	18.5	17.9	17.9	17.1
EBIT margin	**15.1**	14.5	14.0	14.2	13.4
Return on sales (before taxes and noncontrolling interest)	**11.6**[1]	10.4[1]	10.5	10.9	9.7

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

VALUE ADDED STATEMENT

€ in millions	2010	%	2009	%
Creation				
Company output	**16,046**	**100**	14,238	100
Materials and services purchased	**7,503**	**47**	6,635	47
Gross value added	**8,543**	**53**	7,603	53
Depreciation and amortization	**639**	**4**	562	4
Net value added	**7,904**	**49**	7,041	49
Distribution				
Employees	**5,354**	**68**	4,880	69
Governments	**713**	**9**	559	8
Lenders	**566**	**7**	580	8
Shareholders	**140**	**2**	122	2
Company and noncontrolling interest	**1,131**	**14**	900	13
Net value added	**7,904**	**100**	7,041	100

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

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

FINANCING

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

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

- In January 2010, Fresenius Medical Care issued unsecured **Senior Notes** due in 2016 in the principal amount of €250 million. The coupon is 5.5%. With an issue price of 98.6636%, the yield to maturity is 5.75%. The proceeds were used to repay short-term debt and for general corporate purposes.
- In March 2010, the former Fresenius SE considerably improved the terms of its **2008 syndicated credit agreement** following negotiations with the lenders. Within the scope of the amended agreement, the interest rate of the approximately US$1.2 billion term loan B (new term loan C) was reduced. The new interest rate consists of the relevant money market rate (LIBOR and EURIBOR), subject to a 1.50% floor (formerly 3.25%), plus a 3.00% margin (formerly 3.50%). It was possible to renegotiate the terms because both Fresenius' debt ratios and the prevailing terms on the debt market had improved considerably since the syndicated credit was concluded.
- In September 2010, Fresenius Medical Care renewed and increased its **2006 syndicated credit agreement**. The life of the revolving credit line and term loan A was extended

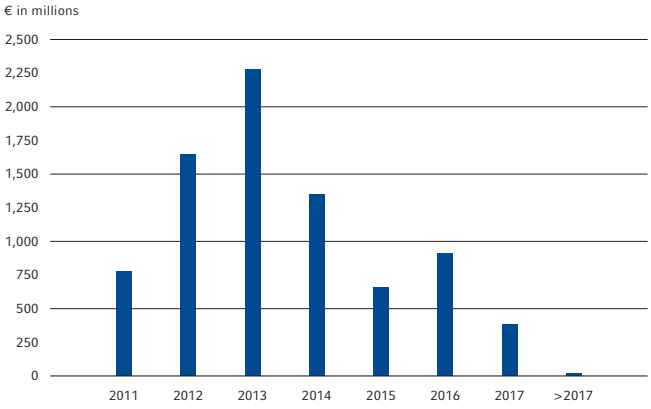
by two years to March 31, 2013. These facilities will therefore fall due for repayment at the same time as term loan B, which is currently US$1.5 billion. Owing to the broad agreement of the lenders and the strong interest in the banking market, it was also possible to increase the revolving credit line and term loan A overall by US$250 million to a total of approximately US$2.565 billion. The increased credit facility is for financing general corporate purposes and working capital needs. This transaction helped to lengthen the maturity profile of the debt.

- In February 2011, Fresenius Medical Care AG issued unsecured **Senior Notes** due in 2021 in the principal amount of US$650 million through its subsidiary Fresenius Medical Care US Finance, Inc. and through its subsidiary FMC Finance VII S.A. in the principal amount of €300 million. The coupon of the U.S. dollar notes is 5.75%. With an issue price of 99.06%, the yield to maturity is 5.875%. The Euro notes were issued at their nominal value with a coupon of 5.25%. Proceeds from the offering will be used to repay indebtedness, for acquisitions including the company's recently announced acquisition of Euromedic's dialysis service business (IDC) and for general corporate purposes.

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

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

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



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

The Fresenius Group has drawn about €4.6 billion of bilateral and syndicated credit lines. In addition, the Group had approximately €2.0 billion in unused credit lines as of December 31, 2010 (including committed credit lines of €1.4 billion) available. These credit facilities are generally used for covering working capital needs and are – with the exception of the former Fresenius SE 2008 credit agreement and the Fresenius Medical Care 2006 credit agreement – usually unsecured.

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

Detailed information on the Fresenius Group's financing can be found on pages 158 to 167 of the Notes.

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	**2010**	2009	2008	2007	2006
Operating cash flow	**1,911**	1,553	1,074	1,296	1,052
as % of sales	**12.0**	11.0	8.7	11.4	9.8
Working capital [1]	**3,577**	3,088	2,937	2,467	2,322
as % of sales	**22.4**	21.8	23.8	21.7	21.5
Investments in property, plant and equipment, net	**733**	662	736	662	571
Cash flow before acquisitions and dividends	**1,178**	891	338	634	481
as % of sales	**7.4**	6.3	2.7	5.6	4.5

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

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

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

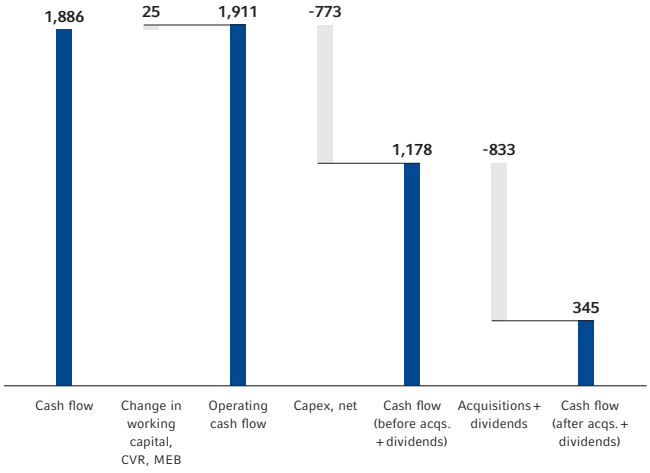
LIQUIDITY ANALYSIS

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

DIVIDEND

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

CASH FLOW IN MILLION €



CASH FLOW ANALYSIS

The cash flow statement shows a very positive development, as can be seen from the chart. Cash flow increased by 19% to €1,886 million in 2010 (2009: €1,579 million). This was mainly due to the Group's excellent earnings[1] performance. The change in working capital in 2010 was -€13 million (2009: -€46 million).

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2010	2009
Net income[1]	**1,205**	991
Depreciation and amortization	**639**	562
Change in pension provisions	**42**	26
Cash flow	**1,886**	1,579
Change in working capital	**-13**	-46
Change in mark-to-market valuation of the MEB and CVR	**38**	20
Operating cash flow	**1,911**	1,553
Property, plant and equipment	**-754**	-677
Proceeds from the sale of property, plant and equipment	**21**	15
Cash flow before acquisitions and dividends	**1,178**	891
Cash used for acquisitions/proceeds from disposals	**-504**	-227
Dividends	**-329**	-275
Cash flow after acquisitions and dividends	**345**	389
Cash provided by/used for financing activities (without dividends paid)	**-23**	-336
Effect of exchange rate changes on cash and cash equivalents	**27**	-3
Change in cash and cash equivalents	**349**	50

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

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

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

Operating cash flow increased by 23% to €1,911 million in 2010 (2009: €1,553 million). The cash flow margin was 12.0%, which was well above the level of the previous year (2009: 11.0%). Operating cash flow was more than sufficient to meet all the financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €754 million, and proceeds from the sale of property, plant and equipment were €21 million (2009: €677 million and €15 million, respectively).

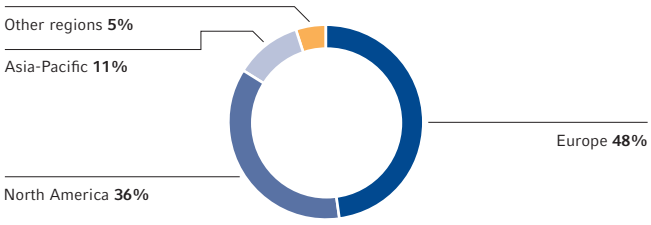
Cash flow before acquisitions and dividends rose by 32% to €1,178 million (2009: €891 million). This was sufficient to fully finance the net acquisitions of €504 million and the Group dividends of €329 million. Group dividends consisted of dividend payments of €122 million to the shareholders of Fresenius SE & Co. KGaA, payments of €183 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €89 million. These payments were offset by the dividend of €65 million which the former Fresenius SE received as a shareholder of Fresenius Medical Care.

The cash outflow from financing activities (without dividend payments) was €23 million (2009: €336 million). In addition to the expenditures on acquisitions, Group dividend payments resulted in a cash outflow of €329 million in 2010 (2009: €275 million). Cash and cash equivalents as of December 31, 2010 were €769 million (December 31, 2009: €420 million).

INVESTMENTS AND ACQUISITIONS

The Fresenius Group invested €1,402 million in 2010 (2009: €931 million). €758 million was invested in **property, plant and equipment** (2009: €671 million). At 4.7% of sales, that was in line with the targeted level (2009: 4.7% of sales). It was well above the depreciation level of €639 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. €644 million was invested in **acquisitions** (2009: €260 million). Of the total capital expenditure in 2010, 54% was invested in property, plant and equipment; 46% was spent on acquisitions.

INVESTMENTS BY REGION



2010: €1,402 million

INVESTMENTS AND ACQUISITIONS

€ in millions	2010	2009	Change
Investment in property, plant and equipment	**758**	671	13%
thereof maintenance	**44%**	50%	
thereof expansion	**56%**	50%	
Investment in property, plant and equipment as % of sales	**4.7%**	4.7%	
Acquisitions	**644**	260	148%
Total investments and acquisitions	**1,402**	931	51%

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

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

INVESTMENTS BY BUSINESS SEGMENT

€ in millions	2010	2009	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**991**	549	395	596	81%	71%
Fresenius Kabi	**205**	157	174	31	31%	14%
Fresenius Helios	**179**	203	166	13	-12%	13%
Fresenius Vamed	**14**	7	9	5	100%	1%
Corporate/Other	**13**	15	14	-1	-13%	1%
Total	**1,402**	931	758	644	51%	100%

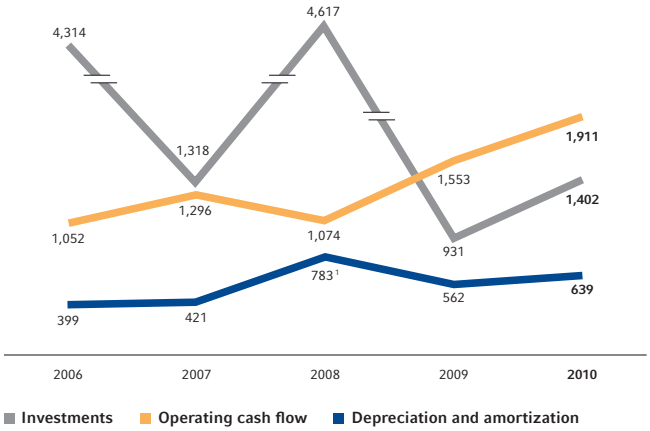
The largest single project at Fresenius Kabi was the acquisition of a compounding center in Germany, and at Fresenius Helios it was the acquisition of an acute care clinic.

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

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

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

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



[1] Including special items of €307 million related to the acquisition of APP Pharmaceuticals

ASSETS AND LIABILITIES

ASSET AND LIABILITY STRUCTURE

The **total assets** of the Group rose by €2,695 million (13%) to €23,577 million (December 31, 2009: €20,882 million). In constant currency, this was an increase of 7%. This growth was mainly due to the expansion of existing business activities. Inflation had no significant impact on the assets of Fresenius in 2010.

Non-current assets were €17,142 million (2009: €15,519 million). The increase was driven mainly by additions to property, plant and equipment and to intangible assets.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2010	2009	2008	2007	2006
Total assets	**23,577**	20,882	20,544	15,324	15,024
Shareholder's equity[1]	**8,844**	7,491	6,943	6,059	5,728
as % of total assets[1]	**38**	36	34	40	38
Shareholder's equity[1]/non-current assets, in %	**52**	48	45	55	52
Debt	**8,784**	8,299	8,787	5,699	5,872
as % of total assets	**37**	40	43	37	39
Gearing in %[1]	**91**	105	121	88	98

[1] Including noncontrolling interest

Current assets rose by 20% to €6,435 million (2009: €5,363 million). Within current assets, trade accounts receivable rose by 17% to €2,935 million (2009: €2,509 million). At 67 days, average days sales outstanding was slightly above the previous year's level of 65 days. Through strict accounts receivable management we were able to keep average days sales outstanding stable despite the continued difficult financial operating environment. Inventories rose by 14% to €1,411 million (2009: €1,235 million). The 48 days scope of inventory in 2010 was unchanged compared to 2009. The ratio of inventories to total assets increased slightly to 6.0% as of December 31, 2010 (December 31, 2009: 5.9%).

Shareholders' equity, including **noncontrolling interest**, rose by 18%, or €1,353 million, to €8,844 million (2009: €7,491 million). Group net income attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €622 million. The equity ratio, including noncontrolling interest, rose to 37.5% as of December 31, 2010 (December 31, 2009: 35.9%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 52% of non-current assets (2009: 48%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 36% of inventories.

Long-term liabilities decreased by 9% to €8,813 million as of December 31, 2010 (2009: €9,702 million). **Short-term liabilities** increased by 62% to €5,711 million (2009: €3,528 million). This is due to the fact that the Mandatory Exchangeable Bonds (MEB) in a nominal value of €554 million and Trust Preferred Securities in a nominal value of €468 million will be maturing in the coming year.

The Group has no significant accruals. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the National Medical Care transaction in 1996 that resulted from the bankruptcy of W.R. Grace. The accrual amounts to US$115 million (€86 million). Please see page 177 of the Notes for further information.

Group **debt** rose to €8,784 million (2009: €8,299 million). In constant currency, the increase was 1%. Its relative weight in the balance sheet declined to 37.3% (2009: 39.7%). Approximately 57% of the Group's debt is in U.S. dollars. Liabilities due in less than one year were €1,496 million (2009: €550 million), while liabilities with a remaining tenor of one to five years and over five years were €7,288 million (2009: €7,749 million).

The net debt to equity ratio including noncontrolling interest (gearing) has improved and is 90.6% (2009: 105.2%). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) rose to 13.3% (2009: 12.1%) and the return on total assets after taxes and before noncontrolling interest increased to 5.3% (2009: 4.8%); the above figures have been adjusted for the effects of the mark-to-market accounting of the MEB and the CVR.

The table below shows other key assets and capital ratios:

€ in millions	Dec 31, 2010	Dec 31, 2009
Debt/EBITDA	**2.9**	3.2
Net debt/EBITDA	**2.6**	3.0
EBITDA/interest ratio [1]	**5.4**	4.5

CURRENCY AND INTEREST RISK MANAGEMENT

The nominal value of all foreign currency hedging contracts was €3,323 million as of December 31, 2010. These contracts had a market value of -€68 million. The nominal value of interest rate hedging contracts was €3,906 million. These contracts had a market value of -€159 million. Please see the Risk Report on page 103 and 104 and the Notes on pages 181 to 187 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

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

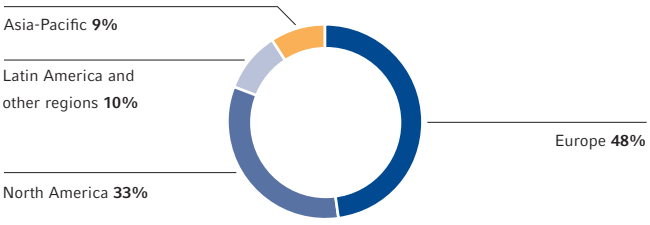
The Fresenius Group had 137,552 employees worldwide at the end of 2010, an increase of 7,042 or 5% (December 31, 2009: 130,510). Acquisitions contributed 2% to the increase.

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

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

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

EMPLOYEES BY REGION



2010: 137,552

Personnel expenses for the Fresenius Group were €5,354 million in 2010 (2009: €4,880 million), equivalent to 33.5% of sales (2009: 34.5%). Personnel expenses per employee were €39.9 thousand (2009: €38.2 thousand). The increase was mainly due to collectively bargained pay increases and the higher overall number of employees. There were no significant structural changes to compensation or employment agreements in 2010.

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

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

HUMAN RESOURCES MANAGEMENT

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

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

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

TALENT MANAGEMENT

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

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

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

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

PERSONNEL DEVELOPMENT

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

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

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

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

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

PERSONNEL MARKETING

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

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

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

IDEA MANAGEMENT

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

VOCATIONAL TRAINING MANAGEMENT

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

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

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

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

Fresenius. We address students as well as teachers. We invite school students to visit us and provide job application guidance and offer teachers various training courses within the Arbeitskreis *Schule* Wirtschaft (School and Industry Working Group).

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

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

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

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

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

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

With our **stock option plan**, we have a global compensation instrument linking the entrepreneurial responsibility of management to future opportunities and risks. After the change of legal form – and in accordance with the statutes of Fresenius SE & Co. KGaA – a total of up to 6,200,000 options on Fresenius SE & Co. KGaA ordinary shares can be issued under the 2008 Stock Option Plan to members of the Management Board and certain other executive officers up to the year 2012. The stock options are subject to a three-year vesting period. The stock options can be exercised if Group net income has been increased at an annual rate of at least 8% during this period. Otherwise, the options granted are forfeited proportionally. In 2010, 1,109,738 stock options were issued under this plan. For further information please see pages 191 to 198 of this annual report.

RESEARCH AND DEVELOPMENT

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

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

PROFIT-SHARING BONUS

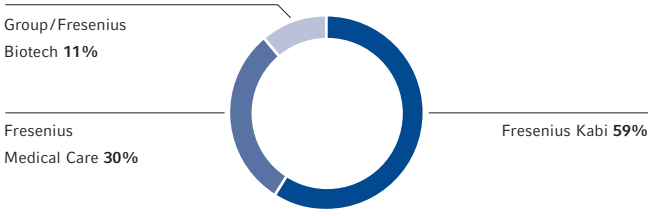
	2009	2008	2007	2006	2005
Profit-sharing bonus[1] in €	1,749	1,586	1,526	1,444	1,000
Eligible employees	1,710	1,630	1,690	1,830	1,780

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

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2010 we again successfully continued numerous projects and a number of new products were launched.

Expenses on research and development were €244 million (2009: €240 million). We therefore invested about 4% of our product sales in R & D (2009: 5%). The chart shows R & D expenses by segment. In 2010, Fresenius Medical Care increased its R & D spending by 9%, and Fresenius Kabi by 11%. In the segment Corporate/Other, €28 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the €44 million spent in the previous year. Detailed figures are included in the segment reporting on pages 126 to 127.

R & D EXPENSES BY SEGMENT



2010: €244 million

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

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

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

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

FRESENIUS MEDICAL CARE

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

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

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

	2010	2009	2008	2007	2006
R & D expenses, € in millions	**244**	240	207[1]	184	167
as % of product sales	**4.2**	4.7	4.7[1]	4.9	4.7
R & D employees	**1,449**	1,421	1,336	999	911

[1] Excluding amortization expenses of €272 million on in-process R & D activities acquired with APP Pharmaceuticals

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

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

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

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

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

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

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

FRESENIUS KABI

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

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

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

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

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

Infusion therapies

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

[1] Fresenius Kabi market research

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

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

Intravenously administered drugs

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

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

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

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

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

Clinical nutrition

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

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

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

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

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

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

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

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

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

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

FRESENIUS BIOTECH

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

Trifunctional antibodies

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

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

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

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

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

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

Immunosuppressive agent ATG-Fresenius S

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

currently in contact with various European authorities to obtain approval for this indication on the basis of the available clinical data. The results so far provide strong support for conducting a pivotal phase III study in order to gain access to further international markets. This is currently at the planning stage.

PROCUREMENT

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

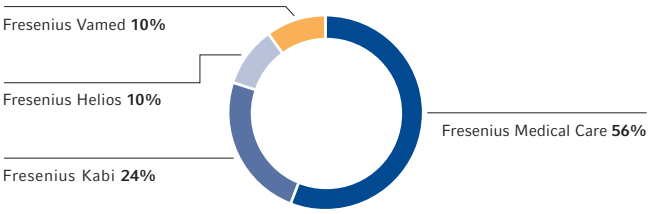
Global **procurement processes** are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. Current market and price developments are also analyzed on an ongoing basis. In addition, these central coordinating offices organize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

In 2010, the cost of raw materials and supplies and of purchased components and services was €4,732 million (2009: €4,286 million), as the table shows:

€ in millions	2010	2009
Cost of raw materials and supplies	**4,092**	3,715
Cost of purchased components and services	**640**	571
Total	**4,732**	4,286

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

COST OF MATERIAL BY BUSINESS SEGMENT [1]



[1] Before consolidation

FRESENIUS MEDICAL CARE

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

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

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

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

All of our locations need to be supplied with raw materials and components of consistent high quality. We are therefore sourcing increasingly from suppliers who operate internationally and have production capacities throughout the world. In 2010, GMO supplemented the existing supplier management

system by integrating a new **risk management** process. This monitors the relations with strategic suppliers on the basis of standardized criteria. These criteria include the solvency of our suppliers, their short and mid-term supply capacity, and possible monopoly positions as well as currency risks and quality risks.

FRESENIUS KABI

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

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

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

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

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

FRESENIUS HELIOS

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

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

Medical devices were integrated into HELIOS-Kliniken's Group-wide sourcing organization in the first half of 2010. This is one of the biggest product groups in the procurement management system and was a separate operation until 2010. By

embedding medical devices into the Group-wide procurement organization, HELIOS now manages all the main hospital sourcing requirements centrally.

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

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

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

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

FRESENIUS VAMED

Procurement management at Fresenius Vamed consists of the following activities:

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

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

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

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

QUALITY MANAGEMENT

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

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

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

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

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

FRESENIUS MEDICAL CARE

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

The quality management system combines internal regulations and processes with the specification of external standards – such as ISO 9001:2000 for quality management systems and ISO 13485:2003 for medical products. We also apply the guidelines issued by the U.S. Food and Drug Administration, the EU Medical Device Directive (MDD) and Good Manufacturing Practices (GMP), and international rules for the safe and high-quality manufacture of pharmaceutical products and medical devices. Today, our sites are already certified to various regional quality standards. This enables products to be supplied flexibly to different markets, thus increasing the reliability of supply. The GMO division described in the procurement management section on page 87 will be intensifying

these multiple certifications within Fresenius Medical Care. Another focus is to harmonize quality management generally, e. g. to achieve supra-regionally comparable processes and systems for quality assurance and quality improvement.

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

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

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

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

FRESENIUS KABI

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

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

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

The **matrix certification** to ISO 9001 was continued as planned in 2010: We integrated production plants, compounding centers, and sales organizations in India, Europe, and in

North and South America. With the exception of locations at the companies acquired in 2008, Fresenius Kabi has almost completed the global certification process.

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

FRESENIUS HELIOS

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

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

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

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

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

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

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

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

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

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

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

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

FRESENIUS VAMED

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

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

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

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

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

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

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients, employees, and third parties in a sustainable manner. Our **responsibility as a health care group** goes beyond our business operations. One example is the Group-wide aid campaign for the victims of the Haiti earthquake at the beginning of 2010. Working together with government authorities and international aid organizations in the region, Fresenius made emergency supplies available for treating over 185,000 patients. This included infusions, anesthetics, antibiotics, and medical devices from Fresenius Kabi as well as dialysis products from Fresenius Medical Care. Together with the aid organization Austria International, Fresenius Vamed set up a mobile medical facility which, in addition to an ambulatory surgery unit, also included an intensive care unit and an emergency center.

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

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

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

FRESENIUS MEDICAL CARE

Fresenius Medical Care is committed to promoting environmental awareness and protecting the environment through a wide range of initiatives and projects. We are continuously improving our operational efficiency, for instance through saving energy or by conserving resources. We also examine whether environment-friendly products and services can create added value for customers.

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

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

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

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

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

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

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

FRESENIUS KABI

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

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

We continued to implement measures in 2010 to reduce **energy consumption**, **CO_2 emissions**, and the consumption of **natural resources**: An analysis conducted at the Friedberg site in 2009 had revealed energy-saving potentials, which we then implemented incrementally in 2010. This included the installation of a solar thermal energy plant for process water and heating. In another project we optimized the lighting at the site and reduced energy consumption by about 70,000 KWh per year. We also invested in modernizing supply lines such as compressed air systems or refrigerating machines used in production.

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

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

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

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

The Linz plant is one of the biggest producers of hydroxyethyl starch (HES) and lactulose in the world. Lactulose is produced from lactose through processes of chemical conversion. It is primarily used as a laxative, thanks to its probiotic as well as osmotic effect. A further indication is the treatment of diseases of the liver, due to its detoxifying effect. **Energy and resource conservation potentials** had already been realized in production in 2009. Further measures were implemented in 2010. As a result, the consumption of activated carbon in HES production was reduced by 30% for instance.

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

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

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

FRESENIUS HELIOS

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

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

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

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

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

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

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

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

FRESENIUS VAMED

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

VAMED has also achieved successes in the **service business**. For more than two decades, VAMED has been responsible for the technical management of the Vienna General Hospital and University Hospital (AKH), one of the largest hospitals

in Austria with over 10,000 employees. In 2010, AKH's greenhouse gas emissions were reduced by about 13% compared to 1996, the reference year for the reduction targets. The international target set by the Kyoto Protocol, to reduce emissions by 5.2%, has therefore been exceeded more than twofold. The success is due to improvements in the areas of air-conditioning and heat recovery. In addition to CO_2, achievement of the Kyoto targets also takes account of other greenhouse gases. The AKH, together with VAMED, has set itself the target of reducing greenhouse gas emissions by 2012 by three times the amount required by the Kyoto Protocol.

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

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

SALES, MARKETING, AND LOGISTICS

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

Fresenius' products are shipped by the production plants to central warehouses. These central warehouses dispatch the products to the regional warehouses, which then distribute them to the clinics and other customers, or directly to a patient's home. The business segments offer after-sales services, training in the local language, technical support, servicing, and maintenance and warranty arrangements in every country in which Fresenius sells its products. Product training is also provided, while regional service centers are responsible for day-to-day international service support.

The business segments have the following **customer structure**. Dialysis clinics and hospitals are Fresenius Medical Care's main customers for its products business. Approximately 32% of its revenues are derived from the U.S. government's Medicare and Medicaid programs, with about 68% from private and other health care payors and from hospitals.

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

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

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

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

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

OPPORTUNITIES AND RISK REPORT

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

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

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

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and institutions and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 107.

RISK MANAGEMENT

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

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

- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.
- The managers responsible are required to report without delay any relevant changes in the risk profile to the Management Board.
- Markets are kept under constant observation and close contacts maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

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

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

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

INTERNAL FINANCIAL REPORTING CONTROLS

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

- local entity
- region
- business segment
- Group

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

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

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

RISK AREAS

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

GENERAL ECONOMIC RISKS

At present, the development of the global economy exhibits no significant risk to the Fresenius Group, although overall economic growth in 2011 will probably be slightly lower than in 2010. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect continued growing demand for our life-saving and life-sustaining products and services.

RISKS IN THE GENERAL OPERATING FRAMEWORK

The risk situation for each business segment also depends on the development of its markets. Political, legal, and financial conditions are therefore monitored and evaluated carefully. This applies especially to countries with budget problems as a result of the sovereign debt. In addition, the growing internationalization of our markets requires us to keep abreast of country-specific risks.

RISKS IN THE HEALTH CARE SECTOR

Risks related to **changes in the health care market** are of major importance to the Fresenius Group. The main risks are the development of new products and therapies by competitors, the financing of health care systems, and 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 – 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. For instance, changes in the regulations concerning the reimbursement for erythropoietin (EPO) in the United States, or a change in the dosage, an interruption in supply or worsening procurement conditions could have a significant impact on the revenues and earnings of Fresenius. EPO is a hormone used in dialysis that stimulates the production of red blood cells. From January 1, 2011 onwards, the compensation of EPO is included in a base rate of an extended bundled reimbursement rate of Medicare. Higher costs for EPO could significantly impact revenues and earnings. Reimbursement and revenues from the administration of EPO accounted for approximately 7% of total sales of the Fresenius Group in 2010.

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

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

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

Research and development

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

Risks from the integration of acquisitions

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

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

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

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

Personnel risks

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

Financial risks

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

The Fresenius Group's **currency management** is based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk 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, 2010, approximately 74% 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 26%, or €2,284 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

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

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The exposure to currency risks arising from our business activities (**transaction risks**) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €18 million. Information can be found on pages 185 to 187 of the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are **tested for impairment** each year. Further information can be found on page 137 of the Notes.

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

Fresenius' **debt** has increased significantly as a result of the financing of the APP Pharmaceuticals acquisition in 2008, reaching €8,784 million as of December 31, 2010. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. We reduce these risks through a high proportion of medium and long-term funding with a balanced maturity profile. Furthermore, the Group has only limited short-term funding requirements.

Government reimbursement payments

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

A large part of Group revenue derives from government reimbursement programs, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. As of January 1, 2011, a new **reimbursement system** based on a **bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. It encompasses those products and services that were paid under the composite rate as well as separately payable drugs and laboratory tests. The initial base reimbursement rate is set at US$229.63 per dialysis treatment (representing 98% of the estimated 2011 Medicare program costs of dialysis care as calculated under the current reimbursement system).

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

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

Legal risks

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

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

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

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

Further information to legal matters, especially in respect to essential patent infringement claims, can be found on pages 177 to 181 of the Notes.

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

Other risks

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

ASSESSMENT OF OVERALL RISK

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

CORPORATE RATING

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

RATING OF FRESENIUS SE & CO. KGAA

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

SUBSEQUENT EVENTS

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

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

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

In February 2011, Fresenius Medical Care AG issued unsecured Senior Notes in the principal amounts of US$650 million and €300 million, mainly to refinance the acquisition of IDC. Further information is provided on page 72 of the management report.

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

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 99 ff.

GENERAL AND MID-TERM OUTLOOK

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

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

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

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

  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce infusion and nutrition therapy products to the U.S. market.
- The **broadening of our services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities, for instance, for Fresenius Medical Care. Since Japan is one of the world's biggest dialysis markets, changes in the framework conditions for operating dialysis clinics as a private company could open up new revenue potential for Fresenius Medical Care. Germany is the fourth largest market in the world for Fresenius Medical Care in terms of the number of dialysis patients. The company is now in a position to offer dialysis care through medical care centers. Here, Fresenius Medical Care perceives its role as a partner for customers in creating new supply structures in the German health care sector and sees such ventures as an opportunity to strengthen its business long term. At the end of 2010, Fresenius Medical Care participated in 8 medical care centers (2009: 4).
- **Selective acquisitions**: besides good organic growth as basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

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

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

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

FUTURE MARKETS

As an international company, we offer our products and services in more than 170 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we expect that there will be opportunities for us to penetrate

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

ECONOMIC OUTLOOK

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

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

EUROPE

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

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

UNITED STATES

The development of the U.S. economy will probably further recover in 2011. Investment expenditure should pick up at a slightly stronger pace, supported by the still very favorable interest rate level and an expansive monetary policy. However, the deleveraging process among households and in the financial sector and high unemployment will continue to weigh on private consumption. Still, on the positive side, the increase in the household savings rate makes a sudden plunge in consumption unlikely. Growth expectations are dampened especially by the sluggish trend on the labor market, where unemployment is still high at 9.8%. However, a slight improvement in the jobless rate is expected in 2011.

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

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

ASIA

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

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

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

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

LATIN AMERICA

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

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

HEALTH CARE SECTOR AND MARKETS

The health care sector continues to be one of the world's largest industries and is considered to be largely independent of economic cycles. The demand especially for life-saving and life-sustaining products and services will remain intact as they are medically needed and the population is aging.

However, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue growth as governments seek to ease their health care spending.

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

THE DIALYSIS MARKET

We expect the worldwide number of dialysis patients to rise by approximately 6% p. a. in the coming years, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 3 to 5% p. a. In many emerging countries, however, where needs are still not met sufficiently, we expect growth in patient numbers of up to 10%, and in some

countries even higher rates. This growth is driven by steadily evolving health care systems that are providing broader patient care. As more than 80% of the world's population lives in these countries, this opens up strong potential for the entire spectrum of dialysis care and dialysis products.

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

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

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

Further information is provided on page 105 of the Management Report.

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

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

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

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

THE GERMAN HOSPITAL MARKET

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

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

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

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

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG system). The different base rates from state to state are to be

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

successively harmonized over a period of five years from 2010 onwards toward a standardized, nationwide base rate corridor. The originally planned convergence to a standardized, nationwide base rate starting in 2015 was lifted.

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

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

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

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

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

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

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

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

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

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

GROUP SALES AND EARNINGS

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

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

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

GROUP FINANCIAL TARGETS

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

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

SALES AND EARNINGS BY BUSINESS SEGMENT

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

FINANCIAL TARGETS BY BUSINESS SEGMENT

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

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

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

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

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

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

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

FINANCING

In 2010, we generated an excellent operating cash flow of €1,911 million driven by strong earnings and tight working capital management. The cash flow margin was 12.0%. In 2011, we expect to achieve a **cash flow margin** at a high single-digit rate of sales.

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

Unused credit lines under syndicated or bilateral credit facilities from banks will generally provide us with a sufficient **financial cushion**. Fresenius SE & Co. KGaA's €250 million commercial paper program was not utilized. For further details please see page 164.

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

INVESTMENTS

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

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

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

PROCUREMENT

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

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

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

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

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

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

At our **HELIOS clinics**, the central materials management unit plans to complete the project for a common consumption data platform in 2011. After a validation phase, the system will be available to all clinics within the HELIOS network. In other strategic projects we are focusing on **medical devices**. As a first step, product strategies are being formulated together with users within the clinic network, with the focus on medical use as well as quality criteria. In a second step, the bundling of purchasing volumes is planned in order to leverage cost-cutting potentials.

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

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

RESEARCH AND DEVELOPMENT

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

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

of patients, we increasingly want to leverage this extensive portfolio in order to offer holistic or integrated health care concepts (disease management) to our partners in the health care sector.

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

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

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

In the **biotechnology sector** we are concentrating on the further clinical development of the antibody catumaxomab in order to achieve a stronger commercial success with the Removab product. More information on this can be found on page 86.

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

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

CORPORATE STRUCTURE AND ORGANIZATION

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

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

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

DIVIDEND

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

CONTENT CONSOLIDATED FINANCIAL STATEMENTS

118 Consolidated statement of income

119 Consolidated statement of comprehensive income

120 Consolidated statement of financial position

122 Consolidated statement of cash flows

124 Consolidated statement of changes in equity

126 Consolidated segment reporting

130 Notes

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

€ in millions	Note	2010	2009
Sales	4	**15,972**	14,164
Cost of sales	5	**-10,646**	-9,528
Gross profit		**5,326**	4,636
Selling, general and administrative expenses	8	**-2,664**	-2,342
Research and development expenses		**-244**	-240
Operating income (EBIT)		**2,418**	2,054
Interest income	9	**30**	22
Interest expenses	9	**-596**	-602
Other financial result	10	**-66**	-31
Financial result		**-632**	-611
Income before income taxes		**1,786**	1,443
Income taxes	11	**-581**	-452
Net income		**1,205**	991
Less noncontrolling interest	26	**583**	497
Net income attributable to Fresenius SE & Co. KGaA		**622**	494
Earnings per ordinary share in €	12	**3.85**	3.06
Fully diluted earnings per ordinary share in €	12	**3.79**	3.04
Earnings per preference share in €	12	**3.85**	3.07
Fully diluted earnings per preference share in €	12	**3.79**	3.05

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

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

€ in millions	Note	2010	2009
Net income		**1,205**	991
Other comprehensive income (loss)			
Foreign currency translation	28, 30	**377**	-125
Cash flow hedges	28, 30	**-15**	2
Actuarial losses on defined benefit pension plans	25, 28	**-54**	-5
Income taxes related to components of other comprehensive income (loss)	28	**11**	-5
Other comprehensive income (loss)		**319**	-133
Total comprehensive income		**1,524**	858
Comprehensive income attributable to noncontrolling interest subject to put provisions		**33**	16
Comprehensive income attributable to noncontrolling interest not subject to put provisions		**689**	391
Comprehensive income attributable to Fresenius SE & Co. KGaA		**802**	451

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

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

as of December 31, € in millions	Note	2010	2009
Cash and cash equivalents	13	**769**	420
Trade accounts receivable, less allowance for doubtful accounts	14	**2,935**	2,509
Accounts receivable from and loans to related parties		**15**	26
Inventories	15	**1,411**	1,235
Other current assets	16	**925**	893
Deferred taxes	11	**380**	280
I. Total current assets		**6,435**	5,363
Property, plant and equipment	17	**3,954**	3,559
Goodwill	18	**11,464**	10,356
Other intangible assets	18	**984**	1,053
Other non-current assets	16	**628**	436
Deferred taxes	11	**112**	115
II. Total non-current assets		**17,142**	15,519
Total assets		**23,577**	20,882

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2010	2009
Trade accounts payable		**691**	601
Short-term accounts payable to related parties		**2**	7
Short-term accrued expenses and other short-term liabilities	19, 20	**2,731**	2,197
Short-term debt	21	**606**	287
Short-term loans from related parties		**2**	2
Current portion of long-term debt and capital lease obligations	21	**420**	261
Mandatory Exchangeable Bonds	23	**554**	0
Trust preferred securities of Fresenius Medical Care Capital Trusts	24	**468**	0
Short-term accruals for income taxes		**163**	122
Deferred taxes	11	**74**	51
A. Total short-term liabilities		**5,711**	3,528
Long-term debt and capital lease obligations, less current portion	21	**4,919**	5,228
Senior Notes	22	**2,369**	2,066
Mandatory Exchangeable Bonds	23	**0**	554
Long-term accrued expenses and other long-term liabilities	19, 20	**458**	481
Trust preferred securities of Fresenius Medical Care Capital Trusts	24	**0**	455
Pension liabilities	25	**383**	309
Long-term accruals for income taxes		**196**	194
Deferred taxes	11	**488**	415
B. Total long-term liabilities		**8,813**	9,702
I. Total liabilities		**14,524**	13,230
II. Noncontrolling interest subject to put provisions	26	**209**	161
A. Noncontrolling interest not subject to put provisions	26	**3,879**	3,257
Subscribed capital	27	**162**	161
Capital reserve	27	**2,085**	2,035
Other reserves	27	**2,683**	2,183
Accumulated other comprehensive income (loss)	28	**35**	-145
B. Total Fresenius SE & Co. KGaA shareholders' equity		**4,965**	4,234
III. Total shareholders' equity		**8,844**	7,491
Total liabilities and shareholders' equity		**23,577**	20,882

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

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

January 1 to December 31, € in millions	Note	2010	2009
Operating activities			
Net income		**1,205**	991
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	16, 17, 18	**639**	562
Change in deferred taxes	11	**11**	11
Gain/loss on sale of fixed assets		**1**	–
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	14	**-275**	-7
Inventories	15	**-81**	-92
Other current and non-current assets	16	**57**	-96
Accounts receivable from/payable to related parties		**6**	-4
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**346**	122
Accruals for income taxes		**2**	66
Net cash provided by operating activities		**1,911**	1,553
Investing activities			
Purchase of property, plant and equipment		**-754**	-677
Proceeds from sales of property, plant and equipment		**21**	15
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 32	**-615**	-236
Proceeds from investments and divestitures		**111**	9
Net cash used in investing activities		**-1,237**	-889

January 1 to December 31, € in millions	Note	2010	2009
Financing activities			
Proceeds from short-term loans	21	**233**	73
Repayments of short-term loans	21	**-196**	-296
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	21	**541**	700
Repayments of long-term debt and capital lease obligations	21	**-1,185**	-1,288
Proceeds from the issuance of Senior Notes	22	**242**	753
Repayments of liabilities from Senior Notes	22	**0**	-100
Changes of accounts receivable securitization program	21	**223**	-233
Proceeds from the exercise of stock options	34	**121**	56
Dividends paid		**-329**	-275
Change in noncontrolling interest	26	**-3**	-2
Exchange rate effect due to corporate financing		**1**	1
Net cash used in financing activities		**-352**	-611
Effect of exchange rate changes on cash and cash equivalents		**27**	-3
Net increase in cash and cash equivalents		**349**	50
Cash and cash equivalents at the beginning of the reporting period	13	**420**	370
Cash and cash equivalents at the end of the reporting period	13	**769**	420

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

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

		Ordinary shares		Preference shares		Subscribed Capital	
	Note	Number of shares in thousand	Amount € in thousands	Number of shares in thousand	Amount € in thousands	Amount € in thousands	Amount € in millions
As of December 31, 2008		80,572	80,572	80,572	80,572	161,144	161
Proceeds from the exercise of stock options	34	86	86	86	86	172	–
Compensation expense related to stock options	34						
Dividends paid	27						
Purchase of noncontrolling interest not subject to put provisions	26						
Change in fair value of noncontrolling interest subject to put provisions	26						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	28, 30						
Foreign currency translation	28, 30						
Adjustments relating to pension obligations	25, 28						
Comprehensive income (loss)							
As of December 31, 2009		80,658	80,658	80,658	80,658	161,316	161
Proceeds from the exercise of stock options	34	567	567	567	567	1,134	1
Compensation expense related to stock options	34						
Dividends paid	27						
Purchase of noncontrolling interest not subject to put provisions	26						
Change in fair value of noncontrolling interest subject to put provisions	26						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	28, 30						
Foreign currency translation	28, 30						
Adjustments relating to pension obligations	25, 28						
Comprehensive income							
As of December 31, 2010		**81,225**	**81,225**	**81,225**	**81,225**	**162,450**	**162**

	Note	Reserves		Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest not subject to put provisions € in millions	Total shareholders' equity € in millions
		Capital reserve € in millions	Other reserves € in millions				
As of December 31, 2008		2,020	1,803	-102	3,882	2,944	6,826
Proceeds from the exercise of stock options	34	4			4	52	56
Compensation expense related to stock options	34	21			21	15	36
Dividends paid	27		-114		-114	-154	-268
Purchase of noncontrolling interest not subject to put provisions	26				0	27	27
Change in fair value of noncontrolling interest subject to put provisions	26	-10			-10	-18	-28
Comprehensive income (loss)							
Net income			494		494	477	971
Other comprehensive income (loss)							
Cash flow hedges	28, 30			-8	-8	0	-8
Foreign currency translation	28, 30			-29	-29	-86	-115
Adjustments relating to pension obligations	25, 28			-6	-6	0	-6
Comprehensive income (loss)			494	-43	451	391	842
As of December 31, 2009		2,035	2,183	-145	4,234	3,257	7,491
Proceeds from the exercise of stock options	34	37			38	83	121
Compensation expense related to stock options	34	19			19	14	33
Dividends paid	27		-122		-122	-172	-294
Purchase of noncontrolling interest not subject to put provisions	26				0	35	35
Change in fair value of noncontrolling interest subject to put provisions	26	-6			-6	-27	-33
Comprehensive income (loss)							
Net income			622		622	561	1,183
Other comprehensive income (loss)							
Cash flow hedges	28, 30			-12	-12	0	-12
Foreign currency translation	28, 30			230	230	128	358
Adjustments relating to pension obligations	25, 28			-38	-38	0	-38
Comprehensive income			622	180	802	689	1,491
As of December 31, 2010		**2,085**	**2,683**	**35**	**4,965**	**3,879**	**8,844**

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

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

by business segment

	Fresenius Medical Care			Fresenius Kabi		
€ in millions	**2010**	2009	Change	**2010**	2009	Change
Sales	**9,091**	8,064	13%	**3,672**	3,086	19%
thereof contribution to consolidated sales	**9,088**	8,061	13%	**3,629**	3,046	19%
thereof intercompany sales	**3**	3	0%	**43**	40	8%
contribution to consolidated sales	**57%**	57%		**23%**	22%	
EBITDA	**1,830**	1,586	15%	**893**	742	20%
Depreciation and amortization	**379**	327	16%	**156**	135	16%
EBIT	**1,451**	1,259	15%	**737**	607	21%
Net interest	**-211**	-215	2%	**-279**	-302	8%
Income taxes	**-436**	-352	-24%	**-142**	-89	-60%
Net income attributable to Fresenius SE & Co. KGaA	**738**	639	15%	**294**	200	47%
Operating cash flow	**1,032**	960	8%	**567**	397	43%
Cash flow before acquisitions and dividends	**649**	557	17%	**401**	272	47%
Total assets	**12,793**	10,982	16%	**6,860**	6,335	8%
Debt	**4,400**	3,865	14%	**4,298**	4,184	3%
Capital expenditure, gross	**395**	411	-4%	**174**	125	39%
Acquisitions, gross	**596**	138	--	**31**	32	-3%
Research and development expenses	**73**	67	9%	**143**	129	11%
Employees (per capita on balance sheet date)	**77,442**	71,617	8%	**22,851**	21,872	4%
Key figures						
EBITDA margin	**20.1%**	19.7%		**24.3%**	24.0%	
EBIT margin	**16.0%**	15.6%		**20.1%**	19.7%	
Depreciation and amortization in % of sales	**4.2%**	4.1%		**4.2%**	4.4%	
Operating cash flow in % of sales	**11.4%**	11.9%		**15.4%**	12.9%	
ROOA	**12.5%**	12.2%		**11.9%**	10.2%	

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

Fresenius Helios			Fresenius Vamed			Corporate/Other[1]			Fresenius Group		
2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change	**2010**	2009	Change
2,520	2,416	4%	**713**	618	15%	**-24**	-20	-20%	**15,972**	14,164	13%
2,520	2,416	4%	**713**	618	15%	**22**	23	-4%	**15,972**	14,164	13%
0	0		**–**	–	--	**-46**	-43	-7%	**0**	0	
16%	17%		**4%**	4%		**0%**	0%		**100%**	100%	
318	286	11%	**49**	42	17%	**-33**	-40	18%	**3,057**	2,616	17%
83	81	2%	**8**	6	33%	**13**	13	0%	**639**	562	14%
235	205	15%	**41**	36	14%	**-46**	-53	13%	**2,418**	2,054	18%
-55	-55	0%	**2**	3	-33%	**-23**	-11	-109%	**-566**	-580	2%
-37	-32	-16%	**-12**	-12	0%	**46**	33	39%	**-581**	-452	-29%
131	107	22%	**30**	27	11%	**-571**	-479	-19%	**622**	494	26%
311	219	42%	**47**	29	62%	**-46**	-52	12%	**1,911**	1,553	23%
150	95	58%	**38**	24	58%	**-60**	-57	-5%	**1,178**	891	32%
3,270	3,199	2%	**549**	456	20%	**105**	-90	--	**23,577**	20,882	13%
1,096	1,099	0%	**16**	2	--	**-1,026**	-851	-21%	**8,784**	8,299	6%
166	124	34%	**9**	5	80%	**14**	6	133%	**758**	671	13%
13	79	-84%	**5**	2	150%	**-1**	9	-111%	**644**	260	148%
–	–	--	**0**	0		**28**	44	-36%	**244**	240	2%
33,321	33,364	0%	**3,110**	2,849	9%	**828**	808	2%	**137,552**	130,510	5%
12.6%	11.8%		**6.9%**	6.8%					**19.1%**	18.5%	
9.3%	8.5%		**5.8%**	5.8%					**15.1%**	14.5%	
3.3%	3.4%		**1.1%**	1.0%					**4.0%**	4.0%	
12.3%	9.1%		**6.6%**	4.7%					**12.0%**	11.0%	
7.8%	7.1%		**22.2%**	22.8%					**11.6%**	10.5%	

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

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

by region

	Europe			North America		
€ in millions	**2010**	2009	Change	**2010**	2009	Change
Sales	**6,515**	6,045	8%	**7,020**	6,113	15%
contribution to consolidated sales	**41%**	42%		**44%**	43%	
EBIT	**723**	673	7%	**1,347**	1,092	23%
Depreciation and amortization	**294**	271	8%	**265**	232	14%
Total assets	**8,935**	7,763	15%	**12,152**	11,176	9%
Capital expenditure, gross	**400**	350	14%	**223**	229	-3%
Acquisitions, gross	**267**	136	96%	**277**	98	183%
Employees (per capita on balance sheet date)	**66,179**	63,602	4%	**46,082**	44,590	3%

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change	**2010**	2009	Change
	1,307	1,088	20%	**814**	641	27%	**316**	277	14%	**15,972**	14,164	13%
	8%	8%		**5%**	5%		**2%**	2%		**100%**	100%	
	205	173	18%	**107**	87	23%	**36**	29	24%	**2,418**	2,054	18%
	47	36	31%	**27**	19	42%	**6**	4	50%	**639**	562	14%
	1,610	1,233	31%	**755**	616	23%	**125**	94	33%	**23,577**	20,882	13%
	73	50	46%	**52**	37	41%	**10**	5	100%	**758**	671	13%
	89	12	--	**11**	13	-15%	**–**	1	-100%	**644**	260	148%
	12,258	10,356	18%	**11,726**	10,804	9%	**1,307**	1,158	13%	**137,552**	130,510	5%

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

CONTENT NOTES

131 General notes
131 1. Principles
131 I. Group structure
131 II. Change of Fresenius SE's legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien) and conversion of the preference shares into ordinary shares
132 III. Basis of presentation
132 IV. Summary of significant accounting policies
142 V. Critical accounting policies
144 2. Acquisitions and divestitures

145 Notes on the consolidated statement of income
145 3. Special items
145 4. Sales
145 5. Cost of sales
145 6. Cost of materials
145 7. Personnel expenses
146 8. Selling, general and administrative expenses
146 9. Net interest
146 10. Other financial result
146 11. Taxes
149 12. Earnings per share

150 Notes on the consolidated statement of financial position
150 13. Cash and cash equivalents
150 14. Trade accounts receivable
150 15. Inventories
151 16. Other current and non-current assets
151 17. Property, plant and equipment
153 18. Goodwill and other intangible assets
156 19. Other accrued expenses
157 20. Other liabilities
158 21. Debt and capital lease obligations
165 22. Senior Notes
166 23. Mandatory Exchangeable Bonds
167 24. Trust preferred securities
168 25. Pensions and similar obligations
173 26. Noncontrolling interest
173 27. Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE) shareholders' equity
176 28. Other comprehensive income (loss)

177 Other notes
177 29. Commitments and contingent liabilities
181 30. Financial instruments
188 31. Supplementary information on capital management
189 32. Supplementary information on the consolidated statement of cash flows
189 33. Notes on the consolidated segment reporting
191 34. Stock options
198 35. Related party transactions
198 36. Subsequent events

199 Notes in accordance with the German Commercial Code (HGB)
199 37. Compensation of the Management Board and the Supervisory Board
199 38. Auditor's fees
199 39. Corporate Governance
199 40. Proposal for the distribution of earnings
200 41. Responsibility statement

GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. BASIS OF PRESENTATION

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

Fresenius SE & Co. KGaA as a stock exchange listed company with a domicile in a member state of the European Union fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with U.S. GAAP.

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

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

Associated companies (usually 20% to 50% of voting rights) are consolidated using the equity method. Investments that are not classified as in associated companies are recorded at acquisition costs.

All significant intercompany sales, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory

acquired from other Group entities are also eliminated. Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest subject to put provisions is recognized between liabilities and equity in the consolidated statement of financial position. Noncontrolling interest not subject to put provisions comprises the interest of noncontrolling shareholders in the consolidated equity of Group entities. Profits and losses attributable to the noncontrolling shareholders are separately disclosed in the consolidated statement of income.

b) Composition of the Group

The consolidated financial statements include all material companies in which Fresenius SE & Co. KGaA has legal or effective control. In addition, the Fresenius Group consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary.

Fresenius Medical Care entered into various arrangements with certain dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product distributor have either negative equity or are unable to provide their own funding and operations. Therefore, Fresenius Medical Care has agreed to fund their operations through loans.

The compensation for the funding can carry interest, exclusive product supply agreements or Fresenius Medical Care is entitled to a prorata share of profits, if any, and has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are VIEs in which Fresenius Medical Care has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately €100 million (US$133 million) and €81 million (US$113 million) in sales in 2010 and 2009, respectively. Fresenius Medical Care provided funding to these VIEs through loans and accounts receivable of €83 million (US$111 million) and €29 million (US$42 million) in 2010 and 2009, respectively. Relating to the VIEs, in 2010, Fresenius Medical Care consolidated assets in an amount of €130 million (US$174 million), liabilities in an amount of €89 million (US$119 million) and €41 million (US$55 million) in equity. In 2009, €74 million (US$106 million) assets, €42 million (US$60 million) liabilities and €32 million (US$46 million) equity were consolidated. The interest held by the other shareholders in the consolidated VIEs is reported as noncontrolling interest in the consolidated statement of financial position at December 31, 2010.

Fresenius Vamed participates in long-term project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. Some of these project entities qualify as VIEs, in which Fresenius Vamed is not the primary beneficiary based on the cash flow analysis of the involved parties. The project entities generated approximately €54 million in sales in 2010 (2009: €32 million). The VIEs finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the VIEs are not material. Fresenius Vamed made no payments to the VIEs other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these VIEs.

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

The composition of the Group changed as follows:

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

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

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

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

Name of the company	Registered office
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Bad Homburg v. d. H.
Fresenius ProServe GmbH	Bad Homburg v. d. H.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungs-gesellschaft mbH & Co. KG	München
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Kabi AG	Bad Homburg v. d. H.
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
V. Krütten Medizinische Einmalgeräte GmbH	Idstein
Fresenius Helios	
HELIOS Agnes Karll Krankenhaus GmbH	Bochum
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Versorgungszentrum Bad Saarow GmbH	Bad Saarow
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum

c) Classifications

The Fresenius Group has reclassified and revalued noncontrolling interest subject to put provisions in the consolidated statement of financial position. As a result, at December 31, 2009, the Fresenius Group reclassified €125 million from noncontrolling interest, €38 million from capital reserve and -€2 million from accumulated other comprehensive loss to noncontrolling interest subject to put provisions. The Fresenius Group has also renamed the remaining balance of noncontrolling interest as noncontrolling interest not subject to put provisions. The consolidated statement of changes in equity has been adjusted accordingly. There is no impact on the consolidated statement of income.

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

d) Hyperinflationary accounting

Due to the inflationary development in Venezuela, Fresenius Medical Care's subsidiaries operating in Venezuela apply Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 830, Foreign Currency Matters, as of January 1, 2010. All gains and losses resulting from the remeasurement of assets and liabilities were recognized in the consolidated statement of income.

e) Sales recognition policy

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

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

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

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

f) Government grants

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

g) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings. Research and development expenses are expensed as incurred.

h) Impairment

The Fresenius Group reviews the carrying amounts of its property, plant and equipment, its intangible assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amount of an asset to the future net cash flow directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset. The Fresenius Group uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell and depreciation is ceased.

i) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if they are directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2010 and 2009, interest of €4 million and

€8 million, based on an average interest rate of 4.90% and 5.56%, respectively, was recognized as a component of the cost of assets.

j) Deferred taxes

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income attributable to Fresenius SE & Co. KGaA. Deferred tax assets also include claims to future tax reductions which arise from the more likely than not expected usage of existing tax losses available for carryforward. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

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

The realizability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the realizability of deferred taxes, the Management considers whether it is more likely than not that some portion or all of a deferred tax asset will be realized or whether deferred tax liabilities will be reversed. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

If it is no longer more likely than not that sufficient taxable income will be available to allow the benefit of part or of the entire deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced to that certain extent. The reduction is reversed to the date and extent that it becomes probable that sufficient taxable profit will be available.

k) Unrecognized tax benefits

The recognition and measurement of all tax positions taken or expected to be taken in a tax return requires a two step approach. The Fresenius Group must determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the consolidated financial statements.

l) Earnings per ordinary share and preference share

Basic earnings per ordinary share are computed by dividing net income attributable to Fresenius SE & Co. KGaA less preference amounts by the weighted-average number of ordinary shares and preference shares outstanding during the year. Basic earnings per preference share are derived by adding the preference per preference share to the basic earnings per ordinary share. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that would have been outstanding during the fiscal year. The awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

m) Cash and cash equivalents

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

n) Trade accounts receivable

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

o) Inventories

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

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

p) Property, plant and equipment

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

q) Intangible assets with finite useful lives

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

Losses in value of a lasting nature are impaired.

r) Goodwill and other intangible assets with indefinite useful lives

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

To perform the annual impairment test of goodwill, the Fresenius Group identified several reporting units and determined their carrying amount by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. A reporting unit is usually defined one level below the segment level according to regions or legal entities. Five reporting units were identified in the segment Fresenius Medical Care (Europe, Latin America, Asia-Pacific, North American Renal Therapy Group, North American Fresenius Medical Services). In the segment Fresenius Kabi

exists one reporting unit for the region North America and one reporting unit for the business outside of North America. According to the regional organizational structure, the segment Fresenius Helios consists of seven reporting units, which are managed by a central division. The segment Fresenius Vamed consists of two reporting units (Project business and Service business). At least once a year, the Fresenius Group compares the fair value of each reporting unit to the reporting unit's carrying amount. The fair value of a reporting unit is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the reporting unit. In case that the fair value of the reporting unit is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

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

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

s) Leases

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

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

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

t) Financial instruments

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

The relationship between classes and categories as well as the reconciliation to the consolidated statement of financial position is shown in tabular form in note 30, Financial instruments.

The Fresenius Group has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value. The methodology the Fresenius Group uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a

multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from Fresenius Group's current estimates depending upon market conditions.

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized at fair value as assets or liabilities in the consolidated statement of financial position. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity until the secured underlying transaction is realized (see note 30, Financial instruments). The ineffective portion of cash flow hedges is recognized in current earnings. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized periodically in earnings.

u) Liabilities

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

v) Legal contingencies

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

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

w) Other accrued expenses

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

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

x) Pension liabilities and similar obligations

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

y) Debt issuance costs

Debt issuance costs are capitalized separate from the underlying debt and are amortized over the term of the related obligation.

z) Stock option plans

In line with the standard for share-based payment, the Fresenius Group uses the modified prospective transition method. Under this transition method, compensation cost recognized in 2009 and in 2010 include applicable amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, January 1, 2006; (b) compensation cost for all stock-based payments subsequent to January 1, 2006 (based on the grant-date fair value estimated).

aa) Self-insurance programs

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

bb) Foreign currency translation

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

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

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

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

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

cc) Fair value hierarchy

The three-tier fair value hierarchy defined in Financial Accounting Standard Boards Accounting Standards Codification (FASB ASC) Topic 820, Fair Value Measurements and Disclosures, classifies assets and liabilities recognized at fair value based on the inputs used in estimating the fair value. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little

or no market data exists, therefore requiring (the company) to develop its own assumptions. The three-tier fair value hierarchy is used in note 25, Pensions and similar obligations and in note 30, Financial instruments.

dd) Use of estimates

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

ee) Receivables management

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

ff) Recent pronouncements, applied

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

The Fresenius Group applied the following standards, as far as they are relevant for Fresenius Group's business, for the first time in 2010:

In July 2010, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Update 2010-20** (ASU 2010-20), Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 is an update of FASB ASC Topic 310, Receivables. This update requires enhanced disclosures on a disaggregated basis about:

- the nature of the credit risk inherent in the portfolio of financing receivables
- how that risk is analyzed and assessed in arriving at the allowance for credit losses
- the changes and reasons for those changes in the allowance for credit losses

The disclosures required under ASU 2010-20 as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. Disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. Earlier adoption is permitted. The Fresenius Group implemented the amendments prescribed by ASU 2010-20 as of January 1, 2010.

In June 2009, the FASB issued **Accounting Standards Update 2009-17** (ASU 2009-17), FASB ASC Topic 810, Consolidations – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 requires reporting entities to evaluate former Qualifying Special Purpose Entities (QSPE) for consolidation and changes the approach to determining a Variable Interest Entity's (VIE) primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. In addition, ASU 2009-17 increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE.

In June 2009, the FASB issued **Accounting Standards Update 2009-16** (ASU 2009-16), FASB ASC Topic 860, Transfers and Servicing – Accounting for Transfers of Financial Assets. ASU 2009-16 eliminates the QSPE concept, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the derecognition criteria, revises how retained interests are initially measured, and

removes the guaranteed mortgage securitization recharacterization provisions. ASU 2009-16 also requires additional year-end and interim disclosures about risks related to VIEs.

The Fresenius Group implemented the amendments prescribed by ASU 2009-16 and ASU 2009-17 as of January 1, 2010, which did not have a material impact on the results of the Fresenius Group in the fiscal year 2010.

gg) Recent pronouncements, not yet applied

The FASB did not issue any for the Fresenius Group relevant new standard, which is mandatory for fiscal years commencing on or after January 1, 2011.

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

V. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2010 and December 31, 2009, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €11,641 million and €10,670 million, respectively. This represented 49% and 51%, respectively, of total assets.

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

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

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect Fresenius Group's future operating results.

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see note 29, Commitments and contingent liabilities.

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

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

c) Allowance for doubtful accounts

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

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

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

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

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

d) Self-insurance programs

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

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of €644 million and €260 million in 2010 and 2009, respectively. Of this amount, €516 million was paid in cash and €128 million was assumed obligations in 2010.

Fresenius Medical Care

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

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

Fresenius Kabi

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

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

Fresenius Helios

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

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

Fresenius Vamed

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

Corporate/Other

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

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

In the fiscal year 2010, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was €480 million and €310 million in 2010 and 2009, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €359 million and the other intangible assets were €121 million. Of this goodwill, €324 million is attributable to the acquisitions of Fresenius Medical Care, €30 million to Fresenius Kabi's acquisitions, €1 million to the acquisitions of Fresenius Helios and €4 million to the acquisitions of Fresenius Vamed.

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

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

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

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

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

€ in millions	Other financial result	Net income attributable to Fresenius SE & Co. KGaA
Earnings 2010, adjusted		660
Mandatory Exchangeable Bonds (mark-to-market)	-98	-70
Contingent Value Rights (mark-to-market)	32	32
Earnings 2010 according to U.S. GAAP		**622**

€ in millions	Other financial result	Net income attributable to Fresenius SE & Co. KGaA
Earnings 2009, adjusted		514
Mandatory Exchangeable Bonds (mark-to-market)	-37	-26
Contingent Value Rights (mark-to-market)	6	6
Earnings 2009 according to U.S. GAAP		**494**

For further information regarding Mandatory Exchangeable Bonds and Contingent Value Rights see note 10, Other financial result.

4. SALES

Sales by activity were as follows:

€ in millions	2010	2009
Sales of services	**9,631**	8,643
Sales of products and related goods	**5,850**	5,097
Sales from long-term production contracts	**490**	423
Other sales	**1**	1
Sales	**15,972**	14,164

A sales analysis by business segment and region is shown in the segment information on pages 126 to 129.

5. COST OF SALES

Cost of sales comprised the following:

€ in millions	2010	2009
Costs of services	**7,144**	6,519
Manufacturing cost of products and related goods	**3,098**	2,655
Cost of long-term production contracts	**404**	354
Other cost of sales	**–**	–
Cost of sales	**10,646**	9,528

6. COST OF MATERIALS

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

€ in millions	2010	2009
Costs of raw materials, supplies and purchased components	**4,092**	3,715
Cost of purchased services	**640**	571
Cost of materials	**4,732**	4,286

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €5,354 million and €4,880 million in 2010 and 2009, respectively.

Personnel expenses comprised the following:

€ in millions	2010	2009
Wages and salaries	**4,221**	3,882
Social security contributions, cost of retirement pensions and social assistance	**1,133**	998
thereof retirement pensions	**132**	120
Personnel expenses	**5,354**	4,880

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

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

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

General and administrative expenses amounted to €2,049 million (2009: €1,781 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

9. NET INTEREST

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

10. OTHER FINANCIAL RESULT

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

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

Due to their contractual definition, the issued Mandatory Exchangeable Bonds (MEB) include derivative financial instruments that have to be measured at fair value. This measurement resulted in an expense (before tax) of €98 million in 2010 (2009: expense before tax of €37 million). However, this measurement does not cause a change of the MEB's nominal amount of €554.4 million that has to be settled in ordinary shares of Fresenius Medical Care AG & Co. KGaA upon maturity, but mainly reflects the share price development of these shares (see note 23, Mandatory Exchangeable Bonds).

11. TAXES

INCOME TAXES

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

€ in millions	**2010**	2009
Germany	**338**	342
International	**1,448**	1,101
Total	**1,786**	1,443

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

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2009			
Germany	83	–	83
International	358	11	369
Total	441	11	452
2010			
Germany	**97**	**-10**	**87**
International	**472**	**22**	**494**
Total	**569**	**12**	**581**

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

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

€ in millions	2010	2009
Computed "expected" income tax expense	**518**	418
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**12**	11
Tax rate differential	**63**	54
Tax-free income	**-23**	-32
Taxes for prior years	**9**	19
Changes in valuation allowances on deferred tax assets	**24**	5
Noncontrolling partnership interests	**-20**	-19
Other	**-2**	-4
Income tax	**581**	452
Effective tax rate	**32.5%**	31.3%

DEFERRED TAXES

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

€ in millions	2010	2009
Deferred tax assets		
Accounts receivable	**29**	33
Inventories	**65**	54
Other current assets	**47**	38
Other non-current assets	**84**	54
Accrued expenses	**235**	208
Other short-term liabilities	**88**	61
Other liabilities	**37**	39
Benefit obligations	**55**	37
Losses carried forward from prior years	**145**	124
Deferred tax assets, before valuation allowance	**785**	648
less valuation allowance	**116**	92
Deferred tax assets	**669**	556
Deferred tax liabilities		
Accounts receivable	**12**	10
Inventories	**15**	13
Other current assets	**113**	54
Other non-current assets	**511**	486
Accrued expenses	**8**	43
Other short-term liabilities	**53**	7
Other liabilities	**27**	14
Deferred tax liabilities	**739**	627
Net deferred taxes	**-70**	-71

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

	2010		2009	
€ in millions		thereof short-term		thereof short-term
Deferred tax assets	**492**	**380**	395	280
Deferred tax liabilities	**562**	**74**	466	51
Net deferred taxes	**-70**	**306**	-71	229

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

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

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

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

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2010.

UNRECOGNIZED TAX BENEFITS

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

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

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

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

The following table shows the changes to unrecognized tax benefits during the year 2010:

€ in millions	2010
Balance at January 1, 2010	**355**
Increase in unrecognized tax benefits prior periods	10
Decrease in unrecognized tax benefits prior periods	-15
Increase in unrecognized tax benefits current periods	18
Changes related to settlements with tax authorities	-26
Foreign currency translation	12
Balance at December 31, 2010	**354**

Included in the balance at December 31, 2010 are €354 million of unrecognized tax benefits, which would affect the effective tax rate if recognized. As a result of the settlement agreement for 1997 noted above, the Fresenius Group estimates that the unrecognized tax benefits at December 31, 2010 could be reduced by approximately US$196 million in 2011 with a small portion of the reduction being realized as an additional tax benefit in 2011. The Fresenius Group is currently not in a position to forecast the timing and magnitude of changes in other unrecognized tax benefits.

It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. During the fiscal year 2010, the Fresenius Group recognized €8 million in interest and penalties. The Fresenius Group had a total accrual of €43 million of tax related interest and penalties at December 31, 2010.

12. EARNINGS PER SHARE

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

	2010	2009
Numerators, € in millions		
Net income attributable to Fresenius SE & Co. KGaA	**622**	494
less preference on preference shares	**0**	1
less effect from dilution due to Fresenius Medical Care shares and MEB	**6**	1
Income available to all classes of shares	**616**	492
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**80,870,695**	80,595,319
Weighted-average number of preference shares outstanding	**80,870,695**	80,595,319
Weighted-average number of shares outstanding of all classes	**161,741,390**	161,190,638
Potentially dilutive ordinary shares	**541,580**	268,447
Potentially dilutive preference shares	**541,580**	268,447
Weighted-average number of ordinary shares outstanding assuming dilution	**81,412,275**	80,863,766
Weighted-average number of preference shares outstanding assuming dilution	**81,412,275**	80,863,766
Weighted-average number of shares outstanding of all classes assuming dilution	**162,824,550**	161,727,532
Basic earnings per ordinary share in €	**3.85**	3.06
Preference per preference share in €	**0.00**	0.01
Basic earnings per preference share in €	**3.85**	3.07
Fully diluted earnings per ordinary share in €	**3.79**	3.04
Preference per preference share in €	**0.00**	0.01
Fully diluted earnings per preference share in €	**3.79**	3.05

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

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

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. CASH AND CASH EQUIVALENTS

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

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

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

14. TRADE ACCOUNTS RECEIVABLE

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

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

All trade accounts receivable are due within one year.

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

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

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

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

15. INVENTORIES

As of December 31, inventories consisted of the following:

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

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

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

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

16. OTHER CURRENT AND NON-CURRENT ASSETS

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

	2010		2009	
€ in millions		thereof short-term		thereof short-term
Investments and long-term loans	**254**	**6**	74	5
Tax receivables	**240**	**224**	253	242
Discounts	**124**	**124**	129	129
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**111**	**79**	145	89
Capitalized debt financing costs	**108**	**10**	107	10
Leasing receivables	**73**	**29**	55	22
Advances made	**53**	**52**	41	39
Prepaid expenses	**45**	**15**	32	16
Derivative financial instruments	**25**	**18**	49	29
Re-insurance claims	**25**	**0**	23	0
Accounts receivable from management contracts in clinics	**7**	**7**	6	6
Other assets	**496**	**367**	428	318
Other assets, gross	**1,561**	**931**	1,342	905
less allowances	**8**	**6**	13	12
Other assets, net	**1,553**	**925**	1,329	893

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2010**
Land and land facilities	206	7	1	8	–	1	**221**
Buildings and improvements	2,628	111	16	86	193	58	**2,976**
Machinery and equipment	3,355	178	42	326	110	215	**3,796**
Machinery, equipment and rental equipment under capital leases	146	3	7	20	-65	13	**98**
Construction in progress	340	18	12	304	-250	5	**419**
Property, plant and equipment	6,675	317	78	744	-12	292	**7,510**

DEPRECIATION

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2010**
Land and land facilities	2	2	0	–	–	–	**4**
Buildings and improvements	1,038	48	1	173	37	51	**1,246**
Machinery and equipment	2,001	97	16	351	–	196	**2,269**
Machinery, equipment and rental equipment under capital leases	74	1	–	8	-39	8	**36**
Construction in progress	1	–	0	–	0	–	**1**
Property, plant and equipment	3,116	148	17	532	-2	255	**3,556**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Land and land facilities	199	1	4	3	1	2	**206**
Buildings and improvements	2,424	-20	11	85	144	16	**2,628**
Machinery and equipment	3,023	8	29	283	96	84	**3,355**
Machinery, equipment and rental equipment under capital leases	138	–	1	9	-1	1	**146**
Construction in progress	346	–	3	252	-254	7	**340**
Property, plant and equipment	6,130	-11	48	632	-14	110	**6,675**

DEPRECIATION

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Land and land facilities	2	–	–	–	–	–	**2**
Buildings and improvements	898	-10	2	158	1	11	**1,038**
Machinery and equipment	1,744	5	12	305	-1	64	**2,001**
Machinery, equipment and rental equipment under capital leases	65	–	–	10	–	1	**74**
Construction in progress	1	0	0	–	0	0	**1**
Property, plant and equipment	2,710	-5	14	473	–	76	**3,116**

CARRYING AMOUNTS

€ in millions	**Dec. 31, 2010**	Dec. 31, 2009
Land and land facilities	**217**	204
Buildings and improvements	**1,730**	1,590
Machinery and equipment	**1,527**	1,354
Machinery, equipment and rental equipment under capital leases	**62**	72
Construction in progress	**418**	339
Property, plant and equipment	**3,954**	3,559

Depreciation on property, plant and equipment for the years 2010 and 2009 was €532 million and €473 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2010 and 2009 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of €312 million and €253 million, respectively.

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

For details of minimum lease payments see note 21, Debt and capital lease obligations.

18. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2010
Goodwill	10,356	587	355	4	162	0	**11,464**
Patents, product and distribution rights	538	35	4	39	2	1	**617**
Tradenames	161	12	–	–	–	0	**173**
Technology	69	6	8	0	0	0	**83**
Non-compete agreements	157	12	20	–	–	5	**184**
Management contracts	153	13	0	0	-162	0	**4**
Other	423	32	15	35	–	21	**484**
Goodwill and other intangible assets	11,857	697	402	78	2	27	**13,009**

AMORTIZATION

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2010
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	93	4	–	43	–	1	**139**
Tradenames	0	0	0	0	0	0	**0**
Technology	12	1	0	6	0	0	**19**
Non-compete agreements	109	8	0	13	–	5	**125**
Management contracts	0	0	0	0	0	0	**0**
Other	234	22	–	43	–	21	**278**
Goodwill and other intangible assets	448	35	–	105	–	27	**561**

ACQUISITION COST

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Goodwill	10,383	-252	220	5	–	0	**10,356**
Patents, product and distribution rights	540	-14	–	12	1	1	**538**
Tradenames	166	-5	0	–	–	–	**161**
Technology	71	-2	0	0	0	0	**69**
Non-compete agreements	158	-5	3	1	0	0	**157**
Management contracts	158	-5	0	0	–	0	**153**
Other	361	-4	11	54	6	5	**423**
Goodwill and other intangible assets	11,837	-287	234	72	7	6	**11,857**

AMORTIZATION

€ in millions	As of Jan. 1, 2009	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2009**
Goodwill	4	0	-4	0	0	0	**0**
Patents, product and distribution rights	54	-1	–	41	–	1	**93**
Tradenames	0	0	0	0	0	0	**0**
Technology	8	0	0	4	0	0	**12**
Non-compete agreements	102	-4	0	11	–	0	**109**
Management contracts	0	0	0	0	0	0	**0**
Other	212	-2	–	31	–	7	**234**
Goodwill and other intangible assets	380	-7	-4	87	–	8	**448**

CARRYING AMOUNTS

€ in millions	**Dec. 31, 2010**	Dec. 31, 2009
Goodwill	**11,464**	10,356
Patents, product and distribution rights	**478**	445
Tradenames	**173**	161
Technology	**64**	57
Non-compete agreements	**59**	48
Management contracts	**4**	153
Other	**206**	189
Goodwill and other intangible assets	**12,448**	11,409

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

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2010			Dec. 31, 2009		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**617**	**139**	**478**	538	93	445
Technology	**83**	**19**	**64**	69	12	57
Non-compete agreements	**184**	**125**	**59**	157	109	48
Other	**484**	**278**	**206**	423	234	189
Total	**1,368**	**561**	**807**	1,187	448	739

NON-AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2010			Dec. 31, 2009		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**173**	**0**	**173**	161	0	161
Management contracts	**4**	**0**	**4**	153	0	153
Goodwill	**11,464**	**0**	**11,464**	10,356	0	10,356
Total	**11,641**	**0**	**11,641**	10,670	0	10,670

In the second quarter of 2010, administrative services agreements of Fresenius Medical Care in an amount of US$215 million (€162 million) were reclassified from the category management contracts to goodwill due to a change in New York state regulations that allowed Fresenius Medical Care, beginning in April 2010, to directly own the managed facilities in that state.

Amortization on intangible assets amounted to €105 million and €87 million for the years 2010 and 2009, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

€ in millions	2011	2012	2013	2014	2015
Estimated amortization expenses	97	90	85	80	71

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2009	**5,253**	**3,511**	**1,565**	**44**	**6**	**10,379**
Additions	125	43	61	0	0	229
Foreign currency translation	-164	-88	0	0	0	-252
Carrying amount as of December 31, 2009	**5,214**	**3,466**	**1,626**	**44**	**6**	**10,356**
Additions	324	30	1	4	0	359
Reclassifications	162	0	0	0	0	162
Foreign currency translation	392	195	0	0	0	587
Carrying amount as of December 31, 2010	**6,092**	**3,691**	**1,627**	**48**	**6**	**11,464**

As of December 31, 2010 and December 31, 2009, the carrying amounts of the other non-amortizable intangible assets were €161 million and €299 million, respectively, for Fresenius Medical Care as well as €16 million and €15 million, respectively, for Fresenius Kabi.

19. OTHER ACCRUED EXPENSES

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

	2010		2009	
€ in millions		thereof short-term		thereof short-term
Personnel expenses	**482**	**423**	379	331
Invoices outstanding	**188**	**188**	147	147
Self-insurance programs	**123**	**123**	119	119
Bonuses and discounts	**89**	**89**	78	78
Special charge for legal matters	**86**	**86**	80	80
Legal matters, advisory and audit fees	**66**	**66**	42	42
Warranties and complaints	**36**	**34**	28	24
Commissions	**21**	**21**	18	18
Physician compensation	**4**	**4**	5	5
All other accrued expenses	**387**	**339**	316	278
Other accrued expenses	**1,482**	**1,373**	1,212	1,122

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

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	As of Dec. 31, 2010
Personnel expenses	379	16	3	342	13	-251	-20	**482**
Invoices outstanding	147	3	1	245	-7	-186	-15	**188**
Self-insurance programs	119	9	–	7	–	-12	–	**123**
Bonuses and discounts	78	4	1	149	-6	-133	-4	**89**
Special charge for legal matters	80	6	0	0	0	0	0	**86**
Legal matters, advisory and audit fees	42	2	–	50	-2	-25	-1	**66**
Warranties and complaints	28	–	0	18	1	-6	-5	**36**
Commissions	18	–	–	20	–	-15	-2	**21**
Physician compensation	5	1	0	0	0	-2	0	**4**
All other accrued expenses	316	9	5	484	15	-405	-37	**387**
Total	1,212	50	10	1,315	14	-1,035	-84	**1,482**

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

In 2001, Fresenius Medical Care recorded a US$258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$115 million (€86 million), without interest, upon plan confirmation (see note 29, Commitments and contingent liabilities). With the exception of the proposed US$115 million settlement payment, all other matters included in the special charge have been resolved.

20. OTHER LIABILITIES

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

	2010		2009	
€ in millions		thereof short-term		thereof short-term
Derivative financial instruments	**363**	**239**	185	28
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**183**	**177**	215	203
Interest liabilities	**126**	**126**	117	117
Tax liabilities	**117**	**114**	117	114
Accounts receivable credit balance	**104**	**22**	97	22
Personnel liabilities	**102**	**97**	90	86
Advance payments from customers	**79**	**72**	55	49
Leasing liabilities	**54**	**54**	46	46
All other liabilities	**579**	**457**	544	410
Other liabilities	**1,707**	**1,358**	1,466	1,075

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

At December 31, 2010, the total amount of other non-current liabilities was €349 million, thereof €290 million was due between one and five years and €59 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €458 million also included long-term accrued expenses of €109 million as of December 31, 2010.

21. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €606 million and €287 million at December 31, 2010 and December 31, 2009, respectively. As of December 31, 2010, these consisted of €224 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and €382 million outstanding short-term borrowings under the accounts receivable facility described in the following. The average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2010 and 2009 were 5.14% and 5.03%, respectively.

In September 2010, the asset securitization facility (accounts receivable facility) of Fresenius Medical Care was extended to September 27, 2011 and increased by US$50 million to US$700 million. Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the consolidated statement of financial position and the proceeds from the transfer of percentage ownership interests are recorded within short-term debt.

At December 31, 2010, there were outstanding short-term borrowings under the accounts receivable facility of US$510 million (€382 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2010 was 1.86%. Annual refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

€ in millions	2010	2009
Fresenius Medical Care 2006 Senior Credit Agreement	**2,211**	2,445
2008 Senior Credit Agreement	**1,484**	1,602
Euro Notes	**800**	800
European Investment Bank Agreements	**531**	424
Capital lease obligations	**54**	45
Other	**259**	173
Subtotal	**5,339**	5,489
less current portion	**420**	261
Long-term debt and capital lease obligations, less current portion	**4,919**	5,228

Maturities of long-term debt and capital lease obligations are shown in the following table:

€ in millions	up to 1 year	1 to 5 years	more than 5 years
Fresenius Medical Care 2006 Senior Credit Agreement	102	2,109	0
2008 Senior Credit Agreement	194	1,290	0
Euro Notes	0	800	0
European Investment Bank Agreements	8	491	32
Capital lease obligations	10	26	18
Other	106	91	62
Long-term debt and capital lease obligations	**420**	**4,807**	**112**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2010 are:

for the fiscal years	€ in millions
2011	420
2012	1,708
2013	1,709
2014	1,366
2015	24
Subsequent years	112
Total	**5,339**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA), Fresenius Medical Care Holdings, Inc. (FMCH), and certain other subsidiaries of FMC-AG & Co. KGaA that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH (FMC D-GmbH), entered into a US$4.6 billion syndicated credit facility (Fresenius Medical Care 2006 Senior Credit Agreement) with several banks and institutional investors (the Lenders) on March 31, 2006 which replaced a prior credit agreement.

Since entering into the 2006 Senior Credit Agreement, Fresenius Medical Care arranged several amendments and effected voluntary prepayments of the Term Loans, which led to a change in the total amount available under this facility. Pursuant to an amendment together with an extension arranged on September 29, 2010, the Revolving Credit Facility was increased from US$1,000 million to US$1,200 million and the Term Loan A facility by US$50 million to US$1,365 million. The maturity for both tranches was extended from March 31, 2011 to March 31, 2013. Additionally, the early repayment requirement for Term Loan B, which stipulated that Term Loan B was subject to early retirement if the Trust Preferred Securities due June 15, 2011 were not paid, refinanced or extended prior to March 1, 2011, has been removed. The definition of Fresenius Medical Care's consolidated leverage ratio was amended to allow for the reduction of up to US$250 million (increased from US$30 million) of cash and cash equivalents from consolidated funded debt. In addition, the amendment includes increases in certain types of permitted borrowings outside of the amended Fresenius Medical Care 2006 Senior Credit Agreement and provides further flexibility for certain types of investments. Furthermore, the parties agreed to change the limitation on dividends and other restricted payments from US$300 million for dividends in 2010 for up to US$330 million in 2011. Thereafter, these limitations increase by US$30 million each year through 2013.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at December 31:

	2010			
	Maximum amount available		Balance outstanding	
	US$ in millions	€ in millions	**US$ in millions**	**€ in millions**
Revolving Credit	1,200	898	**81**	**61**
Term Loan A	1,335	999	**1,335**	**999**
Term Loan B	1,538	1,151	**1,538**	**1,151**
Total	4,073	3,048	**2,954**	**2,211**

	2009			
	Maximum amount available		Balance outstanding	
	US$ in millions	€ in millions	**US$ in millions**	**€ in millions**
Revolving Credit	1,000	694	**595**	**413**
Term Loan A	1,373	953	**1,373**	**953**
Term Loan B	1,554	1,079	**1,554**	**1,079**
Total	3,927	2,726	**3,522**	**2,445**

In addition, at December 31, 2010 and December 31, 2009, US$122 million and US$97 million, respectively, were utilized as letters of credit which were not included as part of the balances outstanding at those dates.

As of December 31, 2010, the amended and extended Fresenius Medical Care 2006 Senior Credit Agreement consisted of:

- A US$1,200 million Revolving Credit Facility (of which up to US$400 million is available for letters of credit, up to US$400 million is available for borrowings in certain non-U.S. currencies, up to US$150 million is available as swingline loans in U.S. dollars, up to US$250 million is available as a competitive loan facility, and up to US$50 million is available as swingline loans in certain non-U.S. currencies, the total of which cannot exceed US$1,200 million) which will be due and payable on March 31, 2013.
- A Term Loan Facility (Term Loan A) of US$1,335 million, also scheduled to mature on March 31, 2013. Quarterly repayments on Term Loan A of US$30 million each permanently reduce the Term Loan Facility at the end of each quarter until December 31, 2012. The remaining balance outstanding is due on March 31, 2013.
- A Term Loan Facility (Term Loan B) of US$1,538 million scheduled to mature on March 31, 2013 with five quarterly repayments of US$4 million followed by four quarterly repayments of US$379.4 million each due at the end of its respective quarter.

Interest on these facilities will be, at Fresenius Medical Care's option, depending on the interest periods chosen, at a rate equal to either LIBOR plus an applicable margin or the higher of (a) BofA's prime rate or (b) the Federal Funds rate plus 0.5%, plus an applicable margin. The applicable margin is variable and depends on Fresenius Medical Care's consolidated leverage ratio which is a ratio of its consolidated funded debt (less up to US$250 million cash and cash equivalents) to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care 2006 Senior Credit Agreement).

For a large portion of the floating rate borrowings under the Fresenius Medical Care 2006 Senior Credit Agreement, interest rate hedges have been arranged (see note 30, Financial instruments).

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

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

The Fresenius Medical Care 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is US$330 million for dividends paid in 2011, and increases by US$30 million each year through 2013. Fresenius Medical Care paid dividends of US$232 million in May of 2010 which was in compliance with the restrictions set forth in the Fresenius Medical Care 2006 Senior Credit Agreement. In default, the outstanding balance

under the Fresenius Medical Care 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

Fresenius Medical Care incurred fees of approximately US$86 million in conjunction with the Fresenius Medical Care 2006 Senior Credit Agreement and fees of approximately US$21 million in conjunction with the amendment and extension which will be amortized over the life of the credit agreement.

At December 31, 2010, the Revolving Credit and Term Loan A were shown in the position long-term debt and capital lease obligations due to the extension of the Fresenius Medical Care 2006 Senior Credit Agreement after being shown under short-term liabilities in the first half of 2010.

2008 Senior Credit Agreement

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

Since that date, amendments and voluntary prepayments were made which resulted in a change of the total amount available under this facility. In December 2009 and February 2010, voluntary prepayments of Term Loan B were made which amounted to US$199.7 million and €33 million. Amendments of the 2008 Senior Credit Agreement related to the financial covenants as defined in the agreement, among other things. In addition, the amendment in March 2010 led to a replacement of Term Loan B by Term Loan C. Both Term Loan facilities merely differ in terms of the applicable interest rate. The minimum LIBOR or EURIBOR was set for 1.50% (previously Term Loan B: 3.25%).

The following tables show the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31:

	2010			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities	US$550 million	411	**US$0 million**	**0**
Term Loan A	US$782 million	586	**US$782 million**	**586**
Term Loan C (in US$)	US$984 million	736	**US$984 million**	**736**
Term Loan C (in €)	€162 million	162	**€162 million**	**162**
Total		1,895		**1,484**

	2009			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities	US$550 million	382	**US$0 million**	**0**
Term Loan A	US$925 million	642	**US$925 million**	**642**
Term Loan B (in US$)	US$1,117 million	775	**US$1,117 million**	**775**
Term Loan B (in €)	€185 million	185	**€185 million**	**185**
Total		1,984		**1,602**

As of December 31, 2010, the 2008 Senior Credit Agreement consisted of:

- Revolving Credit Facilities in the aggregate principal amount of US$550 million (of which US$150 million is available to APP Pharmaceuticals, LLC and US$400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE & Co. KGaA) which will be due and payable on September 10, 2013.
- Term Loan Facilities (Term Loan A) in the aggregate principal amount of US$782 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, and to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in unequal semi-annual installments with a final maturity date on September 10, 2013.
- Term Loan Facilities (Term Loan C) in the aggregate principal amount of US$983.5 million and €162.5 million (of which US$579.3 million and €162.5 million are available to Fresenius US Finance I, Inc. and US$404.2 million is available to APP Pharmaceuticals, LLC). Term Loan C amortizes and is repayable in equal semi-annual installments with a final bullet payment on September 10, 2014.

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euros, EURIBOR for the relevant interest period. The applicable margin is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement. In the case of Term Loan C, a minimum LIBOR or EURIBOR was set for 1.50%.

To hedge large parts of the interest rate risk connected with the floating rate borrowings under the 2008 Senior Credit Agreement, the Fresenius Group entered into interest rate hedges.

In addition to scheduled principal payments, indebtedness outstanding under the 2008 Senior Credit Agreement will be reduced by mandatory prepayments in the case of certain sales of assets, incurrence of additional indebtedness, equity issuances and certain intercompany loan repayments, with the amount to be prepaid depending on the proceeds which are generated by the respective transaction.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of APP Pharmaceuticals, LLC under the 2008 Senior Credit Agreement that refinanced indebtedness under the former APP credit facility are secured by the assets of APP and its subsidiaries and guaranteed by APP's subsidiaries on the same basis as the former APP credit facility. All lenders also benefit from indirect security through pledges over the shares of certain subsidiaries of Fresenius Kabi AG and pledges over certain intercompany loans.

The 2008 Senior Credit Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends, among other items. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE & Co. KGaA and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum interest coverage ratio and limits amounts spent on capital expenditure. As of December 31, 2010, the Fresenius Group was in compliance with all covenants under the 2008 Senior Credit Agreement.

Euro Notes

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

			Book value/nominal value € in millions	
	Maturity	Interest rate	**2010**	2009
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59%	**62**	62
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**138**	138
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51%	**26**	26
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**	74
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98%	**112**	112
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**	88
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75%	**38**	38
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**	62
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	7.41%	**36**	36
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	variable	**119**	119
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38%	**15**	15
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**30**	30
Euro Notes			**800**	800

On April 27, 2009, Fresenius Medical Care issued senior and unsecured Euro Notes in a total amount of €200 million. They consist of four tranches having terms of 3.5 and 5.5 years with fixed and floating interest rate tranches. Proceeds were used to liquidate the Euro Notes from 2005 which were due in July 2009.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA. The Euro Notes of FMC-AG & Co. KGaA are guaranteed by FMCH and FMC D-GmbH.

Interest of the floating rate tranches of the Euro Notes is based on EURIBOR plus applicable margin. For a large portion of these tranches, interest rate swaps have been arranged (see note 30, Financial instruments). Only the floating rate tranches of the Euro Notes of FMC-AG & Co. KGaA in an amount of €149 million are exposed to the risk of interest rate increases.

European Investment Bank Agreements

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

		Maximum amount available € in millions		Book value € in millions	
	Maturity	**2010**	2009	**2010**	2009
Fresenius SE & Co. KGaA	2013	**196**	196	**196**	196
Fresenius Medical Care AG & Co. KGaA	2013/2014	**271**[1]	271	**263**[1]	148
HELIOS Kliniken GmbH	2019	**72**	80	**72**	80
Loans from EIB		**539**	547	**531**	424

[1] Difference due to foreign currency translation

The majority of the loans are denominated in euros. The U.S. dollar denominated borrowings of FMC-AG & Co. KGaA amount to US$165 million (€123 million).

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

In February 2010, a loan of €50 million was disbursed from the loan agreement FMC-AG & Co. KGaA entered into with the EIB in December 2009. The loan has a four-year term and is guaranteed by FMCH and FMC D-GmbH. In addition, FMC-AG & Co. KGaA drew down the remaining available balance of US$81 million on a revolving credit facility with the EIB in March 2010.

In September 2009, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) drew down a loan with the EIB of €100 million having a four-year term. The loan is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

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

The above mentioned loans bear variable interest rates which are based on EURIBOR or LIBOR plus applicable margin. These interest rates change quarterly. The loans under the EIB Agreements entered before 2009 are secured by bank guarantees. All credit agreements with the EIB have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

€ in millions	2010	2009
Capital lease obligations (minimum lease payments)	**68**	**50**
due within one year	12	13
due between one and five years	32	25
due later than five years	24	12
Interest component included in future minimum lease payments	**14**	**5**
due within one year	2	1
due between one and five years	6	3
due later than five years	6	1
Present value of capital lease obligations (minimum lease payments)	**54**	**45**
due within one year	10	12
due between one and five years	26	22
due later than five years	18	11

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of the reporting date. As of December 31, 2010, the additional financial cushion resulting from unutilized credit facilities was approximately €2.0 billion.

Syndicated credit facilities accounted for €1.1 billion. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$997 million (€746 million) and the 2008 Senior Credit Agreement in the amount of US$550 million (€411 million). Furthermore, bilateral facilities of approximately €835 million were available. They include credit facilities which subsidiaries of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

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

Additional financing of up to US$700 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$510 million as of December 31, 2010.

22. SENIOR NOTES

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

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**2010**	2009
Fresenius Finance B.V. 2006/2013	€500 million	Jan. 31, 2013	5.00%	**500**	500
Fresenius Finance B.V. 2006/2016	€650 million	Jan. 31, 2016	5.50%	**635**	639
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8¾%	**261**	259
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**356**	326
FMC Finance III S.A. 2007/2017	US$500 million	July 15, 2017	6⅞%	**370**	342
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**247**	0
Senior Notes				**2,369**	2,066

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

The Senior Notes issued by Fresenius Finance B.V. in an amount of €100 million which matured on April 30, 2009 were repaid on schedule.

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

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

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Notes reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayments plus interest. As of December 31, 2010, the Fresenius Group was in compliance with all of its covenants.

On January 20, 2010, FMC Finance VI S.A. issued €250 million of unsecured Senior Notes with a coupon of 5.50% at an issue price of 98.66%. The Senior Notes had a yield to maturity of 5.75% and are due July 15, 2016. Net proceeds were used to repay short-term indebtedness and for general corporate purposes.

On February 3, 2011, Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A. issued unsecured Senior Notes of US$650 million and €300 million, respectively, which are due on February 15, 2021. The Senior Notes issued by Fresenius Medical Care US Finance, Inc. with a coupon of 5.75% at an issue price of 99.06% have a yield to maturity of 5.875%. The Senior Notes issued by FMC Finance VII S.A. have a coupon of 5.25% and were issued at par. Net proceeds were or will be used to repay indebtedness, for acquisitions and for general corporate purposes.

The Senior Notes of FMC Finance III S.A., FMC Finance VI S.A., Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A. (wholly-owned subsidiaries of FMC-AG & Co. KGaA) are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. The issuers may redeem the Senior Notes at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indentures.

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes existing at this point in time.

23. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP Pharmaceuticals, Inc., Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of €554.4 million were launched in July 2008. Fresenius Finance B.V. subscribed for these MEB issued by Fresenius Finance (Jersey) Ltd. at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) who placed the MEB in the market. The bonds carry a coupon of 5⅝% per annum and will mature on August 14, 2011. Upon maturity, the bonds will be mandatorily exchangeable into ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) with a maximum of 17.42 million and a minimum of 14.76 million shares (based on the current exchange price) being deliverable, subject to anti-dilution adjustments with respect to FMC-AG & Co. KGaA (e. g. in case of corporate actions). The MEB are not redeemable in cash.

The initial minimum exchange price was set to €33.00 and the initial maximum exchange price was set to €38.94 (i. e. 118% of the initial minimum exchange price). Due to the dividend payments in May 2010 and 2009, the minimum exchange price and the maximum exchange price decreased to €31.83 and €37.56, respectively. Pursuant to the terms and conditions of the MEB, both the holder and the issuer may procure for the exchange of the bonds before maturity. In principal, the issuer, Fresenius Finance (Jersey) Ltd., may procure the exchange of all of the outstanding MEB for shares of FMC-AG & Co. KGaA at the maximum exchange ratio calculated on the relevant exchange date plus payment of any accrued and unpaid interest and a make-whole amount. Furthermore, the MEB shall be mandatorily exchangeable at the maximum exchange ratio plus such payments if the corporate rating of Fresenius SE & Co. KGaA falls below certain benchmarks and such benchmarks are subsequently not reinstated. Moreover, in the event of a change of control of Fresenius SE & Co. KGaA or FMC-AG & Co. KGaA, each holder of the MEB may elect to exchange its MEB at the maximum exchange ratio plus such payments. Each holder of the MEB may also exchange his MEB at the minimum exchange ratio calculated on the relevant exchange date without payment of accrued interest or any make-whole amount.

Fresenius SE & Co. KGaA guarantees in favor of Fresenius Finance (Jersey) Ltd. the payment of certain interest payments by Fresenius Finance B.V. Furthermore, it secures the delivery of the underlying shares of FMC-AG & Co. KGaA for

exchange via a pledge agreement. In addition, Fresenius SE & Co. KGaA has undertaken to the holders of the bonds that neither it nor any of its material subsidiaries provides any security of its assets for certain capital market indebtedness, without at the same time having the holders share equally and rateably in such security.

Due to their maturity on August 14, 2011, the MEB are shown under short-term liabilities in an amount of €554 million as of December 31, 2010.

The derivative financial instruments embedded in the MEB are measured at fair value and are shown separately in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities (2009 within: long-term accrued expenses and other long-term liabilities).

24. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware, United States. Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) owns all of the common securities of these trusts. The sole asset of each trust is a senior subordinated note of FMC-AG & Co. KGaA or a wholly-owned subsidiary of FMC-AG & Co. KGaA. FMC-AG & Co. KGaA, Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) and Fresenius Medical Care Holdings, Inc. (FMCH) have guaranteed payment and performance of the senior subordinated notes to the respective Fresenius Medical Care Capital Trusts. The trust preferred securities are guaranteed through a series of undertakings by FMC-AG & Co. KGaA, FMCH and FMC D-GmbH.

The trust preferred securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after 10 years. Earlier redemption at the option of the holders may also occur upon a change of control followed by a rating decline or defined events of default including a failure to pay interest. Upon liquidation of the trusts, the holders of trust preferred securities are entitled to a distribution equal to the stated amount. The trust preferred securities do not hold voting rights in the trust except under limited circumstances.

The indentures governing the notes held by the Fresenius Medical Care Capital Trusts contain affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Some of the covenants limit the indebtedness and the investments of FMC-AG & Co. KGaA and its subsidiaries, and require the maintenance of certain ratios defined in the agreement. As of December 31, 2010, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2010 and 2009 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2010 € in millions**	2009 € in millions
Fresenius Medical Care Capital Trust IV	2001	US$225 million	7⅞%	June 15, 2011	**168**	156
Fresenius Medical Care Capital Trust V	2001	€300 million	7⅜%	June 15, 2011	**300**	299
Trust preferred securities					**468**	455

The trust preferred securities of the Fresenius Medical Care Capital Trust IV and V are due on June 15, 2011 and are therefore shown under short-term liabilities in an amount of €468 million at December 31, 2010 (2009 under: long-term liabilities).

25. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

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

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

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and differences between the actual and the estimated return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

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

DEFINED BENEFIT PENSION PLANS

At December 31, 2010, the projected benefit obligation (PBO) of the Fresenius Group of €655 million (2009: €556 million) included €261 million (2009: €237 million) funded by plan assets and €394 million (2009: €319 million) covered by pension provisions. The current portion of the pension liability in an amount of €11 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €383 million is recorded as pension liability.

70% of the pension liabilities in an amount of €394 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension Plan 1988 does not have a separate pension fund.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in the year 2010. FMCH voluntarily contributed US$0.6 million (€0.5 million) during the year 2010. Expected funding for 2011 is US$0.7 million (€0.5 million).

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €310 million. Benefit obligations relating to unfunded pension plans were €345 million.

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The funded status has developed as follows:

€ in millions	2010	2009
Benefit obligations at the beginning of the year	**556**	505
Changes in entities consolidated	**0**	6
Foreign currency translation	**16**	-4
Service cost	**16**	14
Prior service cost	**2**	1
Interest cost	**33**	31
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-2**	-5
Actuarial losses	**50**	23
Benefits paid	**-18**	-16
Amendments	**1**	–
Benefit obligations at the end of the year	**655**	556
thereof vested	**558**	463
Fair value of plan assets at the beginning of the year	**237**	213
Changes in entities consolidated	**0**	4
Foreign currency translation	**14**	-4
Actual return on plan assets	**13**	27
Contributions by the employer	**4**	4
Contributions by plan participants	**1**	1
Settlements	**–**	-2
Benefits paid	**-8**	-6
Fair value of plan assets at the end of the year	**261**	237
Funded status as of December 31	**394**	319

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2010	2009
Discount rate	**5.43**	5.86
Rate of compensation increase	**3.32**	3.30
Rate of pension increase	**1.73**	1.81

At December 31, 2010, the accumulated benefit obligations for all defined benefit pension plans were €567 million (2009: €515 million).

The following table relates to pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets:

€ in millions	2010	2009
Projected benefit obligation (PBO)	**655**	556
Accumulated benefit obligation (ABO)	**567**	515
Fair value of plan assets	**261**	237

The pre-tax changes of other comprehensive income (loss) relating to pension liabilities during the years 2010 and 2009 are shown in the following tables:

€ in millions	As of Jan. 1, 2010	Reclassifications[1]	Additions	Foreign currency translation	As of Dec. 31, 2010
Actuarial gains and losses	-54	5	-54	-4	**-107**
Prior service cost	4	1	-2	–	**3**
Transition obligation	-1	–	–	–	**-1**
Adjustments related to pension liabilities	-51	6	-56	-4	**-105**

[1] Effects recognized in the consolidated statement of income

€ in millions	As of Jan. 1, 2009	Reclassifications[1]	Additions	Foreign currency translation	As of Dec. 31, 2009
Actuarial gains and losses	-49	4	-10	1	**-54**
Prior service cost	4	–	–	–	**4**
Transition obligation	-1	1	-1	–	**-1**
Adjustments related to pension liabilities	-46	5	-11	1	**-51**

[1] Effects recognized in the consolidated statement of income

For the tax effects on other comprehensive income at December 31, 2010 see note 28, Other comprehensive income (loss).

The Fresenius Group expects the following amounts to be amortized from other comprehensive income into net periodic pension cost in the year 2011:

€ in millions	2011
Actuarial gains and losses	8
Prior service cost	1
Transition obligation	–

Defined benefit pension plans' net periodic benefit costs of €36 million (2009: €35 million) were comprised of the following components:

€ in millions	2010	2009
Service cost	**16**	14
Interest cost	**33**	31
Expected return on plan assets	**-17**	-15
Amortization of unrealized actuarial losses, net	**5**	3
Amortization of prior service costs	**1**	–
Amortization of transition obligations	**–**	1
Settlement loss	**-2**	1
Net periodic benefit cost	**36**	35

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	**2010**	2009
Discount rate	**5.86**	6.21
Expected return of plan assets	**5.58**	5.74
Rate of compensation increase	**3.30**	3.56

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2010 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €107 million (2009: €54 million).

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2011	20
2012	22
2013	23
2014	24
2015	26
2016 to 2020	167
Total expected benefit payments	**282**

The Fresenius Group uses December 31, 2010 as the measurement date in determining the funded status of all plans.

The major part of pension liabilities relates to Germany. At December 31, 2010, 79% of the pension liabilities were recognized in Germany, 21% in the rest of Europe and North America.

Approximately two thirds of the beneficiaries were located in North America, approximately one quarter in Germany and the remainder throughout the rest of Europe and other continents.

The fair values of plan assets by categories were as follows:

	December 31, 2010			December 31, 2009		
€ in millions	**Quoted prices in active markets for identical assets Level 1**	**Significant observable inputs Level 2**	**Total**	Quoted prices in active markets for identical assets Level 1	Significant observable inputs Level 2	Total
Categories of plan assets						
Equity investments	**32**	**49**	**81**	78	0	78
Index funds[1]	**23**	**49**	**72**	72	0	72
Other equity investments	**9**	**0**	**9**	6	0	6
Fixed income investments	**41**	**118**	**159**	37	106	143
Government securities[2]	**20**	**2**	**22**	18	2	20
Corporate bonds[3]	**13**	**114**	**127**	13	104	117
Other fixed income investments[4]	**8**	**2**	**10**	6	–	6
Other[5]	**18**	**3**	**21**	13	3	16
Total	**91**	**170**	**261**	128	109	237

[1] This category mainly comprises low-cost equity index funds not actively managed that track the S & P 500, S & P 400, Russell 2000, the MSCI EAFE Index and the MSCI Emerging Markets Index for both 2010 and 2009 as well as the Barclays Capital Long Corporate Index in 2009.
[2] This category primarily comprises fixed income investments by the U.S. government and government sponsored entities.
[3] This category primarily represents investment grade bonds of U.S. issuers from diverse industries.
[4] This category mainly comprises private placement bonds as well as collateralized mortgage obligations and funds that invest in treasury obligations directly or in treasury backed obligations.
[5] This category mainly represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

The methods and inputs used to measure the fair value of plan assets are as follows:

Index funds are valued based on market quotes.

Other equity investments are valued at their market prices as of the date of the statement of financial position.

The majority of the fair values of the government bonds are measured based on market quotes. The remaining government bonds are valued at their market prices.

Corporate bonds and other bonds are valued based on market quotes as of the date of the statement of financial position.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market prices.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.5% for the year 2010.

The overall investment strategy for the North American pension plan is to achieve a mix of approximately 98% of investments for long-term growth and 2% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The target allocations for plan assets in North America are 35% equity securities and 65% long-term U.S. bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year U.S. Treasury Strip Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2010**	Allocation 2009	Target allocation
Equity investments	**31.12**	33.15	35.74
Fixed income investments	**60.73**	60.35	59.57
Other incl. real estate	**8.15**	6.50	4.69
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 6.77% compounded annually. Contributions to plan assets for the fiscal year 2011 are expected to amount to €5 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2010 was €31 million (2009: €27 million). The main part relates to the North American savings plan, which employees of FMCH can join. Employees can deposit up to 75% of their pay up to an annual maximum of US$16,500 if under 50 years old (US$22,000 if 50 or over) under this savings plan. Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2010 and 2009 was €24 million and €20 million, respectively.

26. NONCONTROLLING INTEREST

NONCONTROLLING INTEREST SUBJECT TO PUT PROVISIONS

The Fresenius Group has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value.

As of December 31, 2010 and 2009 the Fresenius Group's potential obligations under these put options were €209 million and €161 million, respectively, of which, at December 31, 2010, €71 million were exercisable.

NONCONTROLLING INTEREST NOT SUBJECT TO PUT PROVISIONS

As of December 31, noncontrolling interest not subject to put provisions in the Group was as follows:

€ in millions	2010	2009
Noncontrolling interest not subject to put provisions in Fresenius Medical Care AG & Co. KGaA	**3,574**	2,985
Noncontrolling interest not subject to put provisions in HELIOS Kliniken GmbH	**4**	4
Noncontrolling interest not subject to put provisions in VAMED AG	**23**	33
Noncontrolling interest not subject to put provisions in the business segments		
Fresenius Medical Care	**110**	85
Fresenius Kabi	**46**	37
Fresenius Helios	**119**	110
Fresenius Vamed	**3**	3
Total noncontrolling interest not subject to put provisions	**3,879**	3,257

In 2010, noncontrolling interest not subject to put provisions increased by €622 million to €3,879 million. The change resulted from the noncontrolling interest not subject to put provisions in profit of €561 million, less dividend payments of €172 million as well as noncontrolling interest not subject to put provisions in stock options, currency effects and first-time consolidations in a total amount of €233 million.

27. FRESENIUS SE & CO. KGAA (UNTIL JANUARY 28, 2011: FRESENIUS SE) SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

During the fiscal year 2010, 1,134,714 stock options were exercised. Accordingly, at December 31, 2010, the subscribed capital of Fresenius SE was divided into 81,225,045 bearer ordinary shares and 81,225,045 non-voting bearer preference shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

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

Notification by shareholders

After the change of legal form on January 28, 2011, Fresenius SE & Co. KGaA (formerly Fresenius SE) disclosed notifications in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). The notifications relate to the subscribed capital of €162,450,090, divided into 162,450,090 voting bearer shares, as of January 28, 2011, and reflect the level of investments held:

Else Kröner-Fresenius-Stiftung, with its registered office in Bad Homburg, Germany, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011, their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the thresholds of 50% and 30% and amounted to 28.85% (46,871,154 voting rights) on that day.

Allianz SE, with its registered office in Munich, Germany, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011 their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the threshold of 5% and amounted to 4.26% (equivalent to 6,920,552 voting rights of a total of 162,450,090 voting rights). Thereof, 4.26% (6,919,271 voting rights) were attributable to Allianz SE pursuant to Section 22 (1) sentence 1 No. 1 WpHG and 0.0008% (1,281 voting rights) were attributable to Allianz SE pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

The voting rights attributable to Allianz SE are held by the following companies controlled by Allianz SE; each of their percentage holding of voting rights in Fresenius SE & Co. KGaA exceeded 3% or more:

- Allianz Deutschland AG
- Jota Vermögensverwaltungsgesellschaft mbH
- Allianz Lebensversicherungs-AG

Artio Global Investors, Inc., with its registered office in New York, United States, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011 their percentage holding of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Str. 1, 61352 Bad Homburg v. d. H., Germany, crossed below the threshold of 3% and amounted to 2.36% (equivalent to 3,840,708 voting rights) both in relation to the total number of voting rights of the issuer and in relation to all voting shares of the same share class.

The voting rights in the amount of 2.36% (equivalent to 3,840,708 voting rights) are entirely attributable to Artio Global Investors, Inc. pursuant to Section 22 (1) sentence 1 No. 6 WpHG in connection with Section 22 (1) sentence 2 WpHG.

FMR LLC, Boston, Massachusetts, United States, has notified Fresenius SE & Co. KGaA pursuant to Section 21 (1) WpHG that on January 28, 2011 the voting rights held by FMR LLC crossed below the threshold of 3% of the voting rights in Fresenius SE & Co. KGaA, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, FMR LLC held 1.69% of the voting rights in Fresenius SE & Co. KGaA, arising from 2,740,382 voting rights.

All voting rights in Fresenius SE & Co. KGaA were attributed to FMR LLC pursuant to Section 22 (1) sentence 1 No. 6 WpHG in connection with Section 22 (1) sentence 2 WpHG.

Furthermore, Fresenius SE (as of January 28, 2011: Fresenius SE & Co. KGaA) disclosed in 2010 the following notification in accordance with Section 26 (1) WpHG:

On July 13, 2010, Fidelity Investment Trust, Boston, Massachusetts, United States, notified Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) that on July 9, 2010, the voting rights held by Fidelity Investment Trust fell below the threshold of 3% of the voting rights in Fresenius SE, Else-Kröner-Straße 1, 61352 Bad Homburg v. d. H., Germany. On that date, Fidelity Investment Trust held 2.95% of the voting rights in Fresenius SE, arising from 2,387,886 voting rights.

All notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations / The Fresenius Shares / Shareholder Structure.

AUTHORIZED CAPITAL

At the Annual General Meeting on May 12, 2010, the articles of association of Fresenius SE & Co. KGaA were adopted with the following Authorized Capitals. Authorized Capitals I and II correspond in their scope to the Authorized Capitals of the former Fresenius SE. The Authorized Capitals I and II remain unchanged except that in the future only ordinary shares will be issued. The Authorized Capitals III, IV and V are solely to be used as an alternative source of ordinary shares for the stock option plans of 1998, 2003 and 2008 (see note 34, Stock options) as far as these plans are not filled from the Conditional Capitals I, II and III. The Conditional Capitals themselves have been adjusted to reflect the issuance of ordinary shares.

In accordance with the articles of association of Fresenius SE & Co. KGaA, the general partner Fresenius Management SE is authorized, with the approval of the Supervisory Board, until May 7, 2014,

- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €12,800,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital I). A subscription right must be granted to the shareholders. The general partner is authorized to exclude the shareholders' subscription right for fractional amounts.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €6,400,000 through a single or multiple issue of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital II). The general partner is authorized, in each case with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right. For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price. In case of a contribution in kind, the subscription right can be excluded only in order to acquire an undertaking, parts of an undertaking or a participation in an undertaking. The general partner is authorized to exclude the shareholders' subscription right for fractional amounts.

In addition, pursuant to the articles of association of Fresenius SE & Co. KGaA, the general partner is authorized, with the approval of the Supervisory Board, until May 11, 2015,

- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €1,313,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital III). The general partner may only make use of the Authorized Capital III to the extent that subscription rights for bearer ordinary shares were issued under the 1998 Stock Option Plan, the holders of these rights make use of their exercise right and provided that no Conditional Capital is used to satisfy the subscription rights.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €4,298,442 through a single or multiple issue of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital IV). The general partner may only make use of the Authorized Capital IV to the extent that convertible bonds on bearer ordinary shares were issued under the 2003 Stock Option Plan, the holders of these convertible bonds exercise their conversion right and provided that no Conditional Capital is used to satisfy the conversion rights.
- to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €6,200,000 through a single or multiple issue of new bearer ordinary shares against cash contributions (Authorized Capital V). The general partner may only make use of the Authorized Capital V to the extent that subscription rights for bearer ordinary shares were or will be issued under the 2008 Stock Option Plan, the holders of these rights make use of their exercise right, Fresenius SE & Co. KGaA does not grant own shares or exercise its right to pay a cash compensation in order to satisfy these subscription rights and provided that no Conditional Capital is used to satisfy the subscription rights.

The shareholders' subscription right is excluded for the Authorized Capital III, IV and V.

The resolved changes to the Authorized Capital became effective after registration of the new articles of association with the commercial register on January 28, 2011.

Two shareholder complaints (Anfechtungsklagen) were lodged against the resolutions of the Annual General Meeting held on May 8, 2009 creating the Authorized Capitals I and II. The Frankfurt Regional Court (Landgericht) has decided in favor of one complaint through judgment dated February 2, 2010, the other complaint was rejected. On February 15, 2011, the Higher Regional Court (Oberlandesgericht) of Frankfurt am Main confirmed the validity of the resolutions creating the Authorized Capitals I and II.

The clearance procedure (Freigabeverfahren) pursuant to Section 246a of the German Stock Corporation Act (AktG) initiated by Fresenius SE in order to secure the Authorized Capital I and II already entered in the commercial register was decided by the Higher Regional Court (Oberlandesgericht) of Frankfurt am Main in favor of Fresenius SE on March 30, 2010. Through this, the entry of the Authorized Capital I and II into the commercial register had already been final and conclusive.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with already issued stock options or convertible bonds, as the case may be, on bearer ordinary shares under the stock option plans of 1998, 2003 and 2008 (see note 34, Stock options).

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

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

The following table shows the development of the Conditional Capital:

in €	Ordinary shares	Preference shares	Total
Conditional Capital I Fresenius AG Stock Option Plan 1998	656,550	656,550	1,313,100
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,149,221	2,149,221	4,298,442
Conditional Capital III Fresenius SE Stock Option Plan 2008	3,100,000	3,100,000	6,200,000
Total Conditional Capital as of January 1, 2010	**5,905,771**	**5,905,771**	**11,811,542**
Fresenius AG Stock Option Plan 1998 – options exercised	-161,295	-161,295	-322,590
Fresenius AG Stock Option Plan 2003 – options exercised	-406,062	-406,062	-812,124
Total Conditional Capital as of December 31, 2010	**5,338,414**	**5,338,414**	**10,676,828**

CAPITAL RESERVES

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

OTHER RESERVES

Other reserves comprise earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2010, a dividend of €0.75 per bearer ordinary share and €0.76 per bearer preference share was approved by Fresenius SE's shareholders at the Annual General Meeting and paid. The total dividend payment was €122 million.

28. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2010 and 2009 were as follows:

	2010			2009		
€ in millions	**Amount before taxes**	**Tax effect**	**Amount after taxes**	Amount before taxes	Tax effect	Amount after taxes
Changes in unrealized gains/losses on derivative financial instruments	**-15**	**3**	**-12**	2	-10	-8
Change in unrealized gains/losses	-32	7	-25	-1	-9	-10
Realized gains/losses due to reclassifications	17	-4	13	3	-1	2
Benefit obligation adjustment	**-54**	**16**	**-38**	-5	-1	-6
Foreign currency translation adjustment	**238**	**-8**	**230**	-35	6	-29
Other comprehensive income (loss)	**169**	**11**	**180**	-38	-5	-43

OTHER NOTES

29. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2010 and 2009 was €480 million and €430 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2010 are:

for the fiscal years	€ in millions
2011	405
2012	345
2013	298
2014	250
2015	210
Thereafter	766
Total	**2,274**

As of December 31, 2010, future investment commitments existed up to the year 2014 from the acquisition contracts for hospitals at projected costs of up to €137 million. Thereof €71 million relates to the year 2011.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing healthcare services and products. The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

W.R. Grace & Co. lawsuit

Fresenius Medical Care was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH), and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. On January 31, 2011, the U.S. Bankruptcy Court approved W.R. Grace & Co.'s plan of reorganization, including the Settlement Agreement, and recommended approval of the plan to the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon final confirmation of a plan of reorganization that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

Baxter patent dispute "touchscreen interfaces" (1)
On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's

decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court, although funds already contributed will remain in escrow until the case is finally concluded. On March 18, 2010, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled in reexamination that the remaining Baxter patent is invalid. On October 5, 2010, Baxter appealed the Board's ruling to the Federal Circuit.

Baxter patent dispute "touchscreen interfaces" (2)
On April 28, 2008, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division (Chicago), styled Baxter International, Inc. and Baxter Healthcare Corporation v. Fresenius Medical Care Holdings, Inc. and Fresenius USA, Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four patents issued in 2007 and 2008, all of which are based on one of the patents at issue in the April 2003 Baxter case described above. The new patents expire in April 2011 and relate to trend charts shown on touch screen interfaces and the entry of ultrafiltration profiles (ultrafiltration is the removing of liquid from a patient's body using osmotic pressure). This case is currently stayed pursuant to court order. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue. All the asserted patents now stand rejected in an ongoing reexamination at the USPTO.

Baxter patent dispute "Liberty cycler"
On October 17, 2006, Baxter and DEKA Products Limited Partnership (DEKA) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleged that FMCH's Liberty™ cycler infringes nine patents owned by or licensed to Baxter. During and after discovery, seven of the asserted patents were dropped from the suit. On July 28, 2010, at the conclusion of the trial, the jury returned a verdict in favor of FMCH finding that the Liberty™ cycler does not infringe any of the asserted claims of the Baxter patents. Baxter has asked the District Court to overturn the jury verdict.

Gambro patent dispute
A patent infringement action had been pending in Germany between Gambro Industries (Gambro) on the one side and Fresenius Medical Care Deutschland GmbH and Fresenius Medical Care AG & Co. KGaA on the other side (hereinafter collectively: Fresenius Medical Care). Fresenius Medical Care and Gambro have resolved this and other current patent infringement lawsuits between the parties by entering into respective settlements and a series of patent licenses between the parties.

Other litigation and potential exposures

Renal Care Group – Class action "acquisition"
Renal Care Group, Inc. (RCG) is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have claims for indemnification and reimbursement of expenses against Fresenius Medical Care. Fresenius Medical Care expects to continue as a defendant in the litigation, which is proceeding toward trial in the Chancery Court, and believes that defendants will prevail.

Renal Care Group – Complaint "Method II"

On July 17, 2007, resulting from an investigation begun in 2005, the United States Attorney filed a civil complaint in the United States District Court for the Eastern District of Missouri (St. Louis) against RCG, its subsidiary RCG Supply Company, and FMCH in its capacity as RCG's current corporate parent. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to FMCH's acquisition of RCG in 2006. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. On August 11, 2009, the Missouri District Court granted RCG's motion to transfer venue to the United States District Court for the Middle District of Tennessee (Nashville). On March 22, 2010, the Tennessee District Court entered judgment against defendants for approximately US$23 million in damages and interest under the unjust enrichment count of the complaint but denied all relief under the six False Claims Act counts of the complaint. Fresenius Medical Care appealed the Tennessee District Court's decision to the United States Court of Appeals for the Sixth Circuit and secured a stay of enforcement of the judgment pending appeal. The United States Attorney filed a cross appeal, but also asked the Tennessee District Court for an indicative or supplemental ruling. On June 23, 2010, the Tennessee District Court issued an indicative ruling to the effect that, if the case were remanded to the District Court, it would expect to enter a judgment under the False Claims Act against Fresenius Medical Care for approximately US$104 million. On September 23, 2010, the Court of Appeals remanded the case to the Tennessee District Court to permit revision or supplementation of the original judgment, after which Fresenius Medical Care may pursue its appeals to the Court of Appeals. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, and that its position in the litigation will ultimately be sustained.

Fresenius Medical Care Holdings – Qui tam complaint

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee. The first complaint alleged that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleged that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. On March 30, 2010, the District Court issued final judgment in favor of defendants on all counts based on a jury verdict rendered on February 25, 2010 and on rulings of law made by the Court during the trial. The plaintiff has appealed from the District Court judgment.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement

Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$115 million (€86 million) payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved.

While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

30. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

		Categories			
		Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value	Relating to no category
Classes	Cash and cash equivalents				▸ Cash and cash equivalents
	Assets recognized at carrying amount	▸ Trade accounts receivable (incl. receivables from and loans to related parties)			
	Liabilities recognized at carrying amount		▸ Trade accounts payable ▸ Short-term accounts payable to related parties ▸ Short-term debt (incl. short-term loans from related parties) ▸ Long-term debt excluding capital lease obligations ▸ Senior Notes ▸ Trust preferred securities ▸ Mandatory exchangeable bonds (excluding embedded derivatives)		▸ Long-term capital lease obligations
	Liabilities recognized at fair value			▸ Other short-term liabilities (solely Contingent Value Rights and derivatives embedded in the Mandatory Exchangeable Bonds) (2009: other long-term liabilities)	
	Noncontrolling interest subject to put provisions recognized at fair value				▸ Noncontrolling interest subject to put provisions
	Derivatives for hedging purposes			▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities	▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities

The derivative financial instruments embedded in the Mandatory Exchangeable Bonds (MEB) are included in the statement of financial position item short-term accrued expenses and other short-term liabilities (in 2009: long-term accrued expenses and other long-term liabilities) (for details relating to the MEB, please see note 23, Mandatory Exchangeable Bonds). Due to their special character and the difference in valuation, the embedded derivatives are classified separately. Also because of their special character and different valuation, the Contingent Value Rights (CVR) are classified separately from their statement of financial position item.

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories, were as follows:

€ in millions	2010	2009
Loans and receivables	**2,950**	2,535
Financial liabilities measured at amortized cost	**9,977**	9,416
Assets measured at fair value [1]	**11**	11
Liabilities measured at fair value [1]	**174**	73
Relating to no category	**311**	106

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition.

Estimation of fair values of financial instruments

The significant methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

The nominal value of short-term financial instruments like accounts receivables and payables and short-term debt represents its carrying amount, which is a reasonable estimate of the fair value due to the relatively short period to maturity of these instruments.

The fair values of the major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used. The fair values of the noncontrolling interest subject to put provisions are determined using significant unobservable inputs.

The credit risk exposure related to Fresenius Group's financing receivables is insignificant and any impact on Fresenius Group's operating results from allowances on credit losses of financing receivables can be considered immaterial.

The carrying amounts of derivatives embedded in the MEB and the CVR correspond with their fair values. The embedded derivatives have to be measured at fair value, which is estimated based on a Black-Scholes model. The CVR are traded at the stock exchange in the United States and are therefore valued with the current stock exchange price at the reporting date.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit-risk adjustments are factored into the valuation of derivatives that are assets.

Fair value of financial instruments

The following table presents the carrying amounts and fair values of Fresenius Group's financial instruments as of December 31:

	2010		2009	
€ in millions	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**769**	**769**	420	420
Assets recognized at carrying amount	**2,950**	**2,950**	2,535	2,535
Liabilities recognized at carrying amount	**10,031**	**10,259**	9,461	9,611
Liabilities recognized at fair value	**133**	**133**	55	55
Noncontrolling interest subject to put provisions recognized at fair value	**209**	**209**	161	161
Derivatives for hedging purposes	**-225**	**-225**	-115	-115

Derivative and non-derivative financial instruments recognized at fair value are classified according to the three-tier fair value hierarchy. For the fair value measurement of derivatives for hedging purposes, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with the defined fair value hierarchy levels. The derivatives embedded in the MEB are also classified as Level 2. The valuation of the CVR is based on the current stock exchange price, they are therefore classified as Level 1. The liabilities recognized at fair value consist of embedded derivatives and the CVR and are consequently classified in their entirety as the lower hierarchy Level 2. The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs, they are therefore classified as Level 3.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2010		Dec. 31, 2009	
€ in millions	Assets	Liabilities	Assets	Liabilities
Interest rate contracts (current)	**–**	**43**	–	–
Interest rate contracts (non-current)	**1**	**115**	–	134
Foreign exchange contracts (current)	**8**	**49**	18	11
Foreign exchange contracts (non-current)	**5**	**2**	20	1
Derivatives designated as hedging instruments[1]	**14**	**209**	38	146
Interest rate contracts (current)	**0**	**2**	0	0
Foreign exchange contracts (current)[1]	**10**	**34**	11	17
Foreign exchange contracts (non-current)[1]	**1**	**7**	–	1
Derivatives embedded in the MEB (current)	**0**	**111**	0	0
Derivatives embedded in the MEB (non-current)	**0**	**0**	0	21
Derivatives not designated as hedging instruments	**11**	**154**	11	39

[1] Derivatives designated as hedging instruments and foreign exchange contracts not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely concluded to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes as well as derivatives embedded in the MEB were recognized at gross values within other assets in an amount of €25 million and other liabilities in an amount of €363 million.

The current portions of interest rate contracts and foreign exchange contracts indicated as assets in the previous table are recognized within other current assets in the consolidated statement of financial position, while the current portions of those indicated as liabilities are included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the MEB are recognized within other short-term liabilities (2009: other long-term liabilities).

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €175 million and foreign currency transactions of -€25 million. In addition, income of €32 million resulted from the fair value measurement of the CVR and expenses of €90 million resulted from the fair value measurement of the derivatives embedded in the MEB. Interest income of €30 million resulted mainly from trade accounts receivable and loans to related parties. Interest expense of €596 million resulted mainly from financial liabilities.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-25	-8	1
Foreign exchange contracts	-7	-9	-1
Derivatives in cash flow hedging relationships[1]	**-32**	**-17**	**0**
Foreign exchange contracts			-24
Derivatives in fair value hedging relationships			**-24**
Derivatives designated as hedging instruments	**-32**	**-17**	**-24**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	2009		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	5	-5	–
Foreign exchange contracts	-6	2	–
Derivatives in cash flow hedging relationships[1]	**-1**	**-3**	**–**
Foreign exchange contracts			21
Derivatives in fair value hedging relationships			**21**
Derivatives designated as hedging instruments	**-1**	**-3**	**21**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	**2010**	2009
Interest rate contracts	**–**	0
Foreign exchange contracts	**-97**	-22
Derivatives embedded in the MEB	**-90**	-29
Derivatives not designated as hedging instruments	**-187**	-51

Losses from derivatives in fair value hedging relationships and from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by gains from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €4 million of the existing losses for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €95 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income. The position other financial result in the consolidated statement of income includes gains and losses from the valuation of the derivatives embedded in the MEB (see note 10, Other financial result).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes, trust preferred securities and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not concluded for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and implemented.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, U.S. dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. In order to ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2010, the notional amounts of foreign exchange contracts totaled €3,323 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair values of cash flow hedges and fair value hedges were -€39 million and €1 million, respectively.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2010, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 59 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €18 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from long-term borrowings at variable rates by swapping them into fixed rates.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would

have an effect of less than 1% on the consolidated net income attributable to Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity.

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing loans and Euro Notes (Schuldscheindarlehen) denominated in U.S. dollars or euros, into fixed interest rate payments. Furthermore, interest rate swaps have been entered into in anticipation of future debt issuances. The U.S. dollar interest rate swaps with a notional volume of US$4,675 million (€3,499 million) and a fair value of -US$184 million (-€138 million) expire at various dates in the years 2011 to 2014. The euro interest rate swaps with a notional volume of €407 million and a fair value of -€21 million expire in the years 2011 to 2016. The U.S. dollar interest rate swaps bear an average interest rate of 3.94% and the euro interest rate swaps bear an average interest rate of 4.34%.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €24 million for foreign exchange derivatives at December 31, 2010. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 14, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 21, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities as well as the fair value of noncontrolling interest subject to put provisions and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 5 years	more than 5 years
Long-term debt and capital lease obligations[1]	557	5,054	110
Short-term debt (including accounts receivable securitization program)	637	0	0
Senior Notes	158	1,719	1,357
Mandatory Exchangeable Bonds[2]	31	0	0
Trade accounts payable	691	–	–
Trust preferred securities	486	–	–
Noncontrolling interest subject to put provisions	69	78	62
Derivative financial instruments	128	124	0
Total	**2,757**	**6,975**	**1,529**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2010.
[2] The line Mandatory Exchangeable Bonds includes only interests, as the bonds will be exchangeable into shares of Fresenius Medical Care AG & Co. KGaA and not redeemable in cash upon maturity.

31. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity	**8,844**	7,491
Total assets	**23,577**	20,882
Equity ratio	**37.5%**	35.9%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998, 2003 and 2008 stock option plans (see note 34, Stock options).

DEBT

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Debt	**8,784**	8,299
Total assets	**23,577**	20,882
Debt ratio	**37.3%**	39.7%

According to the definitions in the underlying agreements, the Mandatory Exchangeable Bonds and the Contingent Value Rights are not categorized as debt.

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The net debt/EBITDA ratio is a key financial figure for the Fresenius Group. As of December 31, 2010, the net debt/EBITDA ratio was 2.6 and was therefore within Fresenius Group's target corridor of 2.5 to 3.0. The net debt/EBITDA ratio is expected to remain within this corridor in 2011.

Fresenius Group's financing strategy is reflected in its credit ratings. Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

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

In 2010, all rating agencies increased the outlook:

In April 2010, Standard & Poor's raised the outlook from stable to positive. In May 2010, Moody's increased the outlook from negative to stable. Eventually, Fitch raised the outlook from stable to positive in August 2010.

32. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statements of cash flows of the Fresenius Group for the fiscal years 2010 and 2009 are shown on pages 122 to 123.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

The following table provides additional information with regard to the consolidated statement of cash flows:

€ in millions	2010	2009
Interest paid	**534**	554
Income taxes paid	**504**	393

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2010	2009
Assets acquired	**562**	348
Liabilities assumed	**-85**	-48
Noncontrolling interest	**-29**	-31
Notes assumed in connection with acquisitions	**-32**	-19
Cash paid	**416**	250
Cash acquired	**-14**	-24
Cash paid for acquisitions, net	**402**	226

33. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 126 to 129 of this annual report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2010.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with FASB ASC Topic 280, Segment Reporting, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items in connection with the fair value measurement of the Mandatory Exchangeable Bonds and the Contingent Value Rights.

Details on the business segments are shown on page 131 of the notes.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income attributable to Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, trust preferred securities, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. The Mandatory Exchangeable Bonds and the Contingent Value Rights are not categorized as debt (see note 31, Supplementary information on capital management).

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally-independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2010	2009
Total EBIT of reporting segments	**2,464**	2,107
General corporate expenses Corporate/Other (EBIT)	**-46**	-53
Group EBIT	**2,418**	2,054
Interest expenses	**-596**	-602
Interest income	**30**	22
Other financial result	**-66**	-31
Income before income taxes	**1,786**	1,443

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Short-term debt	**606**	287
Short-term loans from related parties	**2**	2
Current portion of long-term debt and capital lease obligations	**420**	261
Trust preferred securities of Fresenius Medical Care Capital Trusts (current)	**468**	0
Long-term debt and capital lease obligations, less current portion	**4,919**	5,228
Senior Notes	**2,369**	2,066
Trust preferred securities of Fresenius Medical Care Capital Trusts (non-current)	**0**	455
Debt	**8,784**	8,299
less cash and cash equivalents	**769**	420
Net debt	**8,015**	7,879

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2010	Dec. 31, 2009
Germany	**3,574**	3,205
Europe (excluding Germany)	**1,984**	1,938
North America	**10,182**	9,241
Asia-Pacific	**882**	681
Latin America	**354**	282
Africa	**47**	37
Total non-current assets[1]	**17,023**	15,384

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets and derivative financial instruments.

In 2010, the Fresenius Group generated sales of €3,355 million (2009: €3,152 million) in Germany. Sales in the United States were €6,849 million in 2010 (2009: €5,976 million).

34. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2010, the Fresenius Group recognized compensation cost in an amount of €33 million for convertible bonds and stock options granted since 2006. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group elected to adopt FAS 123(R), Share-Based Payment, prospectively.

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE Stock Option Plan 2008 made during the years 2010 and 2009 are as follows:

	2010		2009	
€ in millions	**December Grant**	**July Grant**	December Grant	July Grant
Expected dividend yield	**1.58%**	**1.92%**	2.33%	2.90%
Risk-free interest rate	**2.38%**	**2.12%**	2.73%	3.04%
Expected volatility	**28.44%**	**28.94%**	28.83%	29.01%
Life of options	**7 years**	**7 years**	7 years	7 years
Exercise price per option in €	**63.94**	**53.49**	39.61	36.89

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

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

On December 31, 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) had three stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan), the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). During 2010, stock options were only granted under the 2008 Plan.

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

Stock Option Plan 2008

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

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE's Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE's ordinary shares and preference shares, respectively, on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price of both share classes during the 30 calendar days immediately prior to the grant date, if these are higher. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income attributable to Fresenius SE, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to Fresenius SE of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to Fresenius SE

shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to Fresenius SE is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance targets for 2009 and 2010 were met. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: ⅓ of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a ten-year term. At December 31, 2010, all options were exercisable. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

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

Upon registration of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA with the commercial register on January 28, 2011, adaptations of the three stock option plans were required. Due to the conversion of all preference shares into ordinary shares in combination with the change of legal form, all already issued subscription rights under the respective stock option plan are to be satisfied, in case of exercise, with ordinary shares. Furthermore, the beneficiaries under the

2008 Plan are exclusively granted subscription rights for ordinary shares. With regard to the eligible beneficiaries, the members of Fresenius Management SE's Management Board replace the previous members of the Fresenius SE Management Board for future stock option grants. With regard to the 2008 Plan, the Supervisory Board of Fresenius Management SE determines the grants for the Management Board members of that company. All other plan participants will be determined by the Management Board of Fresenius Management SE. In addition, due to the discontinuation of the preference shares, the success target of the 2003 Plan was adjusted to the effect, that it is deemed to be achieved if and when the sum of the following price increases amounts to at least 25%:

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

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

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

Transactions during 2010

In 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) awarded 1,109,738 stock options, including 198,660 options to members of the Management Board of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), at a weighted-average exercise price of €53.57, a weighted-average fair value of €12.95 each and a total fair value of €14 million, which will be amortized over the three-year vesting period.

During the fiscal year 2010, Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) received cash of €38 million from the exercise of 1,134,714 stock options. The average stock price at the exercise date was €57.56 for ordinary shares and €58.61 for preference shares. The intrinsic value of options exercised in 2010 was €27 million.

Under the 1998 Plan, 134,452 stock options were outstanding and exercisable at December 31, 2010. No options were held by the members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board. 1,958,284 convertible bonds were outstanding under the 2003 Plan, of which 1,679,338 were exercisable. The members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board held 419,100 convertible bonds. Out of 3,196,586 outstanding stock options issued under the 2008 Plan, 559,860 were held by the members of the Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) Management Board.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2008	**2,370,299**	**40.05**	**951,484**
Granted	533,624	33.82	
Exercised	85,821	24.55	
Forfeited	121,376	36.14	
Balance 2009	**2,696,726**	**39.49**	**1,205,185**
Granted	554,869	53.61	
Exercised	567,357	32.90	
Forfeited	39,577	47.82	
Balance 2010	**2,644,661**	**43.87**	**906,895**

Preference shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2008	**2,370,299**	**40.21**	**951,484**
Granted	533,624	39.97	
Exercised	85,821	25.24	
Forfeited	121,376	38.10	
Balance 2009	**2,696,726**	**40.73**	**1,205,185**
Granted	554,869	53.54	
Exercised	567,357	34.63	
Forfeited	39,577	48.95	
Balance 2010	**2,644,661**	**44.74**	**906,895**

The following tables provide a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2010:

OPTIONS FOR ORDINARY SHARES

Range of exercise price in €	Options outstanding			Options exercisable		
	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	58,101	2.50	13.65	58,101	2.50	13.65
15.01 – 20.00	62,394	1.62	19.59	62,394	1.62	19.59
20.01 – 25.00	107,710	3.50	21.96	107,710	3.50	21.96
25.01 – 30.00	180,695	4.46	28.57	180,695	4.46	28.57
30.01 – 35.00	534,638	5.38	33.74	12,530	0.58	30.83
35.01 – 40.00	266,800	5.39	39.23	265,050	5.39	39.24
40.01 – 45.00	46,205	4.92	41.62	0		
45.01 – 50.00	8,484	5.50	48.81	8,484	5.50	48.81
50.01 – 55.00	1,023,730	5.61	54.07	0		
55.01 – 60.00	339,441	6.50	56.43	203,959	6.50	56.43
60.01 – 65.00	4,500	6.92	63.53	0		
70.01 – 75.00	11,963	6.50	70.54	7,972	6.50	70.54
	2,644,661	**5.32**	**43.87**	**906,895**	**4.73**	**36.19**

OPTIONS FOR PREFERENCE SHARES

Range of exercise price in €	Options outstanding			Options exercisable		
	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	65,799	2.50	12.14	65,799	2.50	12.14
15.01 – 20.00	107,710	3.50	19.00	107,710	3.50	19.00
20.01 – 25.00	54,696	1.50	21.13	54,696	1.50	21.13
25.01 – 30.00	180,695	4.46	29.33	180,695	4.46	29.33
30.01 – 35.00	12,530	0.58	34.73	12,530	0.58	34.73
35.01 – 40.00	550,896	5.45	39.88	28,788	4.50	38.52
40.01 – 45.00	238,012	5.50	40.57	236,262	5.50	40.55
45.01 – 50.00	46,205	4.92	45.40	0		
50.01 – 55.00	1,032,214	5.61	52.98	8,484	5.50	53.01
55.01 – 60.00	339,441	6.50	56.11	203,959	6.50	56.11
60.01 – 65.00	4,500	6.92	64.34	0		
70.01 – 75.00	11,963	6.50	70.14	7,972	6.50	70.14
	2,644,661	**5.32**	**44.74**	**906,895**	**4.73**	**36.25**

At December 31, 2010, the aggregate intrinsic value of exercisable options for ordinary shares and preference shares was €24 million and €25 million, respectively.

At December 31, 2010, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were €18 million. These costs are expected to be recognized over a weighted-average period of 1.9 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting with a conditional capital increase up to €15 million subject to the issue of up to 15 million non-par value bearer ordinary shares with a nominal value of €1.00 each. Under the Amended 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to 3 million options designated for members of the Management Board of Fresenius Medical Care Management AG (FMC Management AG), the general partner, up to 3 million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 9 million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the Management Board of FMC Management AG, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the Amended 2006 Plan (including decisions regarding certain adjustments and forfeitures). The Management Board of FMC Management AG has such authority with respect to all other participants in the Amended 2006 Plan.

Options under the Amended 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the Amended 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the Amended 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets, measured over a three-year period from the grant date. For each such year, the performance target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (EPS), as calculated in accordance with the Amended 2006 Plan, increases by at least 8% year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the Amended 2006 Plan excluded, among other items, the costs of the transformation of Fresenius Medical Care's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8% target. The performance targets for 2010 and 2009 were met. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the entire three-year vesting period.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

As of December 2010, no further grants will be issued under the Amended 2006 Plan.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €12 million were issued to the members of the Management Board and other employees

of FMC-AG & Co. KGaA representing grants for up to 12 million non-voting preference shares. The convertible bonds have a par value of €1.00 and bear interest at a rate of 5.5%. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. FMC-AG & Co. KGaA has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by FMC-AG & Co. KGaA and are not reflected in the consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to FMC-AG & Co. KGaA are recognized as a liability on the Group's statement of financial position.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25%. The initial value is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the initial value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005.

Transactions during 2010

During 2010, FMC-AG & Co. KGaA awarded 2,817,879 options, including 423,300 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €42.71, a weighted-average fair value of €8.10 each and a total fair value of €23 million, which will be amortized over the three-year vesting period.

During 2010, FMC-AG & Co. KGaA received cash of €73 million from the exercise of stock options and €10 million from a related tax benefit. The intrinsic value of options exercised in 2010 was €38 million.

At December 31, 2010, the Management Board members of FMC Management AG, held 2,178,699 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,973,409 stock options for ordinary shares and 58,663 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

The table below provides reconciliations for options outstanding at December 31, 2010 as compared to December 31, 2009:

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2009 (options for ordinary shares)	**11,894**	**30.50**
Granted	2,818	42.71
Exercised	2,532	28.38
Forfeited	28	30.35
Balance at December 31, 2010 (options for ordinary shares)	**12,152**	**33.78**
Balance at December 31, 2009 (options for preference shares)	**147**	**18.35**
Exercised	73	18.57
Forfeited	15	13.95
Balance at December 31, 2010 (options for preference shares)	**59**	**19.19**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2010:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	4,316	3	27.99	66
Options for preference shares	59	3	19.19	1

At December 31, 2010, total unrecognized compensation costs related to non-vested options granted under all plans were €33 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

35. RELATED PARTY TRANSACTIONS

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is a partner and was the chairman of the supervisory board of Roland Berger Strategy Consultants until August 1, 2010. In 2010, the Fresenius Group paid this company €0.2 million for consulting services rendered. In 2009, no services were rendered to the Fresenius Group by this company.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions.

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, was a member of the management board of Allianz SE until December 31, 2010 and the chairman of the management board of Allianz Deutschland AG until June 30, 2010. Dr. Franceso De Meo, member of the Management Board of the general partner of Fresenius SE & Co. KGaA, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In 2010, the Fresenius Group paid €3 million for insurance premiums to Allianz (2009: €7 million).

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE until January 28, 2011, member of the Supervisory Board of Fresenius Management SE since March 11, 2010 and deputy chairman of the Supervisory Board of Fresenius Management SE since May 12, 2010, is a partner in the law firm Noerr LLP (formerly: Nörr Stiefenhofer Lutz) that provides legal services to the Fresenius Group. In 2010, the Fresenius Group paid this law firm €1 million for services rendered (2009: €1 million).

36. SUBSEQUENT EVENTS

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

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

In January 2011, Fresenius Medical Care announced the signing of a purchase agreement to acquire International Dialysis Centers (ICD), the dialysis care business of Euromedic International. With the acquisition, Fresenius Medical Care wants to expand its activities in dialysis care especially in Eastern Europe, where IDC is market leader. IDC operates 70 dialysis clinics in 9 countries and currently treats over 8,200 hemodialysis patients, largely in Central and Eastern Europe. After the acquisition is completed, IDC will contribute about US$180 million to the annual sales of Fresenius Medical Care. The acquisition price was €485 million. Closing is subject to necessary regulatory approvals by the relevant anti-trust authorities and is expected to occur in the first half of 2011.

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

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

37. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 27 ff.), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and consisted of three components in 2010: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), long-term incentive component (stock options).

The cash compensation paid to the Management Board for the performance of its responsibilities was €9,398 thousand (2009: €9,345 thousand). Thereof, €4,105 thousand (2009: €3,635 thousand) is not performance-related and €4,685 thousand (2009: €5,204 thousand) is performance-related. The amount of the performance-related compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 99,600 stock options under the Fresenius Medical AG & Co. KGaA Stock Option Plan 2006.

The payment of a part of the performance-related compensation in an amount of €897 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2011 and 2012.

The compensation paid to the Supervisory Board and its committees was €1,782 thousand in 2010 (2009: €1,584 thousand). Of this amount, €183 thousand was fixed compensation (2009: €183 thousand), €100 thousand was compensation for committees services (2009: €100 thousand), and €1,499 thousand was variable compensation (2009: €1,301 thousand).

In 2010, to former members of the Management Board, €776 thousand (2009: €744 thousand) was paid. The pension obligation for these persons amounted to €11,039 thousand in 2010 (2009: €9,878 thousand).

In the fiscal years 2010 and 2009, no loans or advance payments of future compensation components were made to members of the Management Board of the former Fresenius SE.

38. AUDITOR'S FEES

In 2010 and 2009, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2010		2009	
€ in millions	Total	Germany	Total	Germany
Audit fees	**15**	**5**	14	5
Audit-related fees	**1**	**–**	–	–
Tax consulting fees	**1**	**–**	1	0
Other fees	**–**	**–**	–	–
Total auditor's fees	**17**	**5**	15	5

39. 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.

40. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2010 of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) are distributed as follows:

in €	
Payment of a dividend of €0.86 per bearer ordinary share on the 162,450,090 ordinary shares entitled to dividend	139,707,077.40
Balance to be carried forward	50,880.80
Retained earnings	**139,757,958.20**

41. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 23, 2011

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its General Partner

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

AUDITOR'S REPORT

To the Fresenius SE & Co. KGaA

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA (until February 28, 2011: Fresenius SE), Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) is the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In addition, we have been engaged to express an opinion as to whether the voluntarily prepared group management report is in agreement with the group management report of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, prepared in accordance with § 290 and § 315 HGB [Handelsgesetzbuch "German Commercial Code"] apart from appropriate incorporation of U.S. GAAP financial data.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with U.S. GAAP and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The voluntarily prepared group management report is consistent with the consolidated financial statements prepared in accordance with U.S. GAAP and is, apart from appropriate incorporation of U.S. GAAP financial data, in agreement with the group management report of Fresenius SE & Co. KGaA prepared in accordance with § 290 and § 315 HGB, on which we issued an unqualified statutory audit opinion. Based on this, the group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 23, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hölzl
German Public Auditor

Hommel
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

2010 was a year in which important structural changes were initiated – the change of the Company's legal form to a partnership limited by shares (KGaA) in combination with the conversion of all preference shares into ordinary shares. The Company closed the reporting period still in the legal form of an SE (Societas Europaea).

In 2010, the Supervisory Board performed the duties assigned to it by law and by the Company's Statutes, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to the Company or the Group.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Supervisory Board was kept regularly informed by the Management Board – in a comprehensive and timely oral and written manner – about the business development, economic and financial position, and profitability of the Company and the Group, the corporate strategy and planning, risk situation, risk management and compliance, and important business events.

In all, the Supervisory Board of Fresenius SE convened for four regular meetings in 2010 – in March, May, October, and December – and for an extraordinary meeting on March 30. The main topic on the agenda of the extraordinary Supervisory Board meeting was to pass resolutions on the Company's change of legal form to an SE & Co. KGaA (a partnership limited by shares with a Societas Europaea – a company incorporated under European law – as general partner) and on the cross-border merger with Calea Nederland N.V. Detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed

to members of the Supervisory Board before all its meetings. The Supervisory Board made full use of the Management Board's reports as the basis for its comprehensive discussions about business development and important corporate decisions.

All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and detailed consultation with the Management Board, the Supervisory Board was able to give its approval in all matters submitted to it.

The Supervisory Board was also informed about any important business events occurring between meetings. In urgent cases it passed resolutions by written proceeding in lieu of a meeting. In addition, the Chairman of the Management Board regularly informed the Chairman of the Supervisory Board in individual discussions about the latest business developments and forthcoming decisions.

Every member of the Supervisory Board attended at least half of the Supervisory Board meetings during their term of office in 2010, with one exception. Dr. Rupprecht was unable to attend three meetings of the Supervisory Board. However, he took part in the voting at these meetings by written vote.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2010, one focus of the Supervisory Board's activities was the change of the Company's legal form to a KGaA in combination with the conversion of the preference shares into ordinary shares. The aim of this transaction is to simplify the share structure, increase the liquidity of the shares, and improve the Company's access to the equity market. The Supervisory Board thoroughly discussed the individual aspects of this matter with the Management Board. It weighed the consequences for the Company and the shareholders. It reached the conclusion that the interests of the Company and those of the shareholders are best served and can be safeguarded long term in the chosen legal form. It accompanied the entire transaction through to its completion and approved all relevant actions taken.

The Supervisory Board's monitoring and advisory activities were also centered on overall business operations as well as investments and acquisitions of the business segments. The Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2011 and the Fresenius Group's mid-term planning, following a detailed review and discussions with the Management Board. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

On March 12, 2010, the Management Board and the Supervisory Board jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) and updated it on April 1, 2010.

The Management Board and the Supervisory Board of Fresenius SE have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board.

Klaus-Peter Müller, a member of the Supervisory Board of the Company, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. Dr. Gerhard Rupprecht, a member of the Supervisory Board of the Company, was a member of the management board of Allianz SE until December 31, 2010, chairman of the management board of Allianz Deutschland AG until June 30, 2010, and chairman of the supervisory board of Allianz Deutschland AG from July 1 to December 31, 2010. Dr. Franceso De Meo, member of the Management Board of Fresenius Management SE (previously member of the Management Board of Fresenius SE), is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. The Fresenius Group pays insurance premiums to Allianz under customary conditions and amounts. In 2010, they amounted to €3 million (2009: €7 million).

No consultancy or other service relationships exist directly between the Company and a member of the Supervisory Board. However, in 2010 there were consultancy contracts with a law firm in which a member of the Supervisory Board is a partner and with a management consultancy firm in which a member of the Supervisory Board is a partner. Fresenius was advised by the international law firm Noerr LLP. Dr. Schenk, who was a member of the Supervisory Board of Fresenius SE until January 28, 2011, is a partner in this law firm. The Fresenius Group paid €1 million to this law firm for services rendered in 2010 (2009: €1 million), corresponding to 1.5% of the total amount paid for legal advice in 2010 (2009: 1.6%). Fresenius was also advised by the management consultancy firm Roland Berger Strategy Consultants. Prof. Dr. h. c. Berger is a member of our Company's Supervisory Board and is at the same time a partner in Roland Berger Strategy Consultants. He was Chairman of its Supervisory Board until August 1, 2010. The Fresenius Group paid €0.2 million to that company for services rendered in 2010. No services were rendered and no fees were paid in 2009.

The Supervisory Board of Fresenius SE and its Audit Committee considered both of these mandates closely. They were approved by the Supervisory Board. Neither Dr. Schenk nor Prof. Dr. h. c. Berger took part in the respective voting.

The shareholder representatives, who have been members of the Supervisory Board since the change of legal form became effective on January 28, 2011, were elected at the Annual General Meeting (AGM) in 2010. Contrary to the usual procedure, the Nomination Committee refrained from submitting nominations to the Supervisory Board of Fresenius SE for the latter's election proposals to the AGM in 2010. The election proposals at the AGM therefore originated directly from the full Supervisory Board. This was a precautionary measure. The reason was that two members of the three-member Nomination Committee, namely Dr. Dieter Schenk and Dr. Karl Schneider, were also members of the Administrative Board of the Else Kröner-Fresenius-Stiftung and executors of Mrs. Else Kröner's estate. The Else Kröner-Fresenius-Stiftung is the sole shareholder of the general partner in Fresenius SE & Co. KGaA. In order to prevent influence being exercised on the composition of the Supervisory Board of the KGaA, the Foundation is prohibited by law from taking part in the election of the KGaA's Supervisory Board. The Supervisory Board took account of this legal provision by not requesting proposals from its Nomination Committee in this case. However, Dr. Schenk and Dr. Schneider took part in the resolutions on the proposals by the full Supervisory Board. The election of the members of the KGaA's Supervisory Board was closely linked with the issues of the change of legal form to a KGaA and the conversion of the preference shares into ordinary shares. The Supervisory Board therefore discussed and passed all the necessary motions and proposals to the AGM together as a whole. Given the circumstances and in view of the special importance of these measures, the Supervisory Board was convinced that it would not have been appropriate or expedient if Dr. Schenk and Dr. Schneider had not taken part in the deliberations and resolutions of the full Supervisory Board.

For more information on corporate governance at Fresenius, please see the Corporate Governance Declaration and Report on pages 14 to 33 of the Annual Report. Fresenius has disclosed the information on related parties in the quarterly reports and on page 198 of the Annual Report.

WORK OF THE COMMITTEES

The Personnel Committee of the Supervisory Board of Fresenius SE, whose responsibilities were to prepare proposals on the compensation system for the Management Board of Fresenius SE and the compensation for the individual Management Board members and to resolve the non-compensation-related terms of contracts with members of the Management Board, held two meetings and one conference call. It dealt with, among other things, the preparations for and implementation of the German Act on the Appropriateness of Executive

Board Compensation, also relating to the corresponding adjustment of the compensation system of the Management Board. The Personnel Committee further dealt with the introduction of a deductible in the D & O insurance, both for the Management Board and the Supervisory Board.

The Audit Committee held three meetings in 2010. There were also four conference calls. The main focus of its controlling activities was on the preliminary audit of the annual financial statements of the Company and the Group for 2009 and discussions with the auditors about their report and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board for its proposal to the AGM on the election of the auditor for the annual financial statements of the Company and the Group for 2010. The Supervisory Board's proposal to the AGM in 2010 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2010 quarterly reports, the controlling reports on the development of the acquisitions, the risk management system, the internal control system, and the internal auditing system.

The Nomination Committee held two conference calls in 2010.

The chairmen of the committees reported regularly to the next Supervisory Board meeting on the work of the committees.

There is no Mediation Committee. The German Co-Determination Act, which provides for such a committee, does not apply to companies in the legal form of a Societas Europaea.

Further information on the committees, their composition, and procedures can be found in the Corporate Governance Declaration and Report on pages 19 to 20 of the Annual Report and on page 210 of the Annual Report.

PERSONNEL – COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes in the composition of the Management Board or the Supervisory Board of Fresenius SE in 2010.

The change of legal form and the cross-border merger became effective on January 28, 2011. The term of office of the incumbent Supervisory Board members ended then and the Supervisory Board had to be re-appointed. A review of the legal situation revealed that – according to the provisions of the German Act on Employee Co-Determination in case of Cross-Border Mergers (MgVG) – the Supervisory Board of Fresenius SE & Co. KGaA consists – as hitherto – of an equal number of six shareholder representatives and six employee representatives.

In preparation for Fresenius SE's change of legal form to a partnership limited by shares (KGaA) taking effect, the members of the Supervisory Board of Fresenius SE & Co. KGaA on the shareholders' side were already elected at the AGM in 2010. They include Dr. Gerd Krick, Prof. Dr. h. c. Roland Berger, Klaus-Peter Müller, and Dr. Gerhard Rupprecht, who were already members of the Supervisory Board of Fresenius SE. In addition to these members, Prof. Dr. D. Michael Albrecht and Gerhard Roggemann were elected. Dr. Dieter Schenk and Dr. Karl Schneider, who were members of the Supervisory Board of Fresenius SE, are not members of the Supervisory Board of Fresenius SE & Co. KGaA. They are only members of the Supervisory Board of Fresenius Management SE. The Supervisory Board wishes to thank Dr. Schenk and Dr. Schneider for the lasting contribution they have made over more than a decade of valuable service on the Supervisory Board of Fresenius AG and Fresenius SE as well as on the committees and their dedication and commitment to the welfare of the Company and its employees.

The six employee representatives on the Supervisory Board of Fresenius SE & Co. KGaA were appointed provisionally by court order of the District Court in Bad Homburg v. d. H. on January 31, 2011. They are Dario Ilossi, Konrad Kölbl, Wilhelm Sachs, Stefan Schubert, Rainer Stein, and Niko Stumpfögger, all of whom were previously members of the Supervisory Board of Fresenius SE.

The mandates of the members of the Management Board of Fresenius SE also ended with the change of legal form to a KGaA. Fresenius SE & Co. KGaA does not have its own Management Board. The Company is managed by the general partner, Fresenius Management SE. The composition of the Management Board of Fresenius Management SE is identical to that of the former Management Board of Fresenius SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the Management Report of the Company for 2010 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. They were elected as auditors at Fresenius SE's Annual General Meeting on May 12, 2010 and were subsequently commissioned by the Supervisory Board. The auditors issued their unqualified audit opinion for these statements. The same applies to the Company's consolidated financial statements prepared according to IFRS accounting principles and to the Company's consolidated financial statements prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 10 and 11, 2011, the Audit Committee and then the Supervisory Board discussed

all the documents in detail. The auditors delivered a detailed report on the results of the audit during these meetings. They found no weaknesses in the internal control system and risk management with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and the Audit Committee.

The Audit Committee and the Supervisory Board noted and approved the auditors' findings. The Supervisory Board's own review found no objections to the Company's financial statements and Management Report or the consolidated financial statements and the Group Management Reports. At its meeting on March 11, 2011, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner's proposal on the appropriation of the 2010 retained earnings.

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

Bad Homburg v. d. H., March 11, 2011

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

Former Chairman of Fresenius AG

Chairman

Offices
Supervisory Board
Fresenius Management SE
(since March 11, 2010; Chairman since May 12, 2010)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Fresenius SE (until January 28, 2011; Chairman)
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

Dresden

Medical director and Spokesman of the Management Board of the Universitäts-klinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
HELIOS Kliniken GmbH (until May 31, 2010)
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h. c. Roland Berger

Munich

Management consultant

Offices
Supervisory Board
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Live Holding AG (until August 31, 2010; Chairman)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH
(Chairman until August 1, 2010;
Honorary Chairman as of August 1, 2010)
Schuler AG
Senator Entertainment AG (until April 16, 2010)
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power Holdings S.A., Luxembourg (Chairman)
(former SPAC Germany 1 Acquisition Limited, Guernsey)
Fiat S.p.A., Italy
Italy 1 Investment S.A., Luxembourg
(since August 26, 2010; Deputy Chairman)
Loyalty Partner Holdings S.A., Luxembourg
RCS Mediagroup S.p.A., Italy (since December 17, 2010)
Telecom Italia S.p.A., Italy

Dario Anselmo Ilossi

(as of January 31, 2011)

Rome, Italy

Trade union officer FEMCA Cisl – Energy, Fashion and Chemicals

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

Konrad Kölbl

(as of January 31, 2011)

Hof am Laithagebirge, Austria

Full-time Works Council member

Member of the Manual Workers' Works Council VAMED-KMB Krankenhaus-management und Betriebsführungs-ges. m.b.H.

Chairman of the Group Works Council VAMED AG

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fraport AG (until December 31, 2010)
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Linde AG

Administrative Board
Assicurazioni Generali S.p.A., Italy (until April 24, 2010)
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Gerhard Roggemann

Hanover

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

Offices
Supervisory Board
Deutsche Beteiligungs AG (since March 24, 2010)
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)

Board of Directors
F & C Asset Management plc, Great Britain
Friends Provident Holdings (UK) plc, Great Britain
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht

Gerlingen

Member of the Management Board Allianz SE (until December 31, 2010)

Chairman of the Management Board Allianz Deutschland AG (until June 30, 2010)

Deputy Chairman

Offices
Supervisory Board
Allianz Beratungs- und Vertriebs-AG
(until June 30, 2010; Chairman)
Allianz Deutschland AG (from July 1, 2010 until December 31, 2010; Chairman)
Allianz Elementar Lebensversicherungs-AG
(until December 31, 2010; Chairman)
Allianz Elementar Versicherungs-AG
(until December 31, 2010; Chairman)
Allianz Investmentbank AG
(until December 31, 2010; Deputy Chairman)
Allianz Lebensversicherungs-AG
(until June 30, 2010; Chairman)
Allianz Private Krankenversicherungs-AG
(until June 30, 2010; Chairman)
Allianz Suisse Lebensversicherungs-AG, Switzerland
(until December 31, 2010)
Allianz Suisse Versicherungs-AG, Switzerland
(until December 31, 2010)
Allianz Versicherungs-AG
(until June 30, 2010; Chairman)
Fresenius Management SE (since May 12, 2010)
Fresenius SE (until January 28, 2011)
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Wilhelm Sachs

(as of January 31, 2011)
Friedrichsdorf
Full-time Works Council member

Deputy Chairman of the Works Council Friedberg plant

Member of the Joint Works Council Fresenius SE & Co. KGaA / Friedberg plant

Chairman of the General Works Council Fresenius SE & Co. KGaA

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

Stefan Schubert

(as of January 31, 2011)
Limburg-Staffel
Hospital nurse and full-time Works Council member

Chairman of the Works council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
Wittgensteiner Kliniken GmbH

Rainer Stein

(as of January 31, 2011)
Berlin
Full-time Works Council member

Chairman of the Group Works Council HELIOS Kliniken GmbH

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

Niko Stumpfögger

(as of January 31, 2011)
Zeuthen
Secretary of the trade union ver.di, Betriebs- und Branchenpolitik im Bereich Gesundheit und Soziales
Deputy Chairman

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

COMMITTEES OF THE SUPERVISORY BOARD

Personnel Committee (until 28.01.2011)

Dr. Gerd Krick (Chairman) [1]
Wilhelm Sachs [1]
Dr. Karl Schneider [1, 2]

The KGaA has no Personnel Committee.

Nomination Committee

Dr. Gerd Krick (Chairman) [1, 3]
Prof. Dr. h. c. Roland Berger [3]
Dr. Gerhard Rupprecht [3]
Dr. Dieter Schenk [1, 2]
Dr. Karl Schneider [1, 2]

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman) [1, 3]
Konrad Kölbl [1, 3]
Dr. Gerd Krick [1, 3]
Gerhard Roggemann [3]
Rainer Stein [1, 3]
Dr. Karl Schneider [1, 2]

[1] Committee member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
[2] Member of the Management Board of the legal predecessor Fresenius SE until January 28, 2011
[3] Committee member of the Supervisory Board of Fresenius SE & Co. KGaA since March 11, 2011

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General Partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider [1]

Frankfurt am Main

Chairman

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi Austria GmbH, Austria
(until June 30, 2010)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A.S., France
(Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)

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

Rainer Baule [1]

Ettlingen

Business Segment Fresenius Kabi

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

Administrative Board
Fresenius Kabi Groupe France S.A., France (Chairman)
Fresenius Kabi Italia S.p.A., Italy

Board of Directors
APP Pharmaceuticals, Inc., USA
Dabur Pharma (Thailand) Co. Ltd., Thailand
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Inc., USA (until March 24, 2010)
Fresenius Kabi Oncology Plc., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA
Fresenius Kabi (Singapore) Pte Ltd., Singapore

Dr. Francesco De Meo [1]

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman)
HELIOS Klinikum Emil von Behring GmbH (Chairman)
HELIOS Klinikum Erfurt GmbH
(Chairman since January 12, 2010)
HELIOS Klinikum Krefeld GmbH (until October 31, 2010)
HELIOS Kliniken Leipziger Land GmbH
(Chairman since January 15, 2010)
HELIOS Kliniken Mansfeld-Südharz GmbH
(since January 12, 2010; Chairman since March 4, 2010)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Spital Überlingen GmbH (Chairman)

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG

Dr. Jürgen Götz [1]

Bad Soden am Taunus

Chief Legal and Compliance Officer,
and Labour Relations Director

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps [1]

Boston, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm [1]

Hofheim am Taunus

Chief Financial Officer

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

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

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

Dr. Ernst Wastler [1]

Linz, Austria

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH
(Deputy Chairman)
VAMED-KMB Krankenhausmanagement und
Betriebsführungsges. m.b.H., Austria (Chairman)

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

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General Partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and tax consultant

Deputy Chairman

Offices

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

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Supervisory Board
Fresenius SE (until January 28, 2011)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

GLOSSARY

Health care terms/Products and services

Administrative data
Data transmitted to sickness funds as part of the billing process or to federal agencies like the German Federal Statistics Office due to legal requirements. In Germany, this includes information about coded diagnoses and procedures.

Antibodies
Antibodies are proteins that bind specifically to a particular substance, its antigen. Antibodies are known collectively as immunoglobulins. They are produced by B-lymphocytes and plasma cells in response to infection or immunization, and bind to and neutralize pathogens, thus preparing them for uptake and destruction of phagocytes.

Ascites
Morbid accumulation of fluid in the peritoneal cavity, a medical condition also known as hydroperitoneum or abdominal dropsy. The term malignant ascites is used when the condition is caused by a tumor disease.

ATG-Fresenius S (anti T-lymphocyte globulin)
Polyclonal antibody that specifically binds to the patients T-lymphocytes and helps suppress the patient rejection of the transplanted organ. The antibody is used for organ transplants as well as for stem cell transplantation in some countries.

Calcimimetics
An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients.

CompoFlow concept
The CompoFlow concept consists of three components: the blood component separator CompoMat G5, the CompoFlow blood bag system and a portable device for opening the CompoFlow blood bags. This concept prevents errors that can occur if the caps are opened manually.

Compounding
Mixing of different solutions or components for IV or parenteral nutrition therapy.

Crystalloids
Fluids which contain electrolytes like sodium or chloride. Crystalloids are used for fluid therapy in order to replace lost fluids by patients. By using crystalloids one can achieve a short-term compensation of blood loss. Moreover, crystalloids can be used as carrier solutions for intravenously administered drugs.

Dialysis
Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer is used to clean a patient's blood.

Dialysis machine
The hemodialysis process is controlled by a dialysis machine which pumps blood, adds anticoagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

Dialysis solution/Dialysate
Fluid used in the process of dialysis in order to remove the filtred out substances and excess water from the blood.

Dialyzer
Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes and and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

Enteral nutrition
Application of liquid nutrition as a tube or sip feed via the gastrointestinal tract.

EPO (Erythropoietin)
Hormone that stimulates red blood cell production. Recombinant (i. e. artificially produced) human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

Feed water
Potable water, used to feed the purification units for production of pure water (Purified Water, Water for Injections).

FDA (U.S. Food & Drug Administration)
Official authority for food observation and drug registration in the USA.

Graft-versus-Host-Disease (GvHD)
Rejection of a transplanted organ, caused by T-cells in the donor graft that attack the host organism.

Health care terms/Products and services

Health care structure (primary, secondary, tertiary)
Primary health care refers to markets, in which basic infrastructure, health posts and rural hospitals are available.
Secondary health care refers to markets, in which general hospitals, specialist's clinics and rehabilitation are available.
Tertiary health care refers to markets, in which maximum care, teaching hospitals, university clinics, centres of excellence are available.

Hemodiafiltration (HDF)
Special type of ESRD (end-stage renal disease) treatment combining the advantages of hemodialysis and hemofiltration, i. e. high elimination rates are achieved for substances with small and large molecular weight via diffusive and convective mechanisms respectively.

Hemodialysis (HD)
A treatment method for dialysis patients where the blood of the patient is cleansed by a dialyzer. The solute exchange between blood and dialysate is dominated by diffusive processes.

Intraperitoneal
Administration of a drug directly into the peritoneal cavity.

Parenteral nutrition
Application of nutrients directly into the bloodstream of the patient (intravenously). This is necessary if the condition of a patient does not allow to absorb and metabolise essential nutrients orally or as sip and tube feed in a sufficient quantity.

Peritoneal dialysis (PD)
Dialysis treatment method using the patient's peritoneum as a "filter" to cleanse his blood.

Polyclonal antibodies
Antibodies that recognize one specific structure, but are produced by different cell clones.

Prevalence
The prevalence of a disease in a statistical population defines the total number of cases of a disease in the population at a given time, or the total number of cases in the population based on a fix number – usually 10,000 or one million – of individuals in the population.

Public-private partnership (PPP) model
Public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. PPP accompanies in most cases with a part-privatization of governmental services.

Three-chamber bag
The three-chamber bag contains all the macronutrients like – amino acids, glucose, lipids and as well electrolytes in three separate chambers. Immediately before infusion all nutrients are mixed thoroughly within the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions

Trifunctional antibodies
Antibodies that bind to three different cell types in parallel (e. g. tumor cells, T-cells and accessory cells) resulting in a tumor-specific immune reaction.

Medical care center
Interdisciplinary facility for outpatient care, managed by a physician. Potential shareholders of the medical care center include all service providers (such as physicians, pharmacists, health care facilities) which are authorized to treat patients with statutory health insurance.

Wage sum inflator
The wage sum inflator is the percentage change in the relevant income base for health insurance premiums of all members of the statutory health insurance system determined annually by the Federal German Ministry of Health. It serves as the basis for the annual negotiation of the price increases for hospital services.

Financial terms

Beta factor
The beta factor shows the correlation of a share to a specific index.
ß > 1 means: the share is fluctuating more than the index.
ß = 1 means: the share movements are in line with the index.
ß < 1 means: the share is fluctuating less than the index.

Cashflow
Financial key figure that shows the net balance of incoming and outgoing payments during a reporting period.

Commercial paper program
Is short-term unsecured promissory notes issued by corporations in need of short-term loans. Typically commercial paper maturities range from a few days up to under two years.

Compliance
Measures for adherence to laws and company policies.

Corporate Governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation.

Days sales outstanding (DSO)
Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation and amortization.

Kommanditgesellschaft auf Aktien (KGaA)
A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

Organic growth
Organic growth is growth that is generated by a company's existing businesses and not by acquisitions, divestitures or foreign exchange impact.

Rating
The rating is a classification of the creditworthiness of a company accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

ROE (Return on Equity)
The ROE measures a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested.
ROE = fiscal year's net income / total equity x 100.

ROIC (Return on Invested Capital)
Calculated by: (EBIT – taxes): Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.

ROOA (Return on Operating Assets)
Calculated by: EBIT x 100: operating assets (average)
Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.

SE (Societas Europaea)
Legal form of a European stock corporation. The supranational legal entity is based on the European Community law. Subject to the European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

Working Capital
Current assets (including deferred assets) – accruals – trade accounts payable – other liabilities – deferred charges.

Xetra (Exchange Electronic Trading)
Electronic trading system of Deutsche Börse AG to buy or sell stocks, foreign currencies or other financial instruments.

INDEX

A

Accounting policies 132 ff.
Acquisitions 35 f., 44, 74, 107 ff., 144 f.
Analyst recommendation 11 f.
Annual General Meeting 17
Antibody therapies 80 f., 85 ff.
Articles of association 54 f.
Asset and capital structure 75 f.
Assets and liabilities 75 f.
Authorized Capital 54 f., 174

B

Balance sheet structure 7, 75 f.
Business development 58 ff.

C

Cancer 40, 85 f.
Capital 54 f.
Cash and cash equivalents 120, 150
Cash flow 7, 73 f., 122 f., 189, 215
Cash flow statement 73, 122 f.
Change of legal form 131 f.
Clinical nutrition 40 f., 63, 84 f., 111
Compensation of Management Board and Supervisory Board 27 ff.
Compliance 23 f., 215
Composition of the Group 133 f.
Conditional capital 55, 175 f.
Corporate governance 14 ff., 199, 204 f.
Corporate governance declaration 14 ff.
Corporate performance criteria 56 ff.
Currency and interest risk management 76
Currency translation 54, 140
Current assets 76,120

D

Declaration of conformity 14 ff.
Dialysis care 34 ff., 61 f.
Dialysis products 34 ff., 62
Distribution of earnings 199
Dividend 10, 73, 116, 176

E

Earnings 6, 68 ff.
Earnings per share 11, 149
Employees 77 ff., 116
Employee participation 80
Enteral nutrition 41, 85, 213
Environment 94 ff.
Equity ratio 7, 75, 188

F

Financial position 70 ff.
Financing 71 ff., 158 ff., 188
Fresenius Biotech 85 ff.

G

Group structure 51 ff., 131

H

Health care industry 60 ff.
Hemodialysis 34 ff., 61 f., 214

I

Infusion therapy 39, 62 f., 83 f., 111
Inventories 150 f.
Investments 74 f., 114
Investor Relations 12 f.
IV drugs 40, 62 f., 84, 111

M

Management Board 17 f., 211 f.
Market capitalization 9, 13

N

Net income 6, 68 f., 113, 136, 149
Net interest 6, 70, 146
Noncontrolling interest 121, 173
Non-current assets 75, 120

O

Operating cash flow 7, 73 f., 122
Opportunities management 99
Outlook 107 ff.

P

Parenteral nutrition 41, 84 f., 214
Pensions 121, 168 ff.
Peritoneal dialysis 34, 61 f., 214
Personnel expenses 77, 145
Procurement 87 ff., 115

Q

Quality management 90 ff.

R

Rating 106, 215
Renal pharmaceuticals 37
Research and development 80 ff., 115 f.
Results of operations 66 ff.
Risk management/risk areas 99 ff.
ROE Inside cover, 215
ROIC Inside cover, 56, 215
ROOA Inside cover, 56, 126, 215

S

Sales 6, 66 f., 113 f., 145
Segment reporting 126 ff., 189 ff.
Share 8 ff.
Shareholder structure 11
Share price development 8 f.
Stock option plan 80, 191 ff.
Strategy 56 ff.
Subsequent events 107
Supervisory Board 17 ff., 202 ff., 209 ff.
Supervisory Board Committees 19 f., 205 f., 210

T

Training 78 ff.
Transfusion technology 39 f.
Transplantation 85 f.

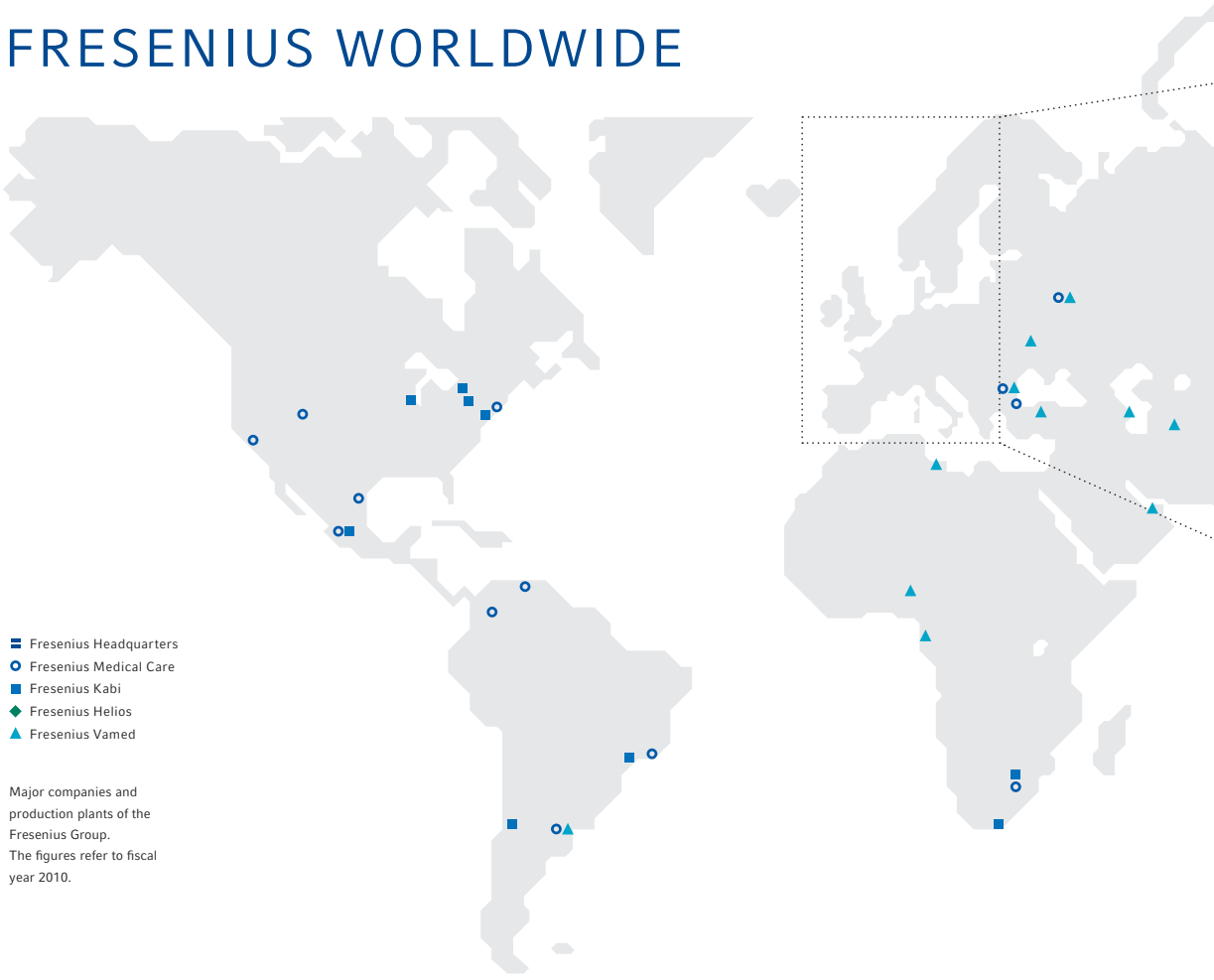
V

Value added 70 f.
Vocational training 79 f.

W

Working capital 72, 215

FRESENIUS WORLDWIDE



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

Major companies and production plants of the Fresenius Group. The figures refer to fiscal year 2010.

FRESENIUS MEDICAL CARE

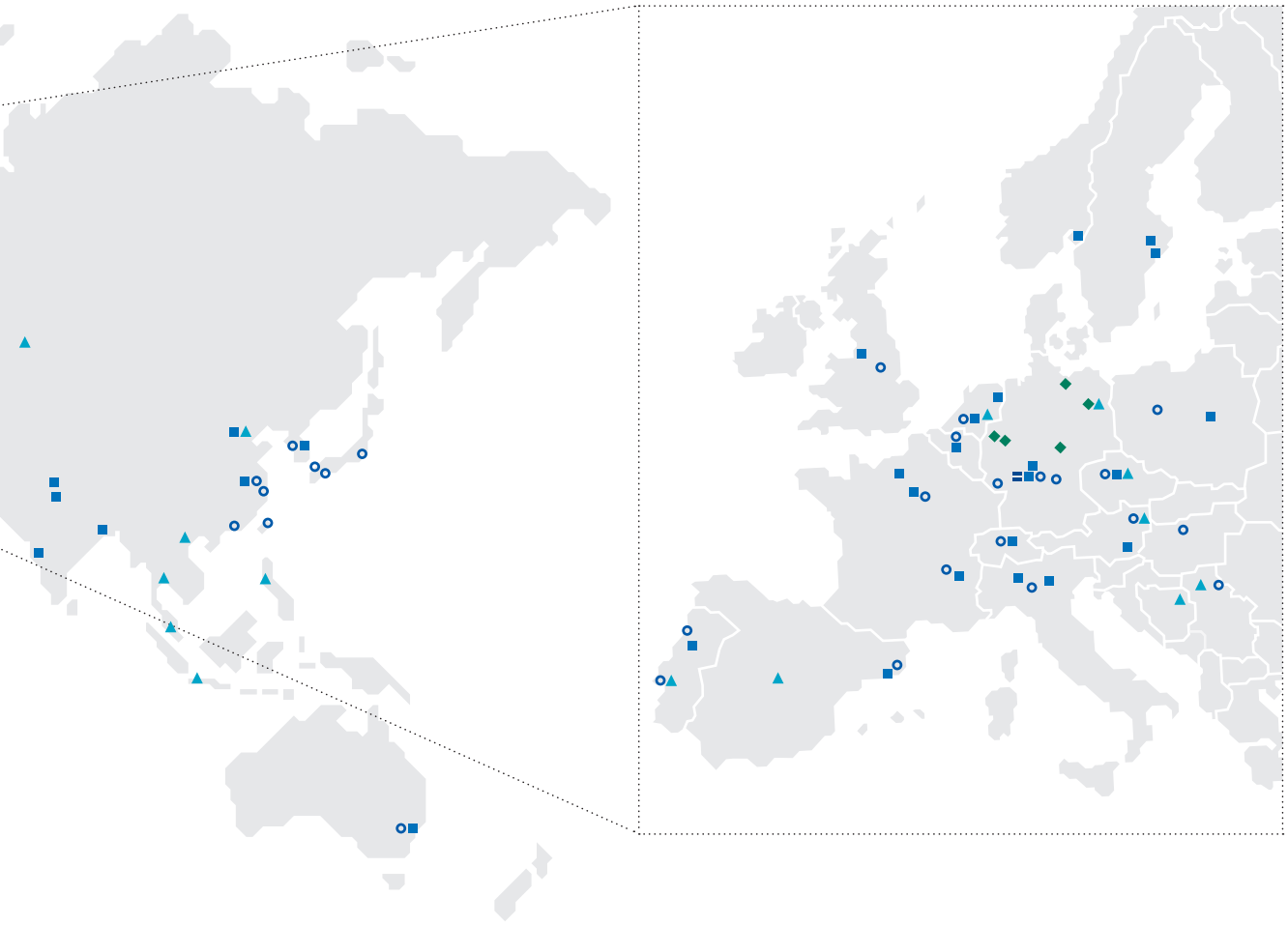
Sales: US$12,053 million
Employees: 77,442

Further information on the companies and production plants of Fresenius Medical Care AG & Co. KGaA can be found in the company's annual report.

FRESENIUS KABI

Sales: €3,672 million
Employees: 22,851

Fresenius HemoCare GmbH
Bad Homburg v. d. H., Germany
Fresenius Kabi Deutschland GmbH
Bad Homburg v. d. H., Germany
Fresenius Vial S.A.S.
Brézins, France
Fresenius Kabi France S.A.S.
Sèvres, France
Fresenius Kabi Italia S.p.A.
Verona, Italy
Fresenius Kabi Anti-Infectives S.r.l.
Cernusco sul Naviglio, Italy
Fresenius Kabi Ltd.
Runcorn/Cheshire, Great Britain
Fresenius Kabi Nederland B.V.
's-Hertogenbosch, Netherlands
Fresenius HemoCare Netherlands B.V.
Emmen, Netherlands
Fresenius Kabi N.V.
Schelle, Belgium
Fresenius Kabi (Schweiz) AG
Stans, Switzerland
Fresenius Kabi Austria GmbH
Graz, Austria
Fresenius Kabi España S.A.
Barcelona, Spain
Labesfal - Laboratórios Almiro, S.A.
Campo de Besteiros, Portugal
Fresenius Kabi Polska Sp. z o.o.
Warsaw, Poland
Fresenius Kabi AB
Stockholm, Sweden
Fresenius Kabi Norge A/S
Halden, Norway
Fresenius Kabi Pharmaceuticals Holding, Inc.
Wilmington/Delaware, USA
Calea Ltd.
Toronto/Ontario, Canada
Fresenius Kabi Brasil Ltda.
São Paulo, Brazil
Fresenius Hemocare Brasil Ltda.
São Paulo, Brazil
Laboratorio Sanderson S.A.
Santiago de Chile, Chile
Fresenius Kabi México S.A. de C.V.
Guadalajara, Mexico



Beijing Fresenius Kabi Pharmaceutical Co., Ltd.
Beijing, China
Sino-Swed Pharmaceutical Corp. Ltd.
Wuxi, China
Fresenius Kabi Oncology Ltd.
New Delhi, India
Fresenius Kabi Korea Ltd.
Seoul, Korea
Fresenius Kabi Australia Pty Ltd.
Sydney, Australia
Fresenius Kabi South Africa (Pty) Ltd.
Midrand, South Africa

FRESENIUS HELIOS

Sales: €2,520 million
Employees: 33,321

The HELIOS Group owns 63 clinics, thereof maximum care clinics in:
Berlin, Germany
Erfurt, Germany
Krefeld, Germany
Schwerin, Germany
Wuppertal, Germany

FRESENIUS VAMED

Sales: €713 million
Employees: 3,110

VAMED Group has companies/subsidiaries in:
Vienna, Austria
Berlin, Germany
Madrid, Spain
Lisbon, Portugal
Arnheim, Netherlands
Prague, Czech Republic
Novi Sad, Serbia
Tuzla, Bosnia-Herzegovina
Bucharest, Romania
Moscow, Russia
Kiev, Donetsk, Ukraine
Astana, Kazakhstan
Ashgabat, Turkmenistan
Baku, Aserbaijan
Ankara, Turkey
Buenos Aires, Argentina
Beijing, China
Kuala Lumpur, Malaysia
Bangkok, Thailand
Hanoi, Vietnam
Jakarta, Indonesia
Manila, Philippines
Abuja, Nigeria
Libreville, Gabon
Tripoli, Libya
Abu Dhabi, UAE

FINANCIAL CALENDAR

Report on 1st quarter 2011	
Conference call	
Live webcast	May 4, 2011
Annual General Meeting, Frankfurt am Main, Germany	May 13, 2011
Payment of dividend[1]	May 16, 2011
Report on 1st half 2011	
Conference call	
Live webcast	August 2, 2011
Report on 1st – 3rd quarters 2011	
Conference call	
Live webcast	November 2, 2011

[1] Subject to the prior approval by the Annual General Meeting

FRESENIUS SHARE

	Ordinary share
Securities identification no.	578 560
Ticker symbol	FRE
ISIN	DE0005785604
Bloomberg symbol	FRE GR
Reuters symbol	FREG.de
Main trading location	Frankfurt/Xetra

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Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz, Dr. Ben Lipps, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Annual Report is legally binding.

The Annual Report, the financial statements of Fresenius SE & Co. KGaA and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request at Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Annual Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA and Fresenius Kabi Pharmaceuticals Holding, Inc. – the actual results could differ materially from the results currently expected.

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FSC Mixed Sources
Product group from well-managed forests and other controlled sources
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