FRESENIUS

2011

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

at December 31, 2011

applying Section 315a HGB in accordance with

International Financial Reporting Standards

CONTENT

MANAGEMENT REPORT. 2011 was an excellent year for Fresenius. We again achieved record sales and earnings. All business segments contributed to the strong sales and earnings growth. We also improved our profitability and increased Group net income by 17% in constant currency.

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

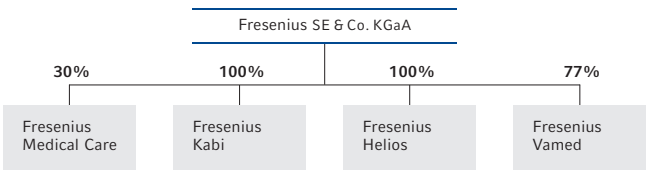
Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

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

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

- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2011, Fresenius Medical Care treated 233,156 patients at 2,898 dialysis clinics.
- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.
- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS-Kliniken Group operates 65 proprietary clinics, of which 64 are located in Germany

GROUP STRUCTURE



and one in Switzerland. HELIOS has a total of more than 20,000 beds.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.
- The segment Corporate/Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate/Other also includes the consolidation measures conducted among the business segments.

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

MANAGEMENT AND CONTROL

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

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

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

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

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

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

The Supervisory Board of Fresenius SE & Co. KGaA has two permanent **committees**: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed on page 177 of this annual report.

The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the **compensation structure** and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA are included in the Compensation Report on pages 160 ff. of this annual report. The Compensation Report is part of the Group's Management Report.

KEY PRODUCTS AND SERVICES

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

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are Europe and North America. Fresenius generates 42% of its sales in Europe and 41% in North America.

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

LEGAL AND ECONOMIC FACTORS

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

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

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

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

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

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

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

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

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

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

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

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

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

- The subscribed capital is conditionally increased by up to €888,428.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights.
- The subscribed capital is conditionally increased by up to €2,976,630.00 through the issuance of new bearer ordinary shares (Conditional Capital II). The 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 €6,024,524.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the general partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

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

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 131 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company on December 30, 2011, that it held 46,871,154 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 28.71% as of December 31, 2011.

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)

	December 31, 2011		December 31, 2010	
	Number of shares	Subscribed capital €	Number of shares	Subscribed capital €
Ordinary shares/capital	**163,237,336**	**163,237,336.00**	81,225,045	81,225,045.00
Preference shares/capital	**0**	**0**	81,225,045	81,225,045.00
Total	**163,237,336**	**163,237,336.00**	162,450,090	162,450,090.00

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

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

CORPORATE PERFORMANCE CRITERIA, GOALS, AND STRATEGY

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

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 was at 8.7% (2010: 8.8%), and Group ROOA was at 10.7% (2010: 11.4%). The strong earnings growth in all business segments corresponds with an increase in total assets. This increase is a result of the expansion of the existing business, acquisitions and currency translation effects. Within the position invested capital, the goodwill in the amount of €12.8 billion had a significant effect on the calculation of the ROIC. It is important to take into account that about 65% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS, both in 2006 and APP Pharmaceuticals in 2008. Those have significantly strengthened the position of the Fresenius Group. We expect a continuing improvement in ROIC and ROOA in the future.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2011**	2010	**2011**	2010
Fresenius Medical Care [1]	**8.7**	8.8	**12.0**	12.5
Fresenius Kabi [1]	**10.0**	9.0	**12.4**	11.9
Fresenius Helios [1]	**8.3**	7.5	**8.4**	7.8
Fresenius Vamed [1,2]	**–**	–	**16.0**	22.2
Group (IFRS)	**8.7**	8.8	**10.7**	11.4

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

We calculate our **cost of capital** as weighted average of the cost of equity and the cost of debt. The WACC (weighted average cost of capital) of Fresenius Medical Care and the WACC of the other business segments was 6.3% and 5.9%, respectively, in 2011 and was clearly exceeded by Group ROIC of 8.7%.

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 further through the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.
- To **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.
- To **strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development in our operations to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative

therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

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

We report on our goals in detail in the Outlook section on pages 62 to 72.

OVERALL BUSINESS DEVELOPMENT

ECONOMIC ENVIRONMENT

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

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

GDP SHARE OF LEADING ECONOMIES

in %	2010	2009
United States	**19.5**	20.4
China	**13.6**	12.6
Japan	**5.8**	6.0
India	**5.5**	5.1
Germany	**4.0**	4.0
Russia	**3.0**	3.0

Sources: IMF, World Economic Outlook 2011, 2010

Europe

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

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

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

The high debt level, the credit rating downgrade by the rating agencies, and the increased risk markup for treasuries especially in the peripheral countries of the Eurozone increased the pressure to pursue ambitious consolidation plans. The economies of the countries in Southern Europe need to become more efficient; with public sector reform especially urgent. Some core countries must also make efforts to bring debt down to sustainable levels. By the end of 2011, problems in the Eurozone finally caused the euro to reach its all-time low against the U.S. dollar since September 2010.

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

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

United States

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

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

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

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

Asia

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

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

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

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

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

Latin America

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

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

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

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

HEALTH CARE INDUSTRY

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

The main **growth factors** are:

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

In the **emerging countries** drivers are:

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

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

HEALTH CARE SPENDING AS % OF GDP

in %	2009	2000	1990	1980	1970
USA	17.4	13.6	12.2	9.0	7.1
France	11.8	10.1	8.4	7.0	5.4
Germany	11.6	10.3	8.3	8.4	6.0
Switzerland	11.4	10.2	8.2	7.3	5.4

Source: OECD Health Data 2011

Sources: OECD Health Data 2011; German Bundestag, Research Papers, Health Care Reform in the USA, June 2010

Switzerland (US$5,144). Germany ranked ninth among the OECD countries with per capita spending of US$4,218.

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

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

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades thanks to improved living standards, public health interventions, and progress in medical care. In 2009, the average life expectancy in the OECD countries was 79.5 years. In Germany, life expectancy of 80.3 years was nearly a year more than the OECD average. Japan has the highest life expectancy of all OECD countries with 83 years.

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising health care expenditures. However, such measures cannot compensate for the cost pressures arising from medical advances and demographic change. Market-based elements are increasingly being introduced in the health care system to create incentives for cost and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards and optimized medical processes. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

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

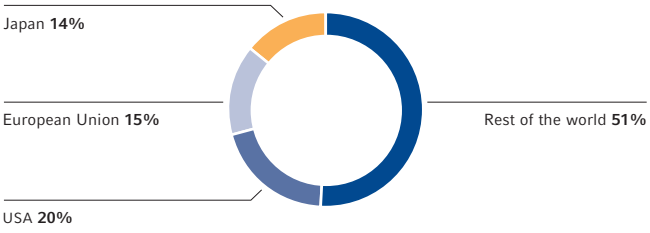
Our most important markets developed as follows:

The dialysis market

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

The number of dialysis patients worldwide increased by about 6% to around 2.2 million. 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 2,850 p. m. p., followed by Japan with 2,520 p. m. p., and the United States with approximately 1,950 p. m. p. It averages about 1,050 in the 27 countries of the European Union. The far lower global average of approximately 400 p. m. p. is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition and cultural habit, such as nutrition. On the other hand, access

to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics. A comparison of economic output and national prevalence rates suggests that access to treatment is restricted especially in countries where GDP per capita is less than US$10,000 per person per year. In countries with a higher GDP, there is no noticeable correlation between economic strength and prevalence. However, the generally rising global prevalence rate suggests that more and more people are receiving renal replacement therapy treatment over the years.

Dialysis care

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

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

In the United States, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second largest provider of dialysis care – DaVita – treat about 66% of all U.S. dialysis patients. In 2011, Fresenius Medical Care maintained its market-leading position of approximately 33%.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care operates 1,081 dialysis clinics in about 40 countries and treats approximately 95,000 patients. Together, these represent by far the largest and most international network of dialysis clinics.

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

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services (CMS)**, cover the medical services for the majority of all dialysis patients in the United States. In 2011, CMS reimbursements accounted for about 30% of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

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

Dialyzers are the largest product group in the dialysis market with a worldwide sales volume of around 211 million units in 2011. Around 93 million, or almost half, were produced by Fresenius Medical Care.

Of the approximately 73,000 new **hemodialysis machines** that were brought onto the market in 2011, about 55% were from Fresenius Medical Care. In the United States, our most important business region, Fresenius Medical Care had a share of over 80% of the independent market in these two product segments. We define the independent market as all dialysis clinics that do not belong to the major dialysis care provider Fresenius Medical Care or DaVita. In 2011, China was our second largest market, where we sold more than 6,030 new hemodialysis machines. Over 49%, or almost half of all machines used in China, were produced by Fresenius Medical Care.

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

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

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

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

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

The market for **IV generics** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2012 to 2022 to grow to approximately US$20 billion on a cumulative basis. These figures are based on the sales of the original drugs in 2010 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

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

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

The German hospital market

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

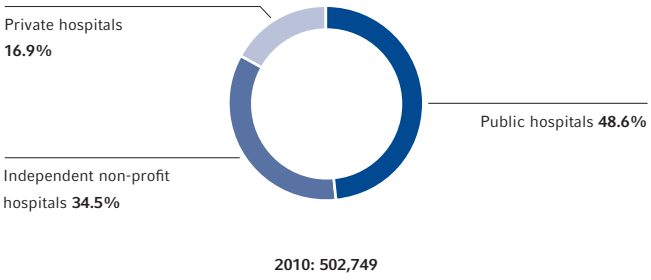
KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2010	2009	2008	2007	2006	Change 2010/2009
Hospitals	**2,064**	2,084	2,083	2,087	2,104	-1.0%
Beds	**502,749**	503,341	503,360	506,954	510,767	-0.1%
Beds per 1,000 population	**6.15**	6.15	6.13	6.16	6.20	0%
Length of stay (days)	**7.9**	8.0	8.1	8.3	8.5	-1.3%
Number of admissions (millions)	**18.03**	17.82	17.52	17.18	16.83	1.2%
Average costs per admission in €[1]	**4,432**	4,327	4,146	4,028	3,932	2.4%

[1] Total costs, gross
Source: German Federal Statistics Office

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

HOSPITAL BEDS BY OPERATOR



2010: 502,749

Source: German Federal Statistics Office

costs, and material costs for 39%. Personnel and material costs rose by 3.6% each.

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

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

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

Many hospitals are facing a difficult economic and financial situation as well as significant **investment needs**. This is due in large part to an investment backlog that has accumulated because the federal states have not met their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past due to budget constrains. Moreover, the investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment backlog at German hospitals is about €14 billion.

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

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

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

In 2010 the **post-acute care market** in Germany comprised a total of 1,237 clinics, almost the same as the year before. The number of beds was 171,724 (2009: 171,489). 56.1% (2009: 55.8%) of the clinics were private clinics. An almost unchanged 25.9% (2009: 26.1%) were independent non-profit clinics and the share of public clinics decreased to 17.9% (2009: 18.1%). Private clinics accounted for 67.0% of the total number of post-acute care beds (2009: 66.8%). Independent non-profit clinics and public clinics accounted for 15.8% (2009: 16.0%) and 17.2% (2009: 17.3%), respectively. The total number of admissions in Germany decreased by about 30,800 admissions to 1.97 million. The average length of stay decreased to 25.4 days (2009: 25.5 days).

Sources: German Hospital Institute (DKI) – Krankenhaus Barometer 2011, OECD Health Data 2011, RWI, Krankenhaus Rating Report 2011

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

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

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

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

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

SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

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

The annual financial statements for 2011 include for the last time **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 in 2008. The special effects were also included in the annual financial statements 2010. The adjusted earnings figures represent the Group's business operations in the given reporting period.

As the CVR were delisted in March 2011, the effect relates solely to Q1 2011. As the MEB came to maturity on August 14, 2011, no further effect will occur after Q3 2011.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS

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

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2011, 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.

We achieved our guidance of approximately 6% **sales growth** in constant currency (U.S. GAAP: 6%). As the table below shows, we initially increased our guidance over the course of the year. Due to the sales growth in the first three quarters of 2011, we had to slightly reduce it. **Net income**[2] reached new records: The outlook for fiscal year 2011 was increased a total of four times based on the excellent earnings growth at Fresenius Kabi and Fresenius Helios. We finally expected net income to increase by 18% in constant currency. With 18%, we met this target according to U.S. GAAP. According to IFRS, net income growth in constant currency was 17%. Fresenius Kabi and Fresenius Helios also fully achieved their sales and earnings guidance. At the beginning of August, Fresenius Vamed slightly revised the sales and earnings targets downwards due to the unrest in the region Middle East/North Africa and the resulting impact on the project business. Fresenius Medical Care slightly reduced its sales target in December. Both business segments fully met their revised guidance.

The Group's **cost positions** in 2011 developed as expected. Cost of sales were improved as percentage rate of sales, and at the same time operating expenses increased slightly. We increased our R & D expenses as planned. With 4% (U.S. GAAP: 4%), they are fully within the targeted range of approximately 4% to 5% of our product sales.

Fresenius invested €797 million (U.S. GAAP: €783 million) in **property, plant and equipment** in 2011, equivalent to about 5% of Group sales. That was well in line with the budgeted level of about 5% as percentage of sales.

We also clearly exceeded our guidance for operating **cash flow** with a cash flow rate of more than 10% (U.S. GAAP: more than 10%). We had forecast a cash flow rate at a high single-digit percentage rate of sales.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

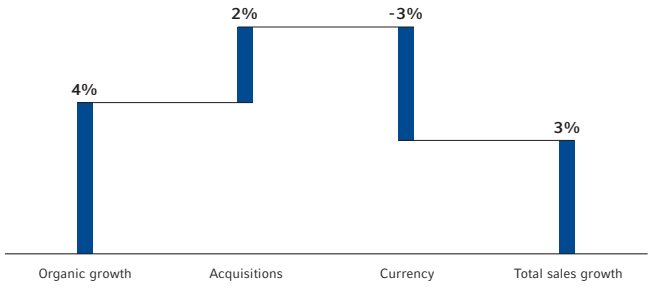
RESULTS OF OPERATIONS

SALES

In 2011, we increased Group sales by 6% in constant currency and by 3% at actual rates to €16,522 million (2010: €15,972 million).

The chart shows the various influences on Fresenius' Group sales. Organic growth was 4%, acquisitions contributed 2%. Currency translation had a negative impact of 3%. More information can be found on page 4.

SALES GROWTH ANALYSIS



There were no significant consequences from changes in product mix. Changes relate to price effects, mainly attributable to our dialysis business in the U.S. as a result of the introduction of the new reimbursement system based on a bundled rate. No significant changes are currently expected in these two factors in the foreseeable future.

ACHIEVED GROUP TARGETS 2011[1]

Group	Targets for 2011 announced in February 2011	Increased guidance announced in May 2011	Increased guidance announced in August 2011	Adjusted guidance announced in November 2011	Increased guidance announced in December 2011	Achieved in 2011 (U.S. GAAP)	Achieved in 2011 (IFRS)
Sales (growth, in constant currency)	≥7%	7–8%		~6%		6%	6%
Net income (growth, in constant currency)[2]	8–12%	12–16%	15–18%	upper half of range	~18%	18%	17%

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

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

Sales growth by region was as follows:

The largest regions in the Group are Europe and North America, contributing 42% and 41% of total sales, followed by Asia-Pacific with 10%, and Latin America and Africa with 5% and 2%, respectively. Germany contributed 22% to Group sales.

In North America, organic sales growth was 1%. The moderate increase was mainly due to the introduction of the reimbursement system based on a bundled rate for dialysis services. In constant currency, sales increased also by 1%. In Europe, sales were up 6% in constant currency, with organic growth of 3%. Prior-year sales in Europe were positively influenced by Fresenius Vamed's large medical supply contract to the Ukraine. Excellent organic growth was again achieved in Asia-Pacific with 16% and in Latin America with 13%. In these regions, sales growth in constant currency was 21% and 14%, respectively.

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved sales of €9,192 million in 2011 (2010: €9,091 million). Organic growth was 2%, while acquisitions contributed 3%. Currency translation had a negative effect of 4%. Sales growth was mainly attributable to the excellent development, both in dialysis products as well as in dialysis services outside North America. In North America, Fresenius Medical Care's sales remained stable in spite of the one-time loss in sales resulting from the introduction of the new bundled reimbursement system for dialysis treatments by the Medicare program in the U.S.
- Fresenius Kabi increased sales by 8% to €3,964 million (2010: €3,672 million). The company achieved organic growth of 9%. Sales growth in emerging markets was again very strong. New product launches and strong demand due to supply constraints at competitors had a positive effect in the U.S. Acquisitions had no significant effect on sales growth. Currency translation had an effect of -1%. This is mainly attributable to the U.S. dollar decreasing against the euro.
- Fresenius Helios increased sales by 6% to €2,665 million (2010: €2,520 million). The increase in hospital admissions compared to 2010 contributed to organic growth of 4%. Acquisitions contributed 2% to growth.
- Fresenius Vamed slightly increased sales by 3% to €737 million (2010: €713 million). Organic growth was 4%.

SALES BY REGION

€ in millions	2011	2010	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**6,762**	7,020	-4%	1%	-5%	0%	41%
Europe	**6,919**	6,515	6%	3%	0%	3%	42%
Asia-Pacific	**1,582**	1,307	21%	16%	0%	5%	10%
Latin America	**899**	814	10%	13%	-4%	1%	5%
Africa	**360**	316	14%	16%	-2%	0%	2%
Total	**16,522**	15,972	3%	4%	-3%	2%	100%

SALES BY BUSINESS SEGMENT [1]

€ in millions	2011	2010	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**9,192**	9,091	1%	2%	-4%	3%	56%
Fresenius Kabi	**3,964**	3,672	8%	9%	-1%	0%	24%
Fresenius Helios	**2,665**	2,520	6%	4%	0%	2%	16%
Fresenius Vamed	**737**	713	3%	4%	0%	-1%	4%

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

Sales in the project business were €494 million (2010: €487 million). Prior-year sales included a substantial medical supply contract with the Ukraine. In addition, current sales were impacted by the unrest in the Middle East/North Africa region. Sales in the services business rose by 8% to €243 million (2010: €226 million).

Order intake and order backlog in Fresenius Vamed's project business developed well: order intake was €604 million (2010: €625 million). Fresenius Vamed increased its order backlog by 5% to €845 million (December 31, 2010: €801 million). Order backlog surpassed 2011 project sales of €494 million by 1.7 times. 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 achieved excellent earnings growth rates in 2011. **Group net income**[1] rose by 15% to €758 million (2010: €657 million). This includes a €19 million write-down of capitalized in-process R & D activities (2010: €8 million). Currency translation had a negative effect, leading to growth in constant currency of 17%. Earnings per share[1] rose to €4.66 (2010: €4.06). This represents an increase of 15% at actual rates and of 16% in constant currency. Including special items, Group net income[2] was €678 million (2010: €619 million) and earnings per share were €4.17 (2010: €3.83). Inflation had no significant effect on results of operations in 2011.

Group EBITDA rose by 9% in constant currency and by 6% at actual rates to €3,263 million (2010: €3,072 million). **Group EBIT** increased by 8% in constant currency and by 6% at actual rates to €2,546 million (2010: €2,410 million). This includes a €31 million write-down of capitalized in-process R & D activities (2010: €13 million).

The EBIT development by business segment was as follows:

- Fresenius Medical Care increased EBIT by 3% to €1,491 million (2010: €1,451 million). The EBIT margin improved from 16.0% to 16.2%, primarily due to the improved operating margin in North America. This was largely a result of the positive development of pharmaceutical costs.
- Fresenius Kabi increased EBIT by 9% to €803 million (2010: €737 million). All regions contributed to the strong EBIT growth. The EBIT margin improved to 20.3% (2010: 20.1%).
- In 2011, Fresenius Helios achieved an excellent EBIT growth of 15% to €270 million (2010: €235 million) due to the very good progress at the established clinics and the earnings improvement at those clinics covered by the restructuring plan. The latter are clinics which have been in the Fresenius Helios portfolio for less than five years. The EBIT margin rose to 10.1% (2010: 9.3%).
- Fresenius Vamed increased EBIT to €44 million (2010: €41 million). The EBIT margin improved to 6.0% (2010: 5.8%).

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED[1]

€ in millions	**2011**	2010	2009	2008	2007
Order intake	**604**	625	539	425	395
Order backlog (December 31)	**845**	801	679	571	510

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

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

RECONCILIATION

€ in millions	2011 Other financial result	2011 Net income	2010 Other financial result	2010 Net income
Net income[1]		**758**		657
Other financial result:[2]				
Mandatory Exchangeable Bonds (MEB) (mark-to-market accounting)	**-105**	**-85**	-98	-70
Contingent Value Rights (CVR) (mark-to-market accounting)	**5**	**5**	32	32
Earnings according to IFRS[3]	**-100**	**678**	-66	619

[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 IFRS.

The Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) were recognized as liabilities. The repayment value of the CVR and the derivative elements of the MEB were measured at market prices. The change in value (mark-to-market accounting) resulted either in a gain or an expense until the end of maturity. As the CVR were delisted in March 2011, the effect relate solely to the first quarter of 2011. Since Adjusted EBITDA for the CVR measuring period did not exceed the threshold amount, no amounts were paid on the CVRs and the CVRs expired valueless. The MEB came to maturity on August 14, 2011, therefore no further effect will occur after the third quarter of 2011. Upon maturity, the MEB was converted into 15,722,644 ordinary shares of Fresenius Medical Care AG & Co. KGaA.

DEVELOPMENT OF OTHER MAJOR ITEMS IN THE STATEMENT OF INCOME

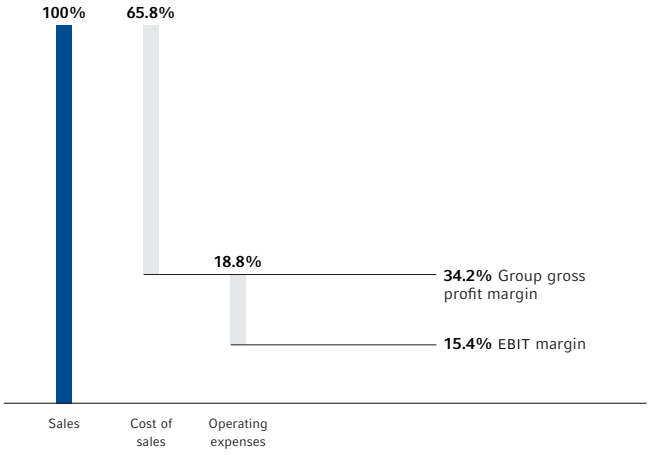
Group gross profit rose to €5,644 million, exceeding the previous year's gross profit of €5,324 million by 6% (8% in constant currency). We improved the gross margin to 34.2% (2010: 33.3%). The **cost of sales** rose by 2% to €10,878 million (2010: €10,648 million). Cost of sales as a

STATEMENT OF INCOME (SUMMARY)

€ in millions	2011	2010	Change	Change in constant currency
Sales	**16,522**	15,972	3%	6%
Cost of goods sold	**-10,878**	-10,648	-2%	-4%
Gross profit	**5,644**	5,324	6%	8%
Selling, general and administrative expenses	**-2,802**	-2,658	-5%	-8%
Research and development expenses	**-296**	-256	-16%	-17%
EBIT (operating result)	**2,546**	2,410	6%	8%
Net interest	**-531**	-566	6%	4%
Other financial result	**-100**	-66	-52%	-52%
Income taxes	**-594**	-574	-3%	-7%
Noncontrolling interest in profit	**-643**	-585	-10%	-13%
Net income[1]	**758**	657	15%	17%
Net income[2]	**678**	619	10%	11%
Earnings per ordinary share in €[1]	**4.66**	4.06	15%	16%
Earnings per ordinary share in €[2]	**4.17**	3.83	9%	10%
EBITDA	**3,263**	3,072	6%	9%
Depreciation and amortization	**717**	662	8%	11%

[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



percentage of Group sales decreased from 66.7% in 2010 to 65.8%. **Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 5% to €2,802 million (2010: €2,658 million). Their ratio as a percentage of Group sales was 17,0% (2010: 16.6%). **Depreciation and amortization** was €717 million (2010: €662 million). Their ratio as a percentage of sales was 4.3% (2010: 4.1%). **Personnel costs** increased to €5,552 million (2010: €5,350 million). The personnel cost ratio amounted to 33.6% (2010: 33.5%).

The chart above shows the earnings structure in 2011.

Group net interest was -€531 million (2010: -€566 million). Lower average interest rates for liabilities had a positive effect as well as currency translation due to the weakness of the U.S. dollar against the euro.

The **other financial result** of -€100 million includes the valuation changes of the fair redemption value of the Mandatory Exchangeable Bonds (MEB) of -€105 million and the Contingent Value Rights (CVR) of €5 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) decreased to 30.5% (2010: 32.6%).

Noncontrolling interest rose to €643 million from €585 million in 2010 mainly due to the good earnings performance at Fresenius Medical Care. Of this, 92% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin progress.

VALUE ADDED

The value added statement on the next page shows Fresenius' total output in 2011 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached €8,225 million (2010: €7,892 million). This is an increase of 4% over 2010. The distribution statement shows that, at €5,552 million or 68%, the largest portion of our value added went to our employees. Governments came next with €741 million (9%) and lenders with €531 million (6%). Shareholders received €155 million and noncontrolling interests €643 million. The Company retained €603 million for reinvestment.

in %	**2011**	2010	2009	2008[2]	2007
EBITDA margin	**19.7**	19.2	18.6	18.0	18.2
EBIT margin	**15.4**	15.1	14.1	14.1	14.5
Return on sales (before taxes and noncontrolling interest)	**12.2**[1]	11.5[1]	10.1[1]	10.6	11.2

[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 is adjusted for special items relating to the APP acquisition

VALUE ADDED STATEMENT

€ in millions	2011	%	2010	%
Creation				
Company output	**16,628**	**100**	16,046	100
Materials and services purchased	**7,686**	**46**	7,492	47
Gross value added	**8,942**	**54**	8,554	53
Depreciation and amortization	**717**	**4**	662	4
Net value added	**8,225**	**50**	7,892	49
Distribution				
Employees	**5,552**	**68**	5,350	68
Governments	**741**	**9**	734	9
Lenders	**531**	**6**	566	7
Shareholders	**155**	**2**	140	2
Company and noncontrolling interest	**1,246**	**15**	1,102	14
Net value added	**8,225**	**100**	7,892	100

FINANCIAL POSITION

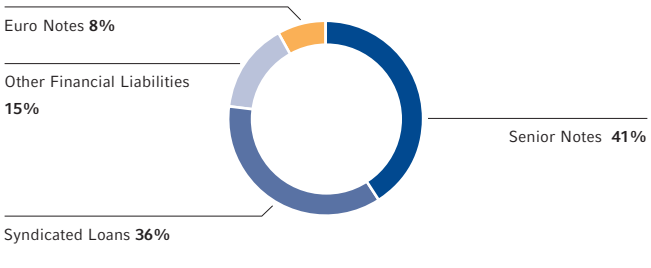
FINANCIAL MANAGEMENT POLICIES AND GOALS

The financing strategy of the Fresenius Group has the following main objectives:

- Ensure financial flexibility
- Optimize the weighted-average cost of capital

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. This is achieved through a broad spectrum of financing instruments, taking market capacity, investor diversification, utilization flexibility, credit covenants, and the current maturity profile into consideration.

FINANCING MIX OF THE FRESENIUS GROUP [1]



2011: €9,703 million

[1] December 31, 2011

The Group's **maturity profile** is characterized by a broad spread of maturities with a large proportion of mid to long-term financing. When selecting the **financing instruments**, we also take into account in which currency our earnings and cash flow are generated, and match them with appropriate debt structures in the respective currencies. The Group's main financing instruments are illustrated in the chart below.

Sufficient **financial cushion** is assured for the Fresenius Group by revolving, syndicated, and bilateral credit lines that are only partially drawn. In addition, Fresenius SE & Co. KGaA has a commercial paper program. The Fresenius Medical Care receivable securitization program offers additional financing options.

Another main objective of Fresenius Group's financing strategy is to **optimize** the average **cost of capital** by employing a balanced mix of equity and debt. 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. These allow for a reasonable proportion of debt, i. e. the use of a comprehensive mix of financial instruments. To ensure long-term growth, a capital increase may also be considered in exceptional cases, for example to finance a major acquisition.

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.

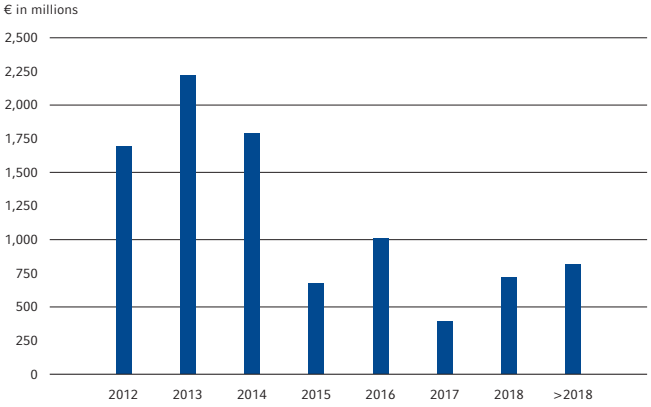
FINANCING

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 2011, the Group's **financing activities** mainly involved the refinancing of existing and maturing financing instruments and the long-term financing for acquisitions and general corporate purposes.

- In February 2011, Fresenius Medical Care, through its subsidiaries Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A., issued unsecured **Senior Notes** in the principal amounts of US$650 million and €300 million, both due in 2021. The U.S. dollar bond was issued at a price of 99.06%. With a coupon of 5.75%, the yield to maturity was 5.875%. The euro senior notes were issued at par and has a coupon of 5.25%. The net proceeds were used to repay indebtedness, for acquisitions, and for general corporate purposes.
- In March 2011, Fresenius SE & Co. KGaA once again considerably improved the terms of its **2008 credit agreement** following negotiations with the lenders. As part of the admendment, the interest rate for the approximately US$1.2 billion term loan C (new: term loan D) was reduced. The new interest rate is composed of the respective money market rate (LIBOR and EURIBOR), which is subject to a 1.0% floor (formerly 1.5%) and a margin of currently 2.5% (formerly 3.0%).
- In June 2011, Fresenius Medical Care repaid the **Trust Preferred Securities** issued by Fresenius Medical Care Capital Trust IV and V in the amount of US$225 million and €300 million as scheduled. The Trust Preferred Securities were repaid using existing credit lines.
- In August 2011, the **receivable securitization program** of Fresenius Medical Care was extended until July 31, 2014, and upsized by US$100 million to US$800 million. In addition to the advantageous three year extension, the terms as a whole were also improved.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2011, major financing instruments

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	2011	2010	2009	2008	2007
Operating cash flow	**1,699**	1,921	1,564	1,080	1,303
as % of sales	**10.3**	12.0	11.0	8.7	11.4
Working capital [1]	**4,067**	3,577	3,088	2,937	2,467
as % of sales	**24.6**	22.4	21.8	23.8	21.7
Investments in property, plant and equipment, net	**772**	743	672	744	669
Cash flow before acquisitions and dividends	**927**	1,178	892	336	634
as % of sales	**5.6**	7.4	6.3	2.7	5.6

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

- In September 2011, Fresenius Medical Care, through its subsidiaries Fresenius Medical Care US Finance II, Inc. and FMC Finance VIII S.A., placed unsecured **Senior Notes** in the principal amount of US$400 million and €400 million, both due in 2018. The coupon of the euro-denominated senior notes in the amount of €400 million is 6.5% and for the dollar-denominated US$400 million is also 6.5%. The net proceeds were used for acquisitions, to refinance debt, and for general corporate purposes.
- In October 2011, Fresenius Medical Care, through its subsidiary FMC Finance VIII S.A., issued floating rate **Senior Notes** in the principal amount of €100 million, due in 2016. The Senior Notes were issued at par and carry interest of 3-month EURIBOR plus 350 basis points. The net proceeds were used for acquisitions, to refinance debt, and for general corporate purposes.

In 2012, the Group has **financing requirements** due to acquisition projects and the refinancing of indebtedness. The chart on page 22 shows the maturity profile of the Fresenius Group.

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, 2011 and December 31, 2010.

The Fresenius Group has drawn about €4.3 billion of bilateral and syndicated credit lines. In addition, the Group had approximately €2.0 billion in unused credit lines as of December 31, 2011 (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 Fresenius SE & Co. KGaA 2008 credit agreement and the Fresenius Medical Care 2006 credit agreement – usually unsecured.

As of December 31, 2011, both Fresenius SE & Co. KGaA 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 116 to 125 of the Notes. Further information on financing requirements in 2012 is included in the outlook section on page 69 f.

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2011	2010	Change	Margin
Earnings after tax	**1,321**	1,204	10%	
Depreciation and amortization	**717**	662	8%	
Change in pension provisions	**78**	19	--	
Cash flow	**2,116**	1,885	12%	**12.8%**
Change in working capital	**-497**	-2	--	
Change in mark-to-market valuation of the MEB and CVR	**80**	38	111%	
Operating cash flow	**1,699**	1,921	-12%	**10.3%**
Property, plant and equipment	**-797**	-764	-4%	
Proceeds from the sale of property, plant and equipment	**25**	21	19%	
Cash flow before acquisitions and dividends	**927**	1,178	-21%	**5.6%**
Cash used for acquisitions/proceeds from disposals	**-1,310**	-503	-160%	
Dividends	**-365**	-329	-11%	
Cash flow after acquisitions and dividends	**-748**	346	--	**--**
Cash provided by/used for financing activities (without dividends paid)	**607**	-24	--	
Effect of exchange rate changes on cash and cash equivalents	**7**	27	-74%	
Change in cash and cash equivalents	**-134**	349	-138%	

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

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.

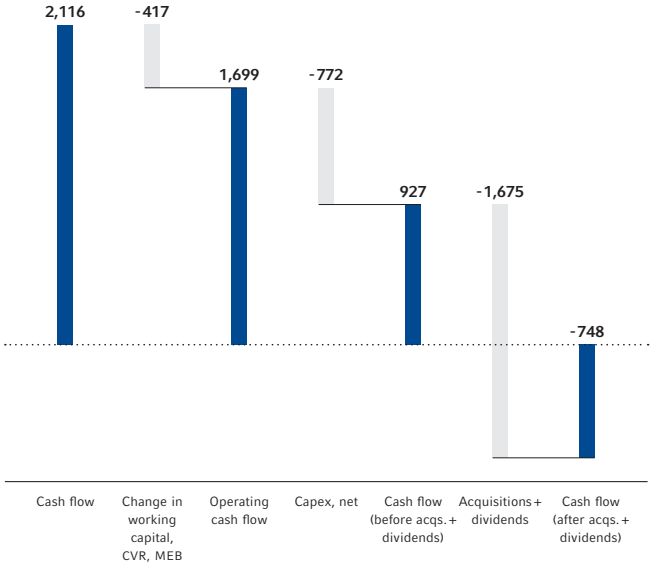
LIQUIDITY ANALYSIS

In 2011, 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 general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2011, a dividend of €0.95 per share is proposed. This is an increase of about 10%. The total dividend distribution will also increase by 11% to €155.1 million (2010: €139.7 million).

CASH FLOW IN MILLION €



CASH FLOW ANALYSIS

The cash flow statement shows a sustainable development, as can be seen from the chart. Cash flow increased by 12% to €2,166 million (2010: €1,885 million). This was mainly due to the Group's excellent earnings[1] performance. In 2011, the change in working capital was -€497 million (2010: -€2 million), mainly due to business expansion.

Operating cash flow was €1,699 million in 2011 (2010: €1,921 million). The cash flow margin of 10.3% was below the extraordinary previous year's margin of 12.0%. 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 €797 million,

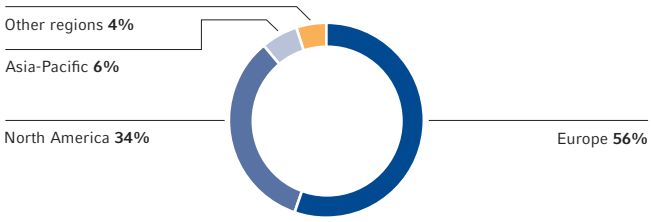
INVESTMENTS BY BUSINESS SEGMENT[1]

€ in millions	2011	2010	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**1,858**	991	429	1,429	87%	77%
Fresenius Kabi	**188**	205	177	11	-8%	8%
Fresenius Helios	**202**	179	157	45	13%	9%
Fresenius Vamed	**10**	14	7	3	-29%	0%
Corporate/Other	**137**	13	13	124	--	6%
IFRS Reconciliation	**10**	9	14	-4	--	0%
Total	**2,405**	1,411	797	1,608	70%	100%

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

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

INVESTMENTS BY REGION



2011: €2,405 million

and proceeds from the sale of property, plant and equipment were €25 million (2010: €764 million and €21 million, respectively).

Cash flow before acquisitions and dividends was €927 million (2010: €1,178 million). This was sufficient to finance the Group dividends of €365 million. Group dividends consisted of dividend payments of €140 million to the shareholders of Fresenius SE & Co. KGaA, payments of €197 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €97 million. These payments were offset by the dividend of €69 million which Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care. Almost one third of net acquisition expenditure of €1,310 million was financed by cash flow, the remainder by debt.

The cash inflow from financing activities (without dividend payments) was €607 million (2010: -€24 million). In 2011, it was predominantly characterized by the partial debt financing of acquisitions. Cash and cash equivalents as of December 31, 2011, were €635 million (December 31, 2010: €769 million).

INVESTMENTS AND ACQUISITIONS

In 2011, the Fresenius Group continued its growth path and invested €2,405 million (2010: €1,411 million). **Investments in property, plant and equipment** increased to €797 million (2010: €768 million). At 4.8% of sales, that was in line with the targeted level (2010: 4.8% of sales). This was well above the depreciation level of €717 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. €1,608 million was invested in **acquisitions** (2010: €643 million). Of the total capital expenditure in 2011, 33% was invested in property, plant and equipment; 67% was spent on acquisitions.

INVESTMENTS AND ACQUISITIONS

€ in millions	2011	2010	Change
Investment in property, plant and equipment	**797**	768	4%
thereof maintenance	**46%**	43%	
thereof expansion	**54%**	57%	
Investment in property, plant and equipment as % of sales	**4.8%**	4.8%	
Acquisitions	**1,608**	643	150%
Total investments and acquisitions	**2,405**	1,411	70%

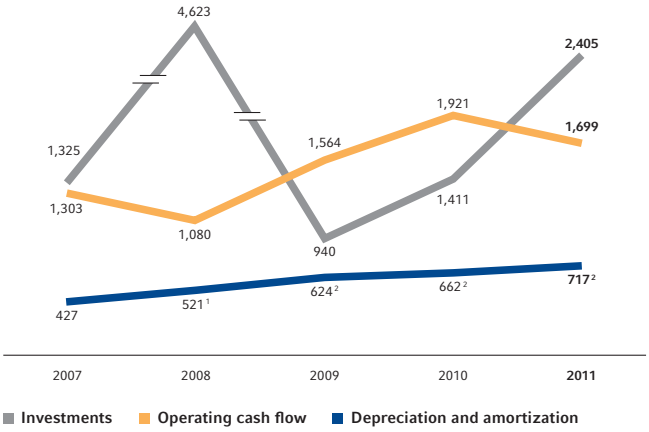
The table on page 24 shows the distribution of investments by business segment. The chart above shows the regional breakdown.

The cash outflows for acquisitions related mainly to Fresenius Medical Care in particular for the acquisition of the dialysis service business of Euromedic in Europe, the acquisition of a minority share in Renal Advantage, Inc., USA, and the take-over of American Access Care Holdings, LLC (AAC). AAC operates 28 out-patient centers primarily dedicated to serving vascular access needs of dialysis patients.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2011	2010	2009	2008	2007
Total assets	**26,510**	23,831	21,148	20,826	15,308
Shareholders' equity	**11,031**	9,219	7,908	7,237	6,099
as % of total assets	**42**	39	37	35	40
Shareholders' equity/non-current assets, in %	**56**	52	49	45	54
Debt	**9,703**	8,677	8,196	8,677	5,655
as % of total assets	**37**	36	39	42	37
Gearing in %	**82**	86	98	115	87

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



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

Fresenius Helios acquired the Katholische Klinikum Duisburg, a maximum care hospital, as well as two other acute care hospitals in Germany.

There were no major acquisitions at Fresenius Kabi and Fresenius Vamed. The largest single project at Fresenius Kabi was the acquisition of a compounding center in Germany.

In the fourth quarter of 2011, Fresenius SE & Co. KGaA acquired 1,399,996 ordinary shares of Fresenius Medical Care. At December 31, 2011, the voting interest in Fresenius Medical Care AG & Co. KGaA was 30.7%. After maturity of the Mandatory Exchangeable Bond in August 2011, Fresenius' voting interest in Fresenius Medical Care was 30.3% as per September 30, 2011. By exercising options of Fresenius Medical Care's stock option program, this percentage could have been diluted in the mid-term to up to 29.3%. The share purchase is meant to preserve a long-term voting interest in Fresenius Medical above 30%, maintaining the current ownership situation. The acquisition, which will comprise 3.5 million ordinary shares in total, is expected to be concluded in 2012.

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

- start-up of 64 de novo dialysis clinics, of which 33 were in the United States, and expansion and modernization of existing clinics at Fresenius Medical Care.
- expansion and optimization of production facilities and expansion of warehouse capacity for Fresenius Medical Care, especially for dialysis products in Germany, and for Fresenius Kabi, primarily in Germany, India, South Africa and in the United States.
- hospital modernization at Fresenius Helios. The largest single project was the HELIOS clinic in Krefeld. The first construction phase of the new building project was completed in July 2011.

Investments in property, plant and equipment of €202 million will be made in 2012 to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly 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.

ASSETS AND LIABILITIES

ASSET AND LIABILITY STRUCTURE

The **total assets** of the Group rose by €2,679 million (11%) to €26,510 million (Dec. 31, 2010: €23,831 million). In constant currency, this was an increase of 10%. 6% of the increase of total assets is attributable to acquisitions that were effected during 2011, especially by Fresenius Medical Care. The expansion of the existing business accounted for 4%. Inflation had no significant impact on the assets of Fresenius in 2011.

Non-current assets increased by 11% to €19,737 million (Dec. 31, 2010: €17,726 million). The increase was driven mainly by additions to property, plant and equipment and to intangible assets. The goodwill in the amount of €12,773 million (Dec. 31, 2010: €11,568 million) has proven itself to be sustainable.

Current assets were at €6,773 million (Dec. 31, 2010: €6,105 million). Within current assets, trade accounts receivable rose by 10% to €3,234 million (Dec. 31, 2010: €2,935 million). At 72 days, average days sales outstanding was above the previous year's level of 68 days. Through strict accounts receivable management we were able to keep average days sales outstanding stable despite the continued difficult financial operating environment. The increase in the average days sales outstanding is mostly related to the expansion of our existing business.

Inventories rose by 22% to €1,717 million (Dec. 31, 2010: €1,411 million). Scope of inventory in 2011 increased to 58 days (Dec. 31, 2010: 48 days), mainly attributable to provisioning of inventories due to an increase in market demand as well as the prefinancing of projects at Fresenius Vamed. Those projects will be finalized in 2012. The ratio of inventories to total assets increased slightly to 6.5% as of December 31, 2011 (Dec. 31, 2010: 5.9%).

Shareholders' equity rose by 20%, or €1,812 million, to €11,031 million (Dec. 31, 2010: €9,219 million). Group net income attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €678 million. In addition, the maturity of the Mandatory Exchangeable Bonds, also increased this amount. The equity ratio, including noncontrolling interest, rose to 41.6% as of December 31, 2011 (Dec. 31, 2010: 38.7%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity covers 56% of non-current assets (Dec. 31, 2010: 52%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 44% of inventories.

Long-term liabilities increased by 7% to €9,468 million as of December 31, 2011 (Dec. 31, 2010: €8,850 million). **Short-term liabilities** increased by 4% to €6,011 million (Dec. 31, 2010: €5,762 million). This was mainly due to the fact that parts of Fresenius Medical Care's 2006 credit agreement will be maturing in 2012. This was partially offset by the Mandatory Exchangeable Bond of €554 million and the Trust Preferred Securities of €468 million, which matured in 2011.

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 (€89 million). Please see page 133 f. of the Notes for further information.

Group **debt** rose to €9,703 million (Dec. 31, 2010: €8,677 million). In constant currency, the increase was 10%. Its relative weight in the balance sheet increased to 36.6% (Dec. 31, 2010: 36.4%). Approximately 56% of the Group's debt is in U.S. dollars. Liabilities due in less than one year were €2,028 million (Dec. 31, 2010: €1,497 million), while liabilities with a remaining tenor of one to five years and over five years were €7,675 million (Dec. 31, 2010: €7,180 million).

The net debt to equity ratio (gearing) has improved and is 82.2% (Dec. 31, 2010: 85.8%). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) was 12.1% (Dec. 31, 2010: 12.5%). The return on total assets after taxes and before noncontrolling interest improved to 5.3% (Dec. 31, 2010: 5.2%). The above figures have been adjusted for the effects of the mark-to-market accounting of the MEB and the CVR.

The table below provides a five-year overview of other key assets and capital ratios.

CURRENCY AND INTEREST RISK MANAGEMENT

The nominal value of all foreign currency hedging contracts was €3,955 million as of December 31, 2011. These contracts had a market value of -€49 million. The nominal value of interest rate hedging contracts was €3,942 million. These contracts had a market value of -€166 million. Please see the Risk Report on page 58 and 59 and the Notes on pages 138 to 144 for further details.

€ in millions	**Dec. 31, 2011**	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008[1]	Dec. 31, 2007
Debt/EBITDA	**3.0**	2.8	3.1	3.7	2.8
Net debt/EBITDA	**2.8**	2.6	3.0	3.6	2.6
EBITDA/interest ratio	**6.1**	5.4	4.5	4.0	5.6

[1] Pro-forma APP Pharmaceuticals and excluding special items

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

Well-trained and experienced employees are an important prerequisite for our company success. It is largely thanks to their achievements, their skills, and their commitment that we hold leading positions in our markets. We offer a variety of attractive opportunities for personnel development and actively support international and interdisciplinary collaboration. We promote diversity across all business segments, and regions.

The Fresenius Group had 149,351 employees at the end of 2011, an increase of 11,799 or 9% (December 31, 2010: 137,552). Organically, the number of employees increased by 4%, while acquisitions contributed 5% to this growth.

The **employee numbers** increased in all business segments, as the table below shows. At the end of 2011, there were 45,262 employees (30%) in Germany, an increase of 11% (2010: 40,823). 104,089 employees (70%) are employed at our foreign companies. The chart on the next page 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 12%. This was mainly due to the acquisitions at Fresenius Medical Care and Fresenius Helios. The number of employees also rose strongly in Asia-Pacific, with an increase of 7%, mainly due to the extension of production facilities at Fresenius Kabi.

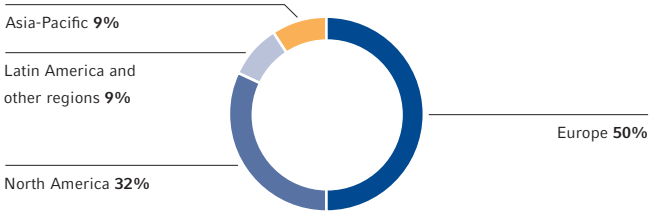
Personnel expenses for the Fresenius Group were €5,552 million in 2011 (2010: €5,350 million), equivalent to 33.6% of sales (2010: 33.5%). The increase was mainly due to collectively bargained pay increases and the higher overall number of employees. Personnel expenses per employee were €38.8 thousand (2010: €39.9 thousand). In constant currency, they remained close to the previous year's level. In Germany, Fresenius has signed tariff agreements with IG Chemie, the Marburger Bund, as well as ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2011.

Fresenius takes **diversity** into account and promotes it. We are convinced that our potential for continued success can only be tapped through the heterogeneity of perspectives, opinions, cultures, and backgrounds. One of the most important factors in this respect is our internationalism, especially of our management executives.

It is indispensible for companies to hire qualified women and, going forward, to benefit even more from the potential of its female employees. Fresenius relies in this regard on the long-term, sustainable **advancement of women**. The aim is to continuously expand the already very high percentage of women in leadership positions through company-specific measures such as flexible working hours, part-time job schemes, or home office regulations. As per December 31, 2011, 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%. The proportion of female employees within the Fresenius Group is 67%. We will, however, continue not to set any fixed quotas in this regard, since this would generally restrict the choice of suitable candidates. At Fresenius, what matters for the selection of personnel is qualification, and not gender or other personality characteristics. Consequently, women and men with comparable qualifications will continue to have the same career opportunities at Fresenius.

Number of employees	**Dec. 31, 2011**	Dec. 31, 2010	Change	% of total
Fresenius Medical Care	**83,476**	77,442	8%	56%
Fresenius Kabi	**24,106**	22,851	5%	16%
Fresenius Helios	**37,198**	33,321	12%	25%
Fresenius Vamed	**3,724**	3,110	20%	2%
Corporate/Other	**847**	828	2%	1%
Total	**149,351**	137,552	9%	100%

EMPLOYEES BY REGION



2011: 149,351

HUMAN RESOURCES MANAGEMENT

Highly skilled and motivated employees are the foundation for sustained growth. The parameters for human resources management at Fresenius have changed. Responsible for this are factors such as demographics, the transformation toward a service society, higher skill shortages, 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 extended our collaboration with a mentor network for women in science and technology at universities in the state of Hesse in 2011. 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. So we have for example extended the child daycare schemes offered at HELIOS.

In 2011, the **life work time accounts** that were introduced in some business segments in Germany were once again intensively promoted. They provide employees with the opportunity to save parts of their compensation or certain hours worked for a leave of absence at a later point in time. This leave can be flexibly used for further personal education purposes, for nursing leave to look after family members, or for phased early retirement.

TALENT MANAGEMENT

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

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

in a way that we are able to meet future challenges. We concentrate 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 2011 for instance, we supported the development of talents in medical and nursing by setting up a central talent management system at HELIOS. All measures are oriented toward overarching corporate goals on the one hand, and individual development needs on the other. The "Ready to Lead" program we offer is a new and innovative development program for future executives in medical service, which is scheduled to be continued in 2012 in all HELIOS regions.

Across the group, 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 systematic transfer of know-how within the framework of our successor planning, we ensure that valuable expertise is not lost and our well-qualified staff is trained and supported.

PERSONNEL DEVELOPMENT

A firmly established component of Fresenius' talent management is a centrally coordinated personnel development module, which is used for the top management executives throughout the world. In cooperation with the Harvard Business School, one of the leading business schools in the world, we have restructured the content offered to this group of employees. With the program "Maximizing Leadership Impact", we focus even more on the leadership issue.

Another central component is the training of personnel in middle and lower management. Here, we have systematically developed the target-group-specific support for the various management levels. For the middle management, we have for example implemented an executive development program with the university of St. Gallen. Furthermore, we established a new program for trainees and young talents including aspects on personnel development as preparation on further tasks. We want to expand the content once again in 2012.

Within the framework of our efforts to attract and further **young talents**, our trainee programs offer promising university graduates an alternative 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.

A new global trainee program was implemented at Fresenius Kabi in 2011. It has an international orientation and focuses on finance, innovation and development, as well as compounding. 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.

The HELIOS Academy and the HELIOS Educational Centers represent a comprehensive, competency-oriented training, and continuing education portfolio for all professional groups. The HELIOS Student Academy also provide students through its internet platform "Students at HELIOS" specific offers to deepen their know-how and their practical and clinical skills. Over 400 medical students annually complete at least one trimester of their Practical Year at one of the HELIOS academic teaching hospitals.

In cooperation with the Donau-University Krems in Austria, Fresenius Medial Care provides an extra-occupational MBA-program for qualified employees without education in economic sciences. This way, especially scientists and physicians will be prepared for management and executive functions.

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 mobility of our employees and offer them the opportunity to work in a foreign country. We support our employees and their family members who travel with them in developing awareness and sensitivity towards cultural differences by a wide range of preparatory measures such as **intercultural training programs** and respective **language courses**. 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 the Company as an attractive employer in the market for highly qualified specialists and managers is an important part of our efforts to support our ongoing growth from the human resources side. We therefore expanded our personnel marketing activities in 2011.

We increasingly attended **recruiting events** and **job fairs**. Fresenius presented itself nationwide with a new overall concept, which includes a stronger involvement and presence of employees from different operating departments, for example within the context of presentations or trade shows. For the first time, Fresenius attended the two-day graduate convention in Cologne, Germany's largest job fair for university

graduates. The specifically developed marketing concept makes it possible to address the applicant groups relevant to Fresenius. Applicants can obtain information directly from the employees of different business segments about the many different entry opportunities. The new Fresenius Career App was also presented during the convention.

We celebrated a premiere with the first **Career Day for Students**. Under the motto "Boost Your Career", 25 students had the opportunity to visit the Fresenius head office and receive valuable information on how to start their careers. For an entire day, Fresenius managers and personnel experts were made available to the future job entrants. Top managers talked about how they got started, their personal development, decisions they made, and the challenges they faced. In several workshop rounds, participants worked on important career planning questions and deepened these in a personal exchange.

We also have further expanded our presence in the online area. The **Fresenius Career Portal** was expanded by a few new functions: In an interactive test offered by the Fresenius Navigator, it is now possible to find out if Fresenius is a good match; the qualification matcher shows jobs and content that relate to the respective training; a career newsletter provides anyone interested with information about our career opportunities; and thanks to the new media center, all videos can easily be viewed. The continuous improvements are paying for themselves: In the annual ranking compiled by the Swedish market research institute Potentialpark, the Fresenius Career web page took first place in Germany. Our online application system also achieved excellent reviews and came in second. The study used to analyze overall online appeal to applicants was rated for the first time; Fresenius took first place. The study involved several thousand students and graduates, who were asked what they expect from the career web pages. Consequently, the career web pages of 100 German companies were evaluated on the basis of the criteria that were most important to those queried.

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

VOCATIONAL TRAINING MANAGEMENT

The **vocational training** of young men and women is an important investment into our company's sustainability. At our German locations, in 2011 we trained more than 1.900 young men and women in 34 different occupations, as well as 40 university students in 10 degree programs in cooperation with dual institutions of higher learning. In 2011, we were again able to increase the number of apprenticeship training positions offered by over 5% compared to 2010.

The range of dual courses of study is continuously expanded. They are the Group's response to the increasing internal demand. Based on demographic changes as well as on the high number of high school students who will graduate in the next two to three years (caused by a reduction of the number of years required to graduate from 13 to 12 years) the Group uses the extension of apprenticeship training positions to recruit future employees. In 2011, for example, the dual course of study, Health Care Management, was added. It combines International Business Studies with courses covering the sciences and health economics, and specifically prepares graduates for a career in health care. In the summer of 2012, we will offer the dual course of study of Accounting and Controlling for the first time to target and educate young professionals for the consolidation or controlling areas. This course of study teaches practical information about accounting standards as well as domestic and international tax laws for companies.

With our cooperation with schools in the form of informational days, plant visits, internships, and application guidance, we are trying to increase the interest of young men and women in starting their professional life at Fresenius. In September 2011, for example, the **Night for Education** took place for the first time, which is the result of a Fresenius initiative. A total of 13 Bad Homburg-based companies that offer training programs participated. Students and parents were able to come to the corporate head office to obtain information about all occupations and dual courses of study, as well as learn about overall professional opportunities. With more than 700 visitors to Fresenius, the Night for Education was a great success.

In our annual **Management Game**, trainees from all occupations, training classes, and locations take on the role of entrepreneurs. In addition to purely technical content, they also learn the social skills that are so necessary in professional life, such as team spirit and responsibility.

All these 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 economic success would not be possible without the outstanding commitment of our employees. Over the past few years, we have launched different programs that strengthen the manner in which employees identify with Fresenius, and that allow employees to participate in our successful business model. Depending on country-specific rules or functions, these programs supplement different compensation models. This is done to reward the continuous willingness of our employees to work hard and to let them participate in the dynamic growth of Fresenius.

Our **profit-sharing scheme** is stock-based. The amount of the profit-sharing bonus paid for each employee and therefore the number of shares depends on the annual operating profit (EBIT) of the Fresenius Group. A full-time employee received €2,000 gross for fiscal year 2010. Employees in Germany can invest either the full amount of their profit-sharing bonus in Fresenius shares or two-thirds of it in Fresenius shares. The table shows the increase in the profit-sharing bonus over the last several years.

With our **stock option plan**, we have a global compensation instrument linking management's entrepreneurial responsibility to future opportunities and risks. Based on the decision made by the Annual General Meeting on May 21, 2008, the Management Board of the general partner of Fresenius SE & Co. KGaA and certain other executive officers can receive options from the 2008 stock option plan until the end of 2012. In total, it is therefore feasible that up to 6,200,000 options on Fresenius SE & Co. KGaA ordinary shares can be issued. The stock options are subject to a three-year vesting period. To ensure that the stock options can be exercised, the net income of the Fresenius Group must be increased by an annual rate of at least 8%; otherwise they are forfeited proportionally. In 2011, 1,143,440 stock options were issued under this plan. For further information please see pages 148 to 156 of this financial report.

PROFIT-SHARING BONUS

	2010	2009	2008	2007	2006
Profit-sharing bonus[1] in €	2,000	1,749	1,586	1,526	1,444
Eligible employees	1,790	1,710	1,630	1,690	1,830

[1] The profit-sharing bonus is paid retroactively for the respective fiscal year.

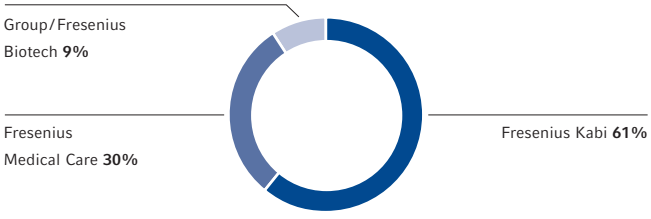
RESEARCH AND DEVELOPMENT

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

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

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

R & D EXPENSES BY SEGMENT [1]



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

Research and development **expenses** were €296 million (2010: €256 million). We therefore invested about 4% of our product sales in R & D (2010: 4%). They include a €31 million write down of capitalized in-process R & D activities (2010: €13 million). The chart shows R & D expenses by segment. In 2011, Fresenius Medical Care increased its R & D spending by 10%, and Fresenius Kabi by 13%. In the segment Corporate/Other, €25 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the €28 million spent in the previous year. Detailed figures are included in the segment reporting on pages 82 to 85 .

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

The table below 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.

	2011	2010	2009	2008	2007
R & D expenses, € in millions	**296**	256	282	206	182
as % of product sales	**4.3** [1]	4.2 [1]	4.6 [1]	4.7	4.8
R & D employees	**1,592**	1,449	1,421	1,336	999

[1] Excluding write downs on capitalized in-process R & D activities acquired with APP Pharmaceuticals

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.

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. Therefore Fresenius Medical Care has developed 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 device. The VND is an important innovation that makes it easier to recognize blood loss. Nevertheless, the risk of blood loss cannot be completely eliminated with this innovation, but it can be minimized, for example by combining the VND with a wetness detector. We are convinced that this new system offers a particularly reliable technology, for which there are no comparable alternatives in the dialysis market to date.

Since November 2011, these features have been on the market under the name **Venous Access Monitoring** (VAM) with special software for the hemodialysis therapy system 5008. This software version also includes the interface for connecting a **Wetness Detector** to the patient's vascular access. The Wetness Detector is a sensor that reacts to blood escaping at the vascular access. The VAM has proven successful in comprehensive clinical tests encompassing around 40,000 hemodialysis treatments.

We have also made progress in the dialyzer area and launched the **FX CorDiax Dialyzer** in June 2011. It contains a high-performance Helixone®plus membrane that selectively filters out toxins with a medium molecular size and low molecular weight, such as phosphates, from the blood, thus reducing the risk of cardiovascular diseases. The membrane also ensures that substances beneficial to the patient, such as the essential blood component albumin, are not flushed out at the same time.

A typical consequence of chronic kidney failure is overhydration because the patient's body is no longer able to naturally excrete surplus fluids. Around a quarter of hemodialysis patients are overhydrated to a critical degree. Overhydration is a problem as it is frequently the cause of cardiovascular diseases. In addition, overhydration can reduce the effectiveness of medication prescribed for diseases associated with kidney failure.

With the new **Crit-Line** analysis device, changes in fluid levels in hemodialysis patients during treatment can get measured exactly. Crit-Line measures the percentage of red blood corpuscles (hematocrit level) and uses this to determine the percentage change in the volume of blood during dialysis – non-invasively and with laboratory quality results. The results of the analysis are then transferred to the device monitor. Based on these results, the medical staff can adjust the dialysis so that exactly the right amount of fluid is removed from the body. In this way, it is possible to reduce overhydration and its impact on the cardiovascular system as well as high blood pressure without causing undesirable attendant symptoms.

In addition, Crit-Line helps in the treatment of anemia in renal patients. The measured hematocrit values can also be used to adjust the EPO dose so that no additional blood samples need to be taken.

In November 2011, at the ASN Renal Week organized by the American Society for Nephrology (ASN) we introduced a treatment system especially developed for flexible use in home hemodialysis on the U.S. market: the new **2008K@home**. It is one of only two devices for home hemodialysis with FDA approval in the entire North American market. With the new 2008K@home, treatment can be individually adapted to the medical requirements of the patients. Physicians have the flexibility of offering patients a treatment schedule that is tailored to their lifestyle. The 2008K@home is especially configured for home use: It takes up less space than comparable machines used in dialysis clinics, for example. In addition, the user interface has been drastically simplified so that patients can operate the machine intuitively: For example, instructions on the screen guide the patient step by step through the set-up and treatment procedure. The 2008K@home also contains a new alarm feature for additional safety: the wetness detector. A signal sounds as soon as a leak at the vascular access occurs during dialysis, which, if it were to go unnoticed, could be fatal. In the current financial year, we are planning to continue working on further optimizing our 2008 series.

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 of such a therapy system is our **2008T hemodialysis machine**. It is the first approved hemodialysis machine on the U.S. market with an integrated software platform for entering and managing clinical treatment data directly at the treatment couch. The new module is designed to assist physicians and clinic staff in efficiently and promptly recording data and to improve clinical data and quality management. The 2008T can be connected to the various data management systems. Clinic staff benefit from the device as it enables them for the first time to access both dialysis treatment data and data from the medical information system in the treatment room. This data was previously recorded and stored in a variety of sources. Thereby treatment and treatment plans can be directly adjusted individually. In the current financial year, we will continue to work on an infusion pump for administering iron products intravenously as a module for the 2008T. The pump is designed to make it easier for clinic staff to prepare and administer the exact dosage of iron products, thereby further increasing patients' safety.

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

We continued our existing research and development efforts in the area of **blood volume replacement**. In this regard it is important for us to continuously add to clinical evidence. Voluven® is one of our most successful blood volume replacement products. About 30 million[1] patients have been treated with this preparation. We have continued to support a clinical study that is examining our product Voluven® 6% in comparison with crystalloids in the treatment of about 7,000 intensive care patients. Furthermore, the randomized double-blinded studies with Voluven® 6% for patients with penetrating trauma and caesarean section, which we had financed, were concluded. Both studies had positive results for the treatment with Voluven® compared to crystalloid solutions. Patients who had undergone a caesarean section under spinal anesthesia and who had been given Voluven® had significantly fewer low blood pressure phases. Also, the frequency of vomiting and nausea caused by the treatment was lower in this group. In patients with a penetrating trauma, Voluven® achieved a quick and consistent, but most of all, safe hemodynamic stabilization.

We also supported several studies about anesthesia and intensive care medicine for our product Volulyte®, which includes our proven HES ingredient (hydroxyethyl starch) in a balanced electrolyte solution.

Intravenously administered drugs

In the development of IV drugs, we are working on developing a comprehensive range of generics for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and critical diseases medicine, and developed both generic and also, if appropriate, new and improved drug formulations.

In 2011, we continued our work to make it possible that intravenously administered drugs, that currently only exist in lyophilized form as a powder, can be offered in a ready-to-use solution. The conversion to the ready-to-use solution requires modification of the drug formulation in such a way that the pharmaceutical drugs are also stable in liquid form. The ready-to-use solutions can be administered directly by the medical staff. This makes their use in the day-to-day hospital routine safe and simple, and saves time in their preparation. We plan to introduce the first products in a ready-to-use solution in 2012.

[1] Fresenius Kabi market research

The packaging of our IV drugs is critical as well. We therefore developed intelligent packaging concepts, like our color code safety concept. This provides the possibility to easily distinguish all products and their different active substance concentrations. It is therewith guaranteeing a high degree of safety for patients and nursing staff. This clear, safe, and readily transparent system complies with national and international standards. We are already offering the majority of our products in the new packaging concept.

Furthermore we are already using our freeflex® bag as the liquid container for selected IV drugs. This PVC-free bag is characterized by very good drug compatibility and can safely be used in day-to-day medical care due to its port system.

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

The table below lists important approvals obtained in 2011.

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.

One of our development focuses in parenteral nutrition is the use of lipids, especially in the area of premature and newborn infants, nurslings, and children. This includes, for example, the international launch of Omegaven®, a unique product 100% based on fish oil.

Our product SmoFlipid® is a lipid emulsion, which has more balanced composition of the lipid components than currently used lipid emulsions. In 2011, we continued our development activities on another variation of our product SmofKabiven®.

In the development activities in the area of **enteral nutrition**, we are focusing on sip and tube feed nutrition products

Product	Country/Region	Indication
Bicalutamide	Taiwan	Oncology
Cisatricurium	Several European countries	Anesthesia/Analgesia
Clonidine Hydrochloride	USA	Critical Care
Gemcitabine	USA	Oncology
Letrozole	Phillipines	Oncology
Nafcilin	USA	Anti-infectives
Piperacillin/Tazobactam	USA	Anti-infectives
Remifentanil	Several European countries	Anesthesia/Analgesia
Topotecan	Several European countries	Oncology
Vancomycin	Several European countries	Anti-infectives

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. In the area of dysphagia, we are working on products that would have the same consistency and flow characteristics as a contrast medium that is used for esophageal tests. It would make the swallowing process safer for patients, because the risk that fluids or food enter the air ways or the lungs is significantly reduced.

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.

For critically ill patients with chronic inflammatory bowel diseases, pancreatic insufficiency, and short bowel syndrome, we have introduced the tube feed nutrition product Survimed OPD NH in the market. This product is characterized by increased protein to balance out protein catabolic conditions.

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. In 2011, we organized our own scientific symposium FRANC (Fresenius Advanced Nutrition Course) and initiated a symposium specifically on dysphagia.

In the field of **medical devices** we set ourselves the goal to develop safe application products for effective therapies. One main focus of our development work was the international expansion and adaptation to local and/or regional specifications. We plan to offer selected medical devices on the U.S. market. In 2011, we adapted the products to local requirements and for example modified menu navigation.

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

In 2011, we continued to focus on the marketing of **Removab** (catumaxomab). Since market launch in May 2009, we have generated total sales to date of approximately €8.4 million, about €4 million of which was in 2011. The majority of the sales are still generated in Germany and Austria, where we are increasingly able to position Removab for malignant ascites.

We have made progress with regard to the European market launch. We entered, for example, into a distribution agreement with Swedish Orphan Biovitrum, which covers Scandinavia and Eastern Europe. We have also received the reimbursement approval for the price-controlled countries Italy and Belgium.

Several studies were conducted to support the ongoing marketing of Removab. The **CASIMAS study**, which was being carried out in key European countries parallel with the market introduction, was successfully concluded at the end of 2011. This randomized phase IIIb study examined the tolerability, safety, and effectiveness of a treatment with Removab, applied as a three-hour infusion combined with a simultaneous premedication of a corticosteroid. The outcome of the study supports the application of Removab as a three-hour infusion. The results also confirmed the outcome of the first pivotal study. In 2011, the by three hours shorter infusion time was approved by the European Medicines Agency (EMA). Consequently, the infusion time can be cut in half, which is an important aspect in the oncological practice.

In 2011, we continued to analyze the data from the pivotal study for malignant ascites and presented the results at international congresses. These analyses show for patients with malignant ascites, who were treated with Removab, a statistically significant survival benefit. The six-month survival rate of these patients was more than four times as high as of the patients in the control group. In addition to an improved survival rate, patients treated with Removab also enjoyed a better quality of life. We believe that this aspect will gain importance also when it comes to the reimbursability of drugs.

In addition, we have started a study on the safety and feasibility of the repeated intravenous application of Removab. This form of application enables the use of Removab, as the only antibody in the world currently approved 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 a proven immunosuppressive agent that is used for two therapeutic areas: It has been used for many years for organ transplant patients in order to avoid the rejection of transplanted organs. In addition, medical data from a European study demonstrated the efficacy of ATG-S in the prophylaxis of Graft-versus-Host-Disease (GvHD) in stem cell transplantation. Based on these results, Fresenius Biotech was granted approval for this therapeutic area for countries such as Germany and Austria in 2011.

Fresenius Biotech is in contact with European authorities in order to obtain approval for the indication of stem cell transplantation in other countries. A pivotal phase III study was initiated in the U.S. Its objective is to obtain FDA approval for ATG-Fresenius S at the prophylaxis of GvHD.

In 2011, ATG-Fresenius S was awarded with the Drug Award of the Munich Medical Journal (Münchener Medizinische Wochenschrift (MMW)) in recognition for its specific effect and its contribution for successful transplantations. This award is specifically given to drugs that, over many years, have become a fixed-point as a therapeutic instrument, while at the same time continue to broaden the indications to be used against.

Sales of ATG-Fresenius S were about €27 million in 2011.

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 agreements while remaining flexible and maintaining our strict quality and safety standards.

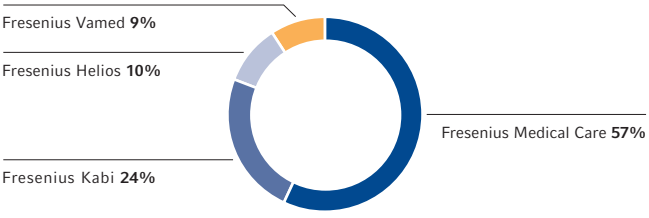
Global **procurement processes** are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. Current market and price developments are also analyzed on an ongoing basis. In addition, these central coordinating offices organize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

In 2011, the cost of raw materials and supplies and of purchased components and services was €5,067 million (2010: €4,732 million), as the table shows:

€ in millions	2011	2010
Cost of raw materials and supplies	**4,404**	4,092
Cost of purchased components and services	**663**	640
Total	**5,067**	4,732

The cost of raw materials and supplies of €4,404 million were 8% above the previous year's level (2010: €4,092 million). The increase was mainly due to higher production volume. Purchased components and services accounted for 13% of the Group's total cost of materials (2010: 14%).

COST OF MATERIAL BY BUSINESS SEGMENT [1]



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

FRESENIUS MEDICAL CARE

Since 2010, the **Global Manufacturing Operations (GMO)** division coordinates the global procurement processes. The core responsibility of GMO is also 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

- further increase the efficiency of our processes
- better manage risks, and therefore costs
- further increase the profitability of the manufacturing operations

Our production sites that were previously organized at a regional level have been fused into an integrated production network. Facilities with long-standing experience in manufacturing have now become company-wide competence centers to encourage the exchange of best practices – i. e. especially successful procedures and methods – between the different regions and sites. We further examine 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. Our existing supplier management system is supplemented by our **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, currency risks and quality risks as well as the likeliness of natural disasters.

We initiated a project to standardize the demand planning in Europe, the Middle East, Africa, and Latin America. This includes an **automatic supply management**, ensuring that our national warehouses are refilled when their inventory reaches a defined minimum level. In this way, we intend to further enhance the service quality as well as the cost efficiency of our supply chain.

FRESENIUS KABI

In 2011, the volatile price development on the global **commodity markets** influenced the procurement activities of Fresenius Kabi. In the first half of 2011, the underlying raw material prices for most of our procurement materials increased. During the second half of the year the prices stagnated, and for some underlying raw materials they even recovered. Overall, the prices were even higher in 2011 than in 2010.

- Important **plastic granulates** used in production at Fresenius Kabi are polyethylene and polypropylene. The underlying raw material for these are ethylene and propylene. Their prices increased in the first half of the year. Even though this development slightly slowed down during the second half of the year, the prices remained above the previous year's level.

- A similar development also took place for **underlying agricultural raw materials**, which are the basis for the carbohydrates (e. g. dextrose, maltodextrin and waxy maize starch) and lactic proteins we use, and for the **types of paper** we use for our cardboard packaging.
- We were able to achieve some savings for **plastic injection molding parts** through in-sourcing projects, i. e. by making products ourselves.
- With regard to **glass**, we were able to slightly lower the prices since the end of 2010 in individual cases, although the prices increased on the energy markets.
- We entered into attractive price agreements for 2011 and 2012 for some active ingredients we use in our **IV drugs**.

Many different factors contributed to this development. First, the continued demand coming from Asia, and especially China, and secondly, the temporary economic recovery in Europe. The price development on the commodities markets was also impacted by the volatility of the exchange rates, the various social changes in some Arabic countries, as well as various natural disasters which lead to crop shortfalls. The tsunami on the Japanese coast and the nuclear power plant accident in Fukushima that followed even interrupted the manufacturing of several basic natural resources.

In this challenging environment, our global **purchasing and sourcing system** has proven its reliability: At no point in time, was the supply for our global manufacturing network at risk, as the main criteria for our purchasing activities and the selection of our suppliers are not only high quality, but also flexible and timely supply at competitive prices. Our purchasing **risk management** also proved to be efficient. For more information on risk management, please refer to page 56 in the Management Report.

The price development on the **energy markets** continued to be very volatile and driven by speculation. Through our careful and forward looking purchasing strategy, we had already concluded supply contracts for electricity for 2011 and were able to lower costs compared to the previous year. This effect was almost neutralized, however, as the renewable energy premium was increased by 72%, and tax reliefs fell away. The price for natural gas went up.

FRESENIUS HELIOS

At HELIOS, high medical standards go hand in hand with an efficient, economically sound management of available resources. The **HELIOS purchasing concept** defines binding regulations and standards that have proven themselves effective especially with regard to cost-intensive materials such as drugs, medicinal products, medical technology as well as operational and administrative needs. Some of the important regulations are:

- **Teams of medical experts and committees** set binding group-wide quality requirements and define product standards together with the procurement officers. Thus, the HELIOS purchasing department combines the expertise of its doctors and nurses with the commercial competence gained in other areas from the various hospitals and disciplines. This capability and our standards of medical quality are channeled into all procurement decisions.
- All **purchasing decisions** are transparent and easy to understand: HELIOS publishes all decisions made by the medical expert groups and corporate purchasing on the internet and the intranet.
- The respective HELIOS employees from the pharmacy, purchasing, medical technology, the laboratory, catering, etc., – so-called **product managers** – are responsible for coordinating purchasing activities for their product groups across hospitals.
- The **corporate transparency rule** applies to all employees of HELIOS hospitals. Clear instructions and guidelines shall prevent all types of influence on purchasing decisions. HELIOS expects all external partners to acknowledge and support this corporate rule.

The HELIOS purchasing concept was expanded in 2011 to also include the areas fleet, food, laundry, and laboratory. Based on first analyses, we already achieved synergies in these areas.

Today, over 85% of our medical supplies are standardized Group-wide at HELIOS. A system of more than 850 product groups promotes transparency, planning efficiency, and competition. The aim of this **standardization** is to optimize quality. 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 hospitals that HELIOS most recently acquired especially benefit from this.

To keep the high standard of medical quality, the HELIOS clinics place value on close cooperation with their suppliers. Their strategic selection by our **supplier management** 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. We introduced the **HELIOS partner rating** system with the aim to review the business relationship between HELIOS and its suppliers from the perspective of both partners. The results provide feedback on how to improve the partnership. The 2011 ratings are due out in the first half of 2012 and will also be published on the company's website.

Hospitals' **energy requirements** are a key cost factor. In 2011, HELIOS spent a total of about €55 million on energy, water, and fuels (2010: about €55 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 on a daily basis. The enPortal platform, to which more than 380 energy utilities in Germany are linked, is used by other Fresenius business segments besides HELIOS. For 2011, the **price of electricity** increased by approximately 4%, after we had achieved significant savings for 2010 compared to the previous year. We also achieved good results in our **natural gas sourcing** and are now covering requirements until October 31, 2012. The cost of natural gas was reduced by about 7% for the 2011 supply year (October 31, 2010 to October 31, 2011).

Globally increased **food prices** did not have a significant impact on HELIOS in 2011. One reason is that they only make up a small part of the overall purchasing volume, and therefore a small part of the total cost of our hospitals. Another reason is that we concluded price agreements.

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, in cooperation with the Technical University of Berlin (TU) has developed and established a **quality management system for hospitals**. The system measures the quality of medical results in the hospital, based on quality indicators compiled from administrative data about the respective treatment. In combination with conducting peer review processes, this method demonstrably has led to significant improvements of the medical treatment quality and patient safety. More than 500 hospitals in Germany, Austria, and Switzerland are already using a quality management system based on the HELIOS system. Last year, the concept was introduced in all state hospitals in Lower Austria, which have been using it since then for internal control purposes. As of 2012, the Swiss Federal Office for Health is publishing the key figures of the treatment results of all Swiss acute care hospitals. The implementation of these Swiss quality indicators is equally based on the system developed by HELIOS and the TU Berlin.

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 40 harmonized the quality management generally, e. g. to achieve supra-regionally comparable processes and systems for quality assurance and quality improvement.

Our UltraCare brand in North America and our NephroCare brand in the other regions are part of an integrated therapy concept that sets internal quality standards in our clinics as well as for home dialysis. We aim at introducing our quality standards into newly acquired clinics efficiently, systematically and to improve the risk management regarding applying to those standards. In doing this, we intend to continue improving the quality of our services in our clinic network as a whole.

We measure and compare our quality performance in our individual clinics using certain performance indicators. In addition to industry-specific clinical benchmarks they include our own quality targets, i. e. linked to the services and advice we provide. 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.
- Another quality indicator is the **albumin level** in the blood. Albumin is a protein that is indicative of a patient's general nutritional status.
- We also strive for a defined **hemoglobin value** in our patients in cooperation with their nephrologist. Hemoglobin is the component of red blood cells that transports oxygen around the body. An insufficient level of this in the blood is indicative of anemia, which typically occurs in patients with chronic kidney failure. Parallel to dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO).
- **Phosphate** concentrations show whether treating the patient with dialysis and medication is sufficient for the body to absorb phosphate ingested with food. Healthy people excrete excess phosphate via the kidney, but a diseased kidney is unable to do this. If the phosphate concentrations in the blood are too high, this can lead to severe conditions.
- 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. For Fresenius Medical Care North America, 2011 was also marked by the foundation of a "Patient Safety Organization (PSO)". All employees in our about 1,800 clinics in the U.S. report critical incidents to an internal PSO analysis system. Our PSO then carries out a cause analysis on the basis of the aggregated data. We adapt any procedures that are prone to error and train both our staff and patients to improve these procedures. In this way, we want to guarantee that dialysis treatments in our clinics are as safe as possible. In March 2011, the PSO was officially certified by the U.S. Agency for Healthcare Research and Quality under the direction of the U.S. secretary of health.

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. In the past year, we successfully introduced NephroCare quality standards and tools in further clinics; among others, the implementation objectives under NephroCare are now fully integrated into the local business development targets for all subsidiaries.

FRESENIUS KABI

Quality management at Fresenius Kabi is based on the internationally recognized quality management standard ISO 9001 and a great many other national and international regulations that govern product manufacturing at Fresenius Kabi. These include, for example, Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), the Code of Federal Regulations (CFR) of the U.S. Food and Drug Administration (FDA) as well as the quality management standard ISO 13485 for medical devices. All regulations were implemented in our company-wide quality management standards. In 2011, we reviewed the quality management system's compliance with the relevant requirements, which was successfully validated. The entire **value chain** at Fresenius Kabi is additionally covered by inspections by regulatory authorities and audits by independent organizations and customers.

In 2011, we optimized our organizational structure and regrouped the areas of responsibility at Fresenius Kabi in a better way. Our **Code of Conduct** applies globally and now harmonizes the existing corporate guidelines and standards. The quality management reflects the new structure.

We are continuously adapting our quality management system to changing legal requirements. In 2011, for example, new requirements regarding the EU GMP Directive became effective. In addition, a EU Directive about counterfeit medical products was published and comprehensive EU regulations were passed to control the effects of the nuclear power plant accident in Japan. These regulations cover the use and control of origin of raw materials used for manufacturing pharmaceuticals.

The **matrix certification** as per ISO 9001 was continued as planned in 2011. Over 90% of all manufacturing and sales locations of Fresenius Kabi are already included in the certification. The remaining organizations will be successively integrated.

FRESENIUS HELIOS

You can only initiate changes, if you are aware of your own strengths and weaknesses. The objective of the **HELIOS quality management system** is to continuously improve the results of medical treatments in all HELIOS clinics. One main requirement is to make one's own quality transparent on the basis of **G-IQI quality indicators** (German Inpatient Quality Indicators). With the help of now more than 1,500 key figures (2010: more than 1,300), clinically relevant indications and surgical procedures are documented. The timely, efficient measurement of quality indicators from administrative data has become critical for our result-oriented quality management.

In 2011, the HELIOS clinics made comprehensive additions to the existing set of indicators. Continuous monitoring can now be guaranteed for far more indications and surgical procedures than before. Heart and thorax surgery, for example, is now included in the process. The individual specialist groups of HELIOS also monitor and analyze additional key figures on the details of the medical and nursing care in the various disciplines.

For 46 of these quality indicators, ambitious **group-wide targets** were defined, of which 39 were reached in 2011 on the corporate level. The aim is for the HELIOS clinics to be at least as good as the German average for these indicators. From 2012 onwards, comparison data from the Federal Statistics Office will be available also for complex defined quality indicators. This will further increase the transparency of quality and improve the comparison of HELIOS' clinics with other hospitals to continuously improve their quality of treatment. Previously, HELIOS clinics had been using other scientific sources to determine comparable quality targets. The reason for doing so was that reference values from the statistics of the German Federal Statistics Office had previously only been available for basic diagnoses (e. g. heart attacks), but not for complex cases.

HELIOS provides full transparency for all quality data: They are published to all HELIOS employees monthly on the intranet. The same applies for the transparency towards patients and the public. For each acute care clinic, the results for medical treatment quality are published on the website www.helios-kliniken.de.

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR) [1]	2011 SMR	2010 SMR [2]
Chronic obstructive pulmonary disease (COPD)	**0.72**	1.06
Acute myocardial infarction (AMI)	**0.65**	0.77
Heart failure	**0.60**	0.68
Ischemic stroke	**0.88**	0.88
Pneumonia	**0.65**	0.76
Hip fracture	**0.89**	0.93

[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 and newly acquired clinics

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

In 2011, HELIOS achieved an SMR of 0.60 for heart failure (2010: 0.68). This indicates that the mortality in the HELIOS clinics was 40% below the average of all German clinics (2010: 32%). In 2011, a German average for certain diseases was available for the first time. HELIOS integrated the corresponding quality indicators, for example for the chronic obstructive pulmonary disease (COPD), accordingly. COPD leads to damaged airways in the lungs, causing them to become narrower and making it harder for air to get in and out of the lungs. Where the few targets were not achieved, the deviation from the German average was so small as to be statistically insignificant.

HELIOS is one of the founding members of the **Initiative of Quality Medicine (IQ^{M})** in which hospitals, hospital operators, and university hospitals joined together. Its members commit to three basic principles: The first is to take quality measurements with routine data, the second to transparently publish the results, and the third to carry out peer review processes. In May 2011, the results from 2009 and 2010 were published on the respective websites of the member hospitals. This accommodates the growing demand for transparency that comes from patients, cost carriers, and referring physicians.

Measuring and showing quality helps assess treatment results and to demonstrably improve them for the benefit of the patients. The **peer review** is, in this context, an appropriate instrument to follow up on statistic abnormalities. Experienced, specially trained physicians visit other hospitals as a peer review team. That team analyses together with the responsible chief physicians how the treatment quality could be further improved.

In 2011, IQ^{M} carried out 42 peer review processes across different providers; 13 of them in HELIOS' acute care clinics. The number of reviewers within the initiative is continuously growing and at the same time, the training of the participating physicians, the so-called peers, is strengthened. The German Medical Association supported the IQ^{M} peer review process from the start with its own experts, and after the 2011 evaluation, introduced the continuing education curriculum "Medical Peer Review". To date, more than 150 chief physicians are active as peers for IQ^{M}, so next year more departments will be able to benefit from the helpful assistance provided by physicians for physicians. For more information, please refer to the initiative's website: 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.

Medical devices and drugs have direct relevance for the standard of medical quality. The patient-specific preparation of pharmaceuticals in our hospital's pharmacies is subject to high quality standards and must be prepared in a hygienically correct manner. HELIOS continuously invests in **safety and quality standards** to be able to reach these high quality standards. In 2011, three new hospital pharmacies were set up in Erfurt, Krefeld, and Plauen. The investment required for each amounted to approximately €10 million.

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). These high standards are paying off: Within the context of EFQM Excellence Awards, the subsidiary VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m. b. H. has already been honored several times for excellent operational management.

In the hospital area, VAMED uses the certification model **JCI (Joint Commission International)**. The Neurological Therapy Center Kapfenberg was awarded the Joint Commission International's "Golden Seal" for the fourth consecutive time in 2011. The National Research Center for Maternal and Child Health in Astana, Kazakhstan, achieved the JCI certification for the first time in 2011. Both healthcare organizations have thus demonstrated the highest level of quality: firstly regarding patient care, secondly regarding hygiene and safety, and thirdly regarding the very high patient and employee satisfaction. In 2010, the Al Ain Hospital in Abu Dhabi, United Arab Emirates was successfully certified in accordance with the JCI. This hospital also received recognition of 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. SEHA is an independent corporation that is owned by the government of the Emirate of Abu Dhabi. The corporation owns and operates all public hospitals and clinics in the emirate and was set up with the purpose to expand public health care.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

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

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

FRESENIUS MEDICAL CARE

In 2011, Fresenius Medical Care continuously expanded its environmental activities. In Europe, the Middle East and Africa, TÜV-certified **environmental management** is part of the integrated management system. At the end of 2011, our seven largest European production sites (2010: also seven) and our medical device development department were certified according to ISO 14001. In addition, we have now introduced the environmental management system at 294 of our European dialysis clinics (2010: 259 clinics).

Our **R & D** divisions work on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that further reduce the resources used by our dialysis machines, and not least by using energy and raw materials efficiently in production.

In 2011, we introduced a **new environmental program** in Europe and Latin America with the aim to improve environmental awareness and environmentally responsible behavior, enhance knowledge relating to strategic and operational environmental issues, to improve our eco-efficiency and reinforce measures to control environmental risks, and ensure that environmental regulations are complied with. Those goals are measured by a number of environmental objectives for the individual stages of the value chain, for example R & D or at our dialysis clinics.

At our key production site for dialyzers in St. Wendel in Germany, for example, we reduced the quantity of rinse water used in the manufacture of dialysis membranes by 25% in 2011 by feeding it back into the manufacturing process. As a result, we were also able to reduce our energy requirements for treating the contaminated rinse water by 25%. We already replaced older burner and boilers at the St. Wendel plant with modern, high-efficiency heating units with low levels of harmful emissions; as a result we were able to reduce nitrogen oxide emissions by around 45%.

We gather data on our eco-efficiency, such as our water and energy consumption, and on waste disposal in 405 of our European clinics (2010: 313). We are now able to compare the ecological efficiency of those clinics on a monthly basis, quickly identify potential for improvement and take this into account when planning new investments.

In addition, in 2011 we started merging the existing local occupational safety systems for our dialysis clinics in Europe into one centralized **occupational safety management system** and incorporating it into our Integrated Management System.

In the **U.S.**, we have established a formal certified **environmental health and safety** audit program at our production sites to review all of our manufacturing and laboratory operations on an annual basis. Fresenius Medical Care North America received the "Safety in Excellence Award" for the twelfth time from the U.S. casualty and property insurer CNA. They underlined the company's commitment to the health of its employees, safety, the prevention of accidents and risk control. The fact that in the past ten years, absences due to work-related accidents have fallen significantly at Fresenius Medical Care, was also highlighted. Since the end of 2010, we record and document **energy and water consumption** in all our dialysis clinics. In the course of 2011, we expanded the scope of the analysis: It now also compiles greenhouse gas emissions and our carbon footprint. We also improved the recycling at our production plants. At our Walnut Creek plant, California, we are separating and recycling medical and electronic devices.

We also made further progress in the area of environmental management in the **Latin America** region. In Columbia, an environmental management system that meets the ISO 14001 standard has already been established in 60% of our clinics. In Venezuela, we continued an environmental awareness campaign for our clinic staff on the subjects of waste disposal and energy and water consumption in 2011. In Argentina, we continuously record water and energy consumption and the disposal of medical waste at all dialysis clinics.

We have developed an environmental guideline specifically for the **Asia-Pacific region**. It includes the waste management as well as guidelines on how to save resources and to avoid environmental pollution. In our plants, we monitor the consumption of resources such as electricity, gas, as well as water, and identify areas for improvements. At our plant in Buzen in Japan, we achieved a recycling rate of nearly 93% in 2011, thanks to our environmental management. We have set ourselves the goal of achieving this high recycling rate again in 2012.

FRESENIUS KABI

An integral component of the quality management of Fresenius Kabi is an environmental management system that complies with the international standard ISO 14001. We are also pursuing the implementation of the occupational health and safety assessment system OHSAS 18001.

Our **goals** are:

- to decrease the waste volume at our production sites and sales offices, and
- to efficiently and carefully use energy to reduce emissions.

These goals lead to individual objectives for our locations.

In 2011, Fresenius Kabi continued the matrix certification for the **environmental management system**. As part of the certification, we analyze and assess work flows and processes according to sustainability criteria, and document the responsible use of energies and natural resources as well as employee safety and protection of the environment. This allows us to reveal opportunities for improvement, both with regard to the value chain and how we deal with external partners. Our international production network improves, for example, delivery to our customers and reduces emissions associated with transportation. Our goal is to base all internal and external processes not only on economic, but also ecologic provisions, and to expand the matrix certification to other production sites and sales offices.

At our **production sites in Friedberg and Bad Homburg**, Germany, the **recycling rate** in 2011 of more than 97% was slightly above the previous year's figure of about 97%. Approximately 5,800 t of waste were recycled (2010: approximately 5,600 t). The **waste volume** rose by 3% in Friedberg and by 21% in Bad Homburg. This was mainly attributable to the increase in production volume for enteral nutrition products. This also led to a higher **energy consumption**. The percentage of renewable energies of the total energy consumption is approximately 23%.

In 2011, Fresenius Kabi continued to implement measures to reduce **energy consumption**, **CO_2 emissions** and the consumption of **raw materials**. Fresenius Kabi uses, for example, the produced coolant heat to heat the logistics spaces. In addition, we use dark radiators in production areas. These radiators use energy-efficient infrared technology. It ensures the heating of work spaces only close to the floor, and saves approximately 30% of the energy used by traditional heating systems. The difference is that the air close to the ceiling is not unnecessarily heated.

In 2011, Fresenius Kabi invested in the modernization of its technical systems, for example the pressure decrease in the compressed air system. This reduced the system's CO_2 emissions. In addition, waste water is used to compensate for condensation losses in the steam generator system in order to reduce water consumption. A landscaped roof now protects the building better against heat in the summer, and reduces the heat loss in winter. It also significantly slows down the roof's aging process.

All these activities not only serve the primary purpose of environmental protection, but also helped to reduce energy costs in 2011.

In **Austria**, the production sites in Graz and Linz have an **integrated management system** for quality, the environment, safety, and risk. Long-term goals are to guarantee and continuously improve the efficiency of the environmental management, to handle environmental resources carefully, and to keep the impact on the environment as small as possible.

The environmental management system at the **site in Graz** has been certified pursuant to ISO 14001:2004. The system defines various environmental performance indicators, such as the recycling rate. In 2011, we further optimized our waste processing and energy consumption. The **recycling rate** increased significantly from about 70% in 2010 to now 85%. We are working closely with the local waste management companies, thus consequently improving our waste collection and separation system. 14% of the waste volume serves as energy source, and is used in thermal waste treatment plants. The remaining 1% is taken to a biogas plant or chemically processed. In addition, the logistics department optimized the transport packaging. This allows us to sustainably save about 2 t of plastic waste each year.

At the Graz location, we review the **energy consumption** every year in order to identify new savings opportunities.

Since 2010, we have been successively switching to LED bulbs. We continued this project in 2011 and decreased energy consumption by 10,000 kWh.

Since 2010, the environmental management system of the **production site in Linz** is also certified pursuant to ISO 14001:2004.

In 2011, **energy consumption** of 46 GWh was at the previous year's level despite a significantly higher production volume. Already in 2010, we had started to successively switch our production processes to energy-efficient technologies. We decreased our energy consumption in the years 2010 and 2011 by a total of 55,000 kWh. All old systems in the agitators will be replaced by 2013. We also decommissioned the oil heating system at the site. We are now covering our energy needs with natural gas. It is therefore no longer necessary to pre-heat the oil and maintain a certain temperature in the storage tanks. This leads to an additional savings of 85,000 kWh per year.

In 2011, we also improved our **waste processing** and reduced commercial waste similar to household waste by 10%.

Other long-term measures are planned that will save energy and other resources in the future in the interest of successful environmental management.

At our Swedish **production plants in Uppsala and Brunna**, the **waste volume** increased in 2011 to 4,751 t (2010: 4,073 t). Thanks to the projects initiated earlier in the disposal area, the waste increase is much lower than the increase in production volume.
Energy consumption decreased compared to the previous year by 9% or 10 GWh, also because of the energy savings initiatives that were started the year before. Approximately 43% of the energy needed at both sites is covered by renewable energies. At the Brunna plant, we have decreased energy consumption by using a band filter, in order to reduce solvent extraction, and by starting to operate an energy-efficient cooling tower.

Water consumption amounted to about 232,266 m^3, which is slightly above at the previous year's level. In Uppsala, we switched from a fresh water cooling system to a centrally controlled cooling system that is supplied by a long-distance cooling network. Heat energy, for example, from waste incineration plants, is used to cool down water. Fresenius Kabi obtains this long-distance cooling through insulated pipelines directly from the producer. This reduces the demand for water, and additionally, the system is more energy-efficient.

We were also able to lower our use of **nitrogen**: The performance parameters that were implemented in 2010 in production have improved the monitoring of wire lines and thus reduced consumption.

Fresenius Kabi also integrates standardized requirements for **health, safety, and environmental protection** into its quality management system. In the manufacturing of pharmaceuticals, the employees of Fresenius Kabi sometimes have to work with toxic substances. Consequently, protecting the environment, and the health and safety of our employees is of utmost importance. New requirements relating to occupational health and safety are integrated into our quality management, e. g. those in the REACH Regulation (Registration, Evaluation, Authorization and Restriction of CHemicals).

FRESENIUS HELIOS

Hospitals are part of the health care system and bear a special responsibility in terms of environmental protection: They are expected to handle resources and energy consumption carefully, and to comply with demanding waste disposal and hygiene standards. They must also avoid any health risks for patients, employees, and the local environment.

HELIOS views **waste disposal management** as a process. It starts with avoiding any future waste, and ends with the consistent recycling or environmentally friendly disposal of the same. All waste is documented in a standardized manner and categorized into waste groups. Requirements pertaining to environmental protection, occupational health and safety, as well as infection protection and hospital hygiene are taken into account. That relates particularly to major waste groups such as clinical waste, i. e. from obstetrics, diagnosis, treatment, or prevention of human diseases, or mixed municipal waste. This includes general waste such as household waste, bulky waste, and potential recyclables. In 2011, the **total amount of waste** generated in all HELIOS hospitals amounted to 11,960 t (2010: 11,631 t). Of this waste, about 99% is attributable to the two waste groups listed above.

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 tomographs, computer tomographs, and other imaging equipment, linear

accelerators, and left cardiac catheter measuring devices must constantly be cooled. The higher usage of IT technology also increases the energy demand, because the server rooms must be operated and 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 pursuant to the currently valid energy savings regulations. In 2011, maintenance costs remained at the previous year's level of €84 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 **renewable energies**, for instance wood pellets. This form of heating is CO_2-neutral and therefore more environment-friendly than gas or oil heating. Following the Borna location, five additional locations followed in 2011, so that now six hospitals generate a part of the needed heat from renewable energies. Other locations will follow in 2012. 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.
Water consumption in all HELIOS hospitals amounted to 2,140,000 m^3 (2010: 2,055,000 m^3). The increase of 4% is predominantly due to the initial consolidation of the hospitals in Helmstedt and Rottweil in 2011. Excluding these hospitals, water consumption would have slightly decreased. The majority of all water is consumed for sterilization processes, process cooling, and water recycling plants. Overly high water savings would not make sense, because a too low water change-out in the pipes would cause hygienic issues. In order to comply with the critical values stipulated by the German Drinking Water Ordinance, sections of pipes that are not used frequently, would have to be flushed on a regular basis. This would, once again, increase water consumption. To reduce consumption, some hospitals are using well water, for instance for the cooling towers of air-conditioning systems.

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. VAMED built and now operates, for instance, a hospital in Gabon, Africa, which features a modern sewage treatment plant and a high-temperature incineration plant designed to European standards.

VAMED has also achieved successes in the **service business**. VAMED, for instance, is responsible for the technical management of the Vienna General Hospital and University Hospital AKH. The AKH is one of the largest operations in Austria and has more than 10,000 employees. Since 1996, the operating area of the AKH has increased by approximately 9% due to new construction. Compared to 1996, its **energy and drinking water consumption** has decreased significantly, which is a remarkable success considering the increased operating area. Energy consumption decreased by 12%, the demand for long-distance heat by 21%, and the drinking water consumption even by 43%. As a result, the direct and indirect greenhouse gas emissions of the AKH also decreased. Compared to 1996, emissions decreased by 14%, which is nearly three times higher than the international target set by the Kyoto Protocol, to reduce emissions by 5.2%. The success is especially due to improved air-conditioning and heat recovery. In addition to CO_2, achievement of the Kyoto targets also takes into account other greenhouse gases. The AKH, together with VAMED, has set itself the goal 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 the **waste management** of the AKH. One main project was, for example, the separation of waste. Compared to 2010, we reduced the volume of waste classified as hazardous medical waste by another 5%; since 1995, the total amount was reduced by 65%. The percentage of waste and recycling materials amounts to approximately 31% of the overall waste volume.

VAMED is also an active member of working groups and committees that formulate **E-STANDARDS** for hospitals. These are Austrian standards issued by the Austrian Standards Institute. In addition, an international working group dealing with hospital waste issues was founded by the **IWWG (International Waste Working Group)**. IWWG is a working group of international scientists and companies focusing on sustainable waste management.

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 into our 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. Fresenius Kabi concluded the expansion of its logistics center in Friedberg in October 2011. The warehouse capacity was more than doubled, and the Friedberg plant was expanded to become the international logistics hub for the entire product range of Fresenius Kabi.

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 30% of its revenues are derived from the U.S. government's Medicare and Medicaid programs, with about 70% 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 U.S., the products of Kabi's subsidiary 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 institutions, e. g. ministries and authorities, 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 sustainable demand around the world. Operating performance in the first weeks of 2012 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 62.

RISK MANAGEMENT

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

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

- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.
- The managers responsible are required to report without delay any relevant changes in the risk profile to the Management Board.
- Markets are kept under constant observation and close contacts maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

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

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

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

INTERNAL FINANCIAL REPORTING CONTROLS

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

- local entity
- region
- business segment
- Group

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

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

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

RISK AREAS

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

GENERAL ECONOMIC RISKS

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

RISKS IN THE GENERAL OPERATING FRAMEWORK

The risk situation for each business segment also depends on the development of its markets. Political, legal, and financial conditions are therefore monitored and evaluated carefully. This applies especially to countries with budget problems as a result of the sovereign debt, in particular with regard to our accounts receivables. In addition, the growing internationalization of our markets requires us to keep abreast of country-specific risks.

RISKS IN THE HEALTH CARE SECTOR

Risks related to **changes in the health care market** are of major importance to the Fresenius Group. The main risks are the development of new products and therapies by competitors, the financing of health care systems, and reimbursement in the health care sector. In our largely regulated business environment, changes in the law – also with respect to reimbursement – can have decisive consequences for our business progress. This applies especially in the United States, where a large portion of our sales are generated, and where e. g. changes in the reimbursement system could have a considerable impact on our business. Furthermore, a portion of our dialysis care business in the United States is currently reimbursed by private insurers or managed care organizations. If these organizations enforce reductions in the reimbursement in the United States, it would significantly reduce the revenues for products and services of Fresenius Medical Care. The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care spending. The Company constantly monitors further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Company that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only continually monitor legislative changes, but also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

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

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

OPERATING RISKS

Production, products, and services

Compliance with **product and manufacturing regulations** is ensured by our quality management systems in accordance with the internationally recognized quality standard 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. Changes in the guidelines for the reimbursement of erythropoietin (EPO), a change in the administration of EPO to patients, interruption of supply or less favorable terms and conditions for the purchase of EPO could materially adversely affect sales and profitability. Especially the expanded bundled reimbursement system, accordingly to which the reimbursement of EPO is included in the bundled rate, could in combination with material increase in the acquisition costs for EPO materially adversely affect revenue and operating profit. EPO is a hormone used in dialysis that stimulates the production of red blood cells.

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

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

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

Our operations are subject to strict governmental regulatory demands and controls. We have to comply with these rules and regulations monitoring safety and effectiveness of our medical products an services. Therefore it is of special importance to us that our **compliance programs** and guidelines are adhered to. Through compliance we aim to meet our own expectations and those of our partners and to orient our business activities to generally accepted standards and local laws and regulations.

The Corporate Compliance department reports to the **Chief Compliance Officer**, the Management Board member for Legal Affairs, Compliance, and Human Resources, who is accountable for establishing and implementing guidelines and procedures. In each business segment a chief compliance officer has been appointed. He is supported by addi-

tional compliance officers appointed based on organizational and business structures. The Corporate Compliance department supports the compliance officers at the business segment, regional, and country levels.

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

Research and development

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

Risks from the integration of acquisitions

The **acquisition** and **integration** of companies carries risks that can adversely affect Fresenius' assets and liabilities, our financial position, and results of operations. Following an acquisition, the infrastructure of the acquired company must be integrated while clarifying legal questions and contractual obligations. Marketing, patient services, and logistics must also be unified. During the integration phase, key managers can leave the company and the course of ongoing business processes as well as relationships with customers can be harmed. In addition, change-of-control clauses may be claimed. The integration process may prove to be more difficult and cost-intensive or last longer than expected. Risks can arise from the operations of the newly acquired company that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected. **Future acquisitions** may be a strain on the finances and management of our business. Moreover, as a consequence of an acquisition, 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 preseparation company related to APP Pharmaceuticals' business. At the same time, Abraxis BioScience agreed to indemnify APP Pharmaceuticals from and after the spin-off with respect to all liabilities of the preseparation company not related to APP Pharmaceuticals' business. The extent to which Abraxis BioScience will be able to satisfy these potential claims in future cannot be predicted.

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

Personnel risks

The company addresses potential shortage of qualified personnel externally by utilizing personnel marketing measures, and internally by offering comprehensive personnel development programs. We also seek to retain our employees by introducing life work time accounts in various areas. Furthermore, employees are entitled to attractive fringe benefits and partly to bonuses. By using target-group specific measures Fresenius addresses the overall shortage of specialized hospital personnel. We thereby recruit qualified, dedicated, and specialized personnel, thus ensuring our high standard of treatment quality. At the same time, by supporting the training of young employees, we thereby seek their commitment to Fresenius. HELIOS presents itself as an attractive employer, for example by providing young doctors with

intensive support very early in their careers, e. g. throughout their studies and during their practical year. Risks in personnel marketing are not considered to be significant because of all these measures.

Financial risks

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

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

The Fresenius Group is protected to a large extent against **currency and interest rate risks**. As of December 31, 2011, approximately 69% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges according to U.S. GAAP. Only 31%, or €3,038 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

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

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The exposure to currency risks arising from our business activities (**transaction risks**) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €9 million. Information can be found on pages 142 to 144 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 93 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. This particularly applies to countries with budgetary problems. We worked on our accounts receivable taking certain measures such as factoring or selling through product distributors. We will continue to focus on these countries in our 2012 receivables management.

As a global corporation, Fresenius is subject to numerous tax codes and regulations. Fresenius Group's companies are subject to regular tax audits. Any changes in tax regulations or resulting from tax audits could lead to higher tax payments. Information on the status of the tax audits can be found on page 106 f. of the Notes.

Fresenius' **debt** was €9,703 million as of December 31, 2011. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. We reduce these risks through a high proportion of medium and long-term funding with a balanced maturity profile. Additional information on conditions and maturities can be found on pages 117 ff. of the Notes as well as on page 22 of the Management Report.

Government reimbursement payments

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

A large part of Group revenue derives from government reimbursement programs, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. As of January 1, 2011, a new **reimbursement system** based on a **bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. Beginning in 2012, the payment amount will be subject to annual adjustment based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment. The adjustment for the year 2012 is 2.1%. Furthermore, effective January 1, 2012, the payment amount includes a quality incentive program which full payment of the Medicare bundled rate to a dialysis facility is contingent upon such dialysis facility's achievement of certain minimum performance criteria, focusing in 2012 on anemia management and dialysis adequacy and in subsequent years on additional measures to determine whether dialysis patients are receiving high quality care. Failure to achieve these minimum criteria in any year subjects the facility to up to a 2% reduction in Medicare reimbursement two years later. A material failure by the Company to achieve the minimum clinical quality standards could lead to lower revenue and operating profit.

Fresenius Medical Care is working with hospital administrations and treating physicians to make protocol changes used in treating patients, and is negotiating pharmaceutical acquisition cost savings. To achieve greater efficiencies and better patient outcomes the Company introduces initiatives to improve patient care upon initiation of dialysis, to increase the percentage of home dialysis patients and to generate cost savings in its dialysis centers. Without these initiatives the composite rate could lead to lower revenue and operating profit.

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

Legal risks

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

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

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

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

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

Further information to legal matters, especially in respect to essential patent infringement claims, can be found on pages 133 to 137 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 continues to rate Fresenius SE & Co. KGaA with BB and a positive outlook, while Moody's with Ba1 and a stable outlook. In August 2011, Fitch improved Fresenius SE & Co. KGaA's rating and assessed us with BB+ and a stable outlook.

RATING OF FRESENIUS SE & CO. KGAA

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

SUBSEQUENT EVENTS

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

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

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

In January 2012, Fresenius Medical Care successfully placed three tranches of U.S. dollar and euro-denominated senior unsecured notes. Proceeds amounting to approximately US$1.81 billion are intended to be used for acquisitions, including the acquisition of Liberty Dialysis Holdings, Inc., to refinance indebtedness and for general corporate purposes. The coupon for the dollar-denominated senior notes in the principal amount of US$800 million due 2019 is 5.625% and the coupon for the dollar-denominated senior notes in the principal amount of US$700 million due 2022 is 5.875%. The coupon for the euro-denominated senior notes in the principal amount of €250 million due 2019 is 5.25%. All tranches were issued at par.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2011. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 53 ff.

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

GENERAL AND MID-TERM OUTLOOK

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

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

  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce products from the existing portfolio to the U.S. market.
- The **broadening of our services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. New opportunities could also emerge for Fresenius Medical Care. Whether or not private companies can offer dialysis treatment and in what form depends on the health care system of the country in which they operate and its legal framework. For Fresenius Medical Care,

opportunities to extend into new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers. Since Japan is one of the world's biggest dialysis markets, changes in the framework conditions for operating dialysis clinics as a private company could open up new revenue potential for Fresenius Medical Care. Germany is the fifth largest market in the world in terms of the number of dialysis patients. We are the market leader in dialysis products. Dialysis clinics are mostly operated by practitioners, hospitals and non-profit organizations. However, for some years the company is in a position to offer dialysis care through medical care centers. Here, Fresenius Medical Care perceives its role as a partner for customers in creating new supply structures in the German health care sector and sees such ventures as an opportunity to strengthen its business long term. At the end of 2011, Fresenius Medical Care participated in ten medical care centers (2010: 8).

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

We are also exploiting any **opportunities for tapping potential within our operations** for cost management and efficiency enhancement measures. These include plans for a further optimized procurement process and cost-efficient production. We are increasingly 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, 2011, the net debt/EBITDA ratio was 2.8. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2012 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

As an international company, we offer our products and services in about 170 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio.

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

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

public hospitals, and also aim to open our own dialysis clinic in Delhi in 2012. The growing importance of the Chinese and Indian markets with growing rates of dialysis patient numbers of much more than 10% annually should accelerate our growth in the region as a whole.

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

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

ECONOMIC OUTLOOK

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

EUROPE

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

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

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

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

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

UNITED STATES

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

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

ASIA

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

The emerging economies will remain dependent to a lesser extent on the industrial countries, which are the destination of most of their exports. Structural factors, such as the catch-up process versus the industrial countries, the young and still growing population, and improvements in infrastructure, will continue to be growth drivers for the economy. Increasing inflation should be expected due to the high growth rates.

Export and investment activities should remain the most important drivers in **China.** Increasing domestic demand can also be expected, though it will not be able to cushion expected sluggish export demand from slow economies in its most important markets. The reversion to a less restrictive monetary policy occurring at the end of 2011 and increased governmental social benefits should counteract the slowed growth. Other fiscal impulses intended to stimulate consumption are expected. For 2012, projections call for a decreased growth of 8.3%.

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

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

LATIN AMERICA

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

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

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

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

HEALTH CARE SECTOR AND MARKETS

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

However, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue for companies in the health care industry. Due to the global financial and budget deficit crisis, some countries, such as Greece, are experiencing significant financing problems in the health care sector. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future. Favorable demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should remain growth drivers. In addition, the need to increase the availability of basic health care and the growing demand for high-quality medical treatment in the emerging countries should also continue to generate steady growth rates. Furthermore, the improvement of patient benefits, the treatment quality, as well as prevention will play an increasingly greater role in health care.

THE DIALYSIS MARKET

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

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

We estimate that the volume of the global dialysis market, which was about US$75 billion in 2011 could rise by about 4% annually – unchanged currency relations assumed.

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

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

Beginning in 2012, the payment amount will be subject to an annual inflation adjustment. For 2012, the rate increase will be 2.1%. The inflation rate should be at a comparable level in forthcoming years according to earlier draft bills.

The new bundled reimbursement system in the United States will be phased in over a period of four years. Accordingly the implementation of the new payment system will be completed in January, 2014 for all dialysis clinics. Fresenius Medical Care decided at an early stage to convert nearly all of the clinics to the new reimbursement system already on January 1, 2011.

Further information is provided on page 59 of the Management Report.

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

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

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

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

THE GERMAN HOSPITAL MARKET

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

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

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

Effective January 1, 2012, the German Bundestag passed the Act on the Improvement of Provisioning Structures in the German Statutory Health Insurance (GKV-VStG). The objective of this legislation is to restructure the need-based provision in outpatient medical care. We do not expect any material changes in the financing of our outpatient care.

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

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

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

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

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

Sources: Bank research

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

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

All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2012. In markets with established health care systems, we expect solid growth, in emerging markets we anticipate an overall dynamic development.

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 2012, we therefore expect to increase **Group sales** by 10% to 13% 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 2012. 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 by 8% to 11% in constant currency.

GROUP FINANCIAL TARGETS

	Targets 2012 (U.S. GAAP)	Fiscal year 2011 (U.S. GAAP)	Fiscal year 2011 (IFRS)
Sales growth (in constant currency)	10% – 13%	€16,522 m	€16,522 m
Net income[1], growth (in constant currency)	8% – 11%	€770 m	€758 m
Capital expenditure	~5% of sales	€783 m	€797 m
Dividend	Profit-driven dividend policy	Proposal: +10% per ordinary share	Proposal: +10% per ordinary share

[1] Net income attributable to Fresenius SE & Co. KGaA; 2011 adjusted for special items relating to the acquisition of APP Pharmaceuticals.

We have set ourselves a new mid-term target and plan to achieve average organic sales growth of 6% to 9% p. a. for the Group. We also have set ourselves an ambitious earnings goal. We aim to achieve Group net income of more than €1 billion by 2014.

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2012, 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 2012 (U.S. GAAP)	Fiscal year 2011 (U.S. GAAP)
Fresenius Medical Care		
Sales	~US$14 bn	US$12.795 bn
Net income [1]	~US$1.14 bn	US$1.071 bn
Fresenius Kabi		
Sales growth (organic)	4% – 6%	€3,964 m [2]
EBIT margin	19.5% – 20.0%	20.3%
Fresenius Helios		
Sales growth (organic)	3% – 5%	€2,665 m [2]
EBIT	€310 m – €320 m	€270 m
Fresenius Vamed		
Sales growth	5% – 10%	€737 m [2]
EBIT growth	5% – 10%	€44 m [3]
Fresenius Biotech		
EBIT	-€25 m – -€30 m	-€30 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 2012, leading to continued growth in demand for dialysis products and a higher number of treatments. For 2012, **Fresenius Medical Care** expects sales to grow to around US$14.0 billion. This takes into account a change in U.S. GAAP in the presentation of U.S. dialysis service sales which will be shown net of the provision for bad debt. Based on the comparable 2011 sales of US$12,571 million the sales outlook represents an increase of 11% and between 13% and 15% based on constant currencies. Net income is expected to grow to around US$1.3 billion and net income [1] is expected to grow to around US$1.14 billion with operating margins forecast to increase to approximately 16.9%.

Fresenius Kabi expects its positive operating performance to continue. The company projects organic sales growth of 4% to 6%. High growth potential is expected again in emerging markets. 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 2012. Fresenius Kabi forecasts an EBIT margin of 19.5% to 20.0%, 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 2012. EBIT is expected to increase to between €310 million to €320 million.

Given its excellent order backlog of €845 million and long-term agreements in its service business, **Fresenius Vamed** has an excellent base for further growth. In 2012, 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 -€25 million and -€30 million.

FINANCING

In 2011, we generated an excellent operating cash flow of €1,699 million mainly driven by strong earnings and tight working capital management. The cash flow margin was 10.3% (U.S. GAAP: 10.2%). In 2012, we expect to achieve a similar **cash flow margin**.

The **net debt/EBITDA** ratio is a key financial figure for the Fresenius Group. As of December 31, 2011, the net debt/EBITDA ratio was 2.8. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

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 123.

Financing measures are planned for 2012 due to acquisitions and refinancing requirements. Fresenius SE & Co. KGaA is planning to finance the acquisition of the Damp Group. In addition, it is planned to refinance tranches of Euro notes that were issued in 2007 and 2008 and that will become due, as well as the 2006 senior notes that will become due on January 31, 2013.

On January 26, 2012, Fresenius Medical Care placed senior notes to finance the acquisition of Liberty Dialysis Holdings. Proceeds amounting to approximately US$1.81 billion. Fresenius Medical Care is also planning to refinance the credit facilities due on March 31, 2013 under the Fresenius Medical Care 2006 Senior Credit Agreement, including repayments of Loan B, and the tranches of 2009 Euro Notes that will become due October 27, 2012.

INVESTMENTS

We will continue to invest in our future growth. In 2012, we expect to invest about 5% of sales in property, plant and equipment, which will be roughly in line with the 2011 rate.

About 55% of the capital expenditure planned will be invested at Fresenius Medical Care, about 25% at Fresenius Kabi and more than 20% at Fresenius Helios. 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 55% and 30%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 35% of total funds will be invested in Germany.

PROCUREMENT

We will continue optimizing our procurement management in 2012: prices, terms, and especially quality are key factors for securing further earnings growth.

Based on recent developments in the financial and the real markets, we assume that price fluctuations will intensify despite an easing in the commodities markets in the short and medium term. **Fresenius Medical Care** will concentrate all the tools in the market strategy towards this, for example by networking more closely with strategic partners, by increasing the diversification of the supplier portfolio and using more flexible contracts. In 2012, the automated replenishment control described on page 40 will be introduced into additional country warehouses in Europe.

For the beginning of 2012, we expect the prices for relevant **raw materials** of **Fresenius Kabi** to slightly decrease, including cardboard packaging, and a series of active pharmaceutical ingredients for IV drugs. The prices for glass, plastic granulates, and carbohydrates are expected to increase.

The premium for renewable energies will be increased once again in 2012. Consequently, our **energy costs** will increase from 2011 as well. The discussions about phasing out nuclear energy as well as the continued unrest in some African and Arabic countries have caused insecurity at the energy exchanges and increasing prices. We believe that this

will continue, even though the European debt crisis initially caused slightly lower prices on the electricity exchange.

Global markets are influenced by many factors, and their developments are increasingly more difficult to predict. Natural disasters, political unrest, financial policy developments, or budget deficits in individual countries and regions now have a material impact. We aim to compensate these uncertainties by long-term **sourcing strategies** and **purchasing agreements**, in order to further guarantee security of supply based on a best-possible planning reliability. Our global procurement management will take advantage of all opportunities.

In 2012, the **HELIOS Purchasing Department** will integrate the recently acquired hospitals into the central procurement systems and the HELIOS purchasing concept. This applies to pharmacy, purchasing, medical technology, operating and administrative supplies, as well as catering. The newly acquired hospitals will quickly benefit from structures, standards, and terms. In 2012, changes in the food prices will not have a significant impact on the cost structure of the HELIOS hospitals, as their share in the overall procurement volume and therefore in total costs is insignificant.

We had already contracted our **electricity supplies** until October 31, 2012, in 2010. As a consequence, the highly volatile price development at the European Energy Exchange EXX did not affect us. However, we aim to disengage ourselves from these market price developments by switching the energy carriers. HELIOS plans to switch all clinics to partially **renewable energy-based heat generation** over the long term. Six clinics already produce energy from a biomass boiler (wood pellets). Further clinics will follow in 2012.

RESEARCH AND DEVELOPMENT

Our R & D activities will continue to play a key role in securing the Group's long-term growth through i**nnovations 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.

Consequently, 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**.

Fresenius Biotech is 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 38 f.

We plan to increase the Group's **R & D spending** in 2012. 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

In 2011, Fresenius SE & Co. KGaA was converted into a partnership limited by shares. No further change in the Company's legal form is planned for the foreseeable future.

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 number of employees will increase to more than 165,000 mainly due to the recently closed or announced acquisitions by Fresenius Medical Care and Fresenius Helios. As of December 31, 2011, the Group had 149,351 employees. The number of employees is expected to increase in all business segments. The regional distribution of our employees will not change significantly – close to 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 18 years. On average, we have passed on about half of the percentage growth in Group net income to our shareholders as a percentage dividend increase. Based on our positive earnings forecasts we want to remain true to our dividend policy in the 2012 fiscal year and again expect to offer our shareholders an **earnings-linked dividend**.

CONTENT CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2011	2010
Sales	4	**16,522**	15,972
Cost of sales	5	**-10,878**	-10,648
Gross profit		**5,644**	5,324
Selling, general and administrative expenses	9	**-2,802**	-2,658
Research and development expenses	8	**-296**	-256
Operating income (EBIT)		**2,546**	2,410
Interest income	10	**56**	30
Interest expenses	10	**-587**	-596
Other financial result	11	**-100**	-66
Financial result		**-631**	-632
Income before income taxes		**1,915**	1,778
Income taxes	12	**-594**	-574
Net income		**1,321**	1,204
Noncontrolling interest	27	**643**	585
Net income attributable to Fresenius SE & Co. KGaA		**678**	619
Earnings per ordinary share in €	13	**4.17**	3.83
Fully diluted earnings per ordinary share in €	13	**4.11**	3.77
Earnings per preference share in €	13	**n/a**	3.83
Fully diluted earnings per preference share in €	13	**n/a**	3.77

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2011	2010
Net income		**1,321**	1,204
Other comprehensive income (loss)			
Foreign currency translation	29, 31	**86**	418
Cash flow hedges	29, 31	**-81**	-15
Income taxes related to components of other comprehensive income (loss)	29	**23**	-6
Other comprehensive income		**28**	397
Total comprehensive income		**1,349**	1,601
Comprehensive income attributable to noncontrolling interest		**649**	751
Comprehensive income attributable to Fresenius SE & Co. KGaA		**700**	850

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
ASSETS

as of December 31, € in millions	Note	2011	2010
Cash and cash equivalents	14	**635**	769
Trade accounts receivable, less allowance for doubtful accounts	15	**3,234**	2,935
Accounts receivable from and loans to related parties		**13**	15
Inventories	16	**1,717**	1,411
Other current assets	17	**1,174**	975
I. Total current assets		**6,773**	6,105
Property, plant and equipment	18	**4,212**	3,955
Goodwill	19	**12,773**	11,568
Other intangible assets	19	**1,200**	1,227
Other non-current assets	17	**1,098**	538
Deferred taxes	12	**454**	438
II. Total non-current assets		**19,737**	17,726
Total assets		**26,510**	23,831

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2011	2010
Trade accounts payable		**807**	691
Short-term accounts payable to related parties		**21**	2
Short-term accrued expenses and other short-term liabilities	20, 21	**2,971**	2,855
Short-term debt	22	**171**	606
Short-term loans from related parties		**3**	2
Current portion of long-term debt and capital lease obligations	22	**1,854**	421
Mandatory Exchangeable Bonds	24	**0**	554
Trust preferred securities of Fresenius Medical Care Capital Trusts	25	**0**	468
Short-term accruals for income taxes		**184**	163
A. Total short-term liabilities		**6,011**	5,762
Long-term debt and capital lease obligations, less current portion	22	**3,679**	4,811
Senior Notes	23	**3,996**	2,369
Long-term accrued expenses and other long-term liabilities	20, 21	**516**	507
Pension liabilities	26	**344**	319
Long-term accruals for income taxes		**200**	196
Deferred taxes	12	**733**	648
B. Total long-term liabilities		**9,468**	8,850
I. Total liabilities		**15,479**	14,612
A. Noncontrolling interest	27	**4,780**	3,979
Subscribed capital	28	**163**	162
Capital reserve	28	**2,236**	2,186
Other reserves	28	**3,732**	2,794
Accumulated other comprehensive income	29	**120**	98
B. Total Fresenius SE & Co. KGaA shareholders' equity		**6,251**	5,240
II. Total shareholders' equity		**11,031**	9,219
Total liabilities and shareholders' equity		**26,510**	23,831

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2011	2010
Operating activities			
Net income		**1,321**	1,204
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**717**	662
Change in deferred taxes	12	**71**	4
Gain/loss on sale of fixed assets		**-3**	1
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-222**	-275
Inventories	16	**-264**	-81
Other current and non-current assets	17	**-105**	56
Accounts receivable from/payable to related parties		**23**	6
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**140**	342
Accruals for income taxes		**21**	2
Net cash provided by operating activities		**1,699**	1,921
Investing activities			
Purchase of property, plant and equipment		**-797**	-764
Proceeds from sales of property, plant and equipment		**25**	21
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 33	**-1,322**	-614
Proceeds from investments and divestitures		**12**	111
Net cash used in investing activities		**-2,082**	-1,246

January 1 to December 31, € in millions	Note	2011	2010
Financing activities			
Proceeds from short-term loans	22	**146**	233
Repayments of short-term loans	22	**-191**	-196
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	22	**543**	541
Repayments of long-term debt and capital lease obligations	22	**-936**	-1,186
Proceeds from the issuance of Senior Notes	23	**1,471**	242
Changes of accounts receivable securitization program	22	**18**	223
Proceeds from the exercise of stock options	35	**99**	121
Redemption of trust preferred securities of Fresenius Medical Care Capital Trusts	25	**-470**	0
Dividends paid		**-365**	-329
Change in noncontrolling interest	27	**-73**	-3
Exchange rate effect due to corporate financing		**–**	1
Net cash provided by/used in financing activities		**242**	-353
Effect of exchange rate changes on cash and cash equivalents		**7**	27
Net decrease/increase in cash and cash equivalents		**-134**	349
Cash and cash equivalents at the beginning of the reporting period	14	**769**	420
Cash and cash equivalents at the end of the reporting period	14	**635**	769

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

January 1 to December 31, € in millions	Note	2011	2010
Received interest		**34**	30
Paid interest		**-474**	-526
Income taxes paid		**-516**	-504

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

FRESENIUS SE & CO. KGAA
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, 2009		80,658	80,658	80,658	80,658	161,316	161
Proceeds from the exercise of stock options	35	567	567	567	567	1,134	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Purchase of noncontrolling interest	27						
Liabilities for noncontrolling interest subject to put provisions	21						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income							
As of December 31, 2010		81,225	81,225	81,225	81,225	162,450	162
Conversion of the preference shares into ordinary shares	1	81,225	81,225	-81,225	-81,225	0	0
Proceeds from the exercise of stock options	35	787	787			787	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Purchase of noncontrolling interest	27						
Maturity of Mandatory Exchangeable Bonds	24						
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27						
Liabilities for noncontrolling interest subject to put provisions	21						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Foreign currency translation	29, 31						
Comprehensive income							
As of December 31, 2011		**163,237**	**163,237**	**0**	**0**	**163,237**	**163**

	Note	Reserves		Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
		Capital reserve € in millions	Other reserves € in millions				
As of December 31, 2009		2,120	2,360	-133	4,508	3,400	7,908
Proceeds from the exercise of stock options	35	37			38	83	121
Compensation expense related to stock options	35	19			19	14	33
Minimum dividend of ordinary shareholders		10			10	0	10
Dividends paid	28		-122		-122	-201	-323
Purchase of noncontrolling interest	27				0	61	61
Liabilities for noncontrolling interest subject to put provisions	21		-63		-63	-129	-192
Comprehensive income (loss)							
Net income			619		619	585	1,204
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-12	-12	0	-12
Foreign currency translation	29, 31			243	243	166	409
Comprehensive income			619	231	850	751	1,601
As of December 31, 2010		2,186	2,794	98	5,240	3,979	9,219
Conversion of the preference shares into ordinary shares	1				0	0	0
Proceeds from the exercise of stock options	35	30			31	68	99
Compensation expense related to stock options	35	20			20	15	35
Dividends paid	28		-140		-140	-225	-365
Purchase of noncontrolling interest	27				0	78	78
Maturity of Mandatory Exchangeable Bonds	24		466		466	299	765
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27		-42		-42	-28	-70
Liabilities for noncontrolling interest subject to put provisions	21		-24		-24	-55	-79
Comprehensive income (loss)							
Net income			678		678	643	1,321
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-55	-55	0	-55
Foreign currency translation	29, 31			77	77	6	83
Comprehensive income			678	22	700	649	1,349
As of December 31, 2011		**2,236**	**3,732**	**120**	**6,251**	**4,780**	**11,031**

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

by business segment

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios		
€ in millions	**2011**	2010	Change	**2011**	2010	Change	**2011**	2010	Change
Sales	**9,192**	9,091	1%	**3,964**	3,672	8%	**2,665**	2,520	6%
thereof contribution to consolidated sales	**9,177**	9,088	1%	**3,916**	3,629	8%	**2,665**	2,520	6%
thereof intercompany sales	**15**	3	--	**48**	43	12%	**0**	0	
contribution to consolidated sales	**56%**	57%		**24%**	23%		**16%**	16%	
EBITDA	**1,891**	1,830	3%	**955**	893	7%	**369**	318	16%
Depreciation and amortization	**400**	379	6%	**152**	156	-3%	**99**	83	19%
EBIT	**1,491**	1,451	3%	**803**	737	9%	**270**	235	15%
Net interest	**-213**	-211	-1%	**-278**	-279	0%	**-51**	-55	7%
Income taxes	**-432**	-436	1%	**-145**	-142	-2%	**-43**	-37	-16%
Net income attributable to Fresenius SE & Co. KGaA	**770**	738	4%	**354**	294	20%	**163**	131	24%
Operating cash flow	**1,039**	1,032	1%	**462**	567	-19%	**294**	311	-5%
Cash flow before acquisitions and dividends	**629**	649	-3%	**289**	401	-28%	**138**	150	-8%
Total assets	**15,096**	12,793	18%	**7,282**	6,860	6%	**3,495**	3,270	7%
Debt	**5,573**	4,400	27%	**4,395**	4,298	2%	**1,104**	1,096	1%
Other operating liabilities	**2,501**	2,157	16%	**1,178**	1,102	7%	**811**	760	7%
Capital expenditure, gross	**429**	395	9%	**177**	174	2%	**157**	166	-5%
Acquisitions, gross/investments	**1,429**	596	140%	**11**	31	-65%	**45**	13	--
Research and development expenses	**80**	73	10%	**162**	143	13%	**–**	–	--
Employees (per capita on balance sheet date)	**83,476**	77,442	8%	**24,106**	22,851	5%	**37,198**	33,321	12%
Key figures									
EBITDA margin	**20.6%**	20.1%		**24.1%**	24.3%		**13.8%**	12.6%	
EBIT margin	**16.2%**	16.0%		**20.3%**	20.1%		**10.1%**	9.3%	
Depreciation and amortization in % of sales	**4.4%**	4.2%		**3.8%**	4.2%		**3.7%**	3.3%	
Operating cash flow in % of sales	**11.3%**	11.4%		**11.7%**	15.4%		**11.0%**	12.3%	
ROOA	**12.0%**	12.5%		**12.4%**	11.9%		**8.4%**	7.8%	

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

Fresenius Vamed			Corporate/Other[1]			IFRS-Reconciliation			Fresenius Group		
2011	2010	Change	**2011**	2010	Change	**2011**	2010	Change	**2011**	2010	Change
737	713	3%	**-36**	-24	-50%	**0**	0		**16,522**	15,972	3%
737	713	3%	**27**	22	23%	**0**	0		**16,522**	15,972	3%
–	–	--	**-63**	-46	-37%	**0**	0		**0**	0	
4%	4%		**0%**	0%		**0%**	0%		**100%**	100%	
51	49	4%	**-29**	-33	12%	**26**	15	73%	**3,263**	3,072	6%
7	8	-13%	**16**	13	23%	**43**	23	87%	**717**	662	8%
44	41	7%	**-45**	-46	2%	**-17**	-8	-113%	**2,546**	2,410	6%
2	2	0%	**9**	-23	139%	**0**	0		**-531**	-566	6%
-11	-12	8%	**27**	46	-41%	**10**	7	43%	**-594**	-574	-3%
34	30	13%	**-631**	-571	-11%	**-12**	-3	--	**678**	619	10%
-83	47	--	**-23**	-46	50%	**10**	10	0%	**1,699**	1,921	-12%
-89	38	--	**-36**	-60	40%	**-4**	0		**927**	1,178	-21%
594	549	8%	**-146**	105	--	**189**	254	-26%	**26,510**	23,831	11%
44	16	175%	**-1,317**	-1,026	-28%	**-96**	-107	10%	**9,703**	8,677	12%
310	326	-5%	**203**	833	-76%	**40**	109	-63%	**5,043**	5,287	-5%
7	9	-22%	**13**	14	-7%	**14**	10	40%	**797**	768	4%
3	5	-40%	**124**	-1	--	**-4**	-1	--	**1,608**	643	150%
0	0		**25**	28	-11%	**29**	12	142%	**296**	256	16%
3,724	3,110	20%	**847**	828	2%	**0**	0		**149,351**	137,552	9%
6.9%	6.9%								**19.7%**	19.2%	
6.0%	5.8%								**15.4%**	15.1%	
0.9%	1.1%								**4.3%**	4.1%	
-11.3%	6.6%								**10.3%**	12.0%	
16.0%	22.2%								**10.7%**	11.4%	

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
CONSOLIDATED SEGMENT REPORTING

by region

	Europe			North America		
€ in millions	**2011**	2010	Change	**2011**	2010	Change
Sales	**6,919**	6,515	6%	**6,762**	7,020	-4%
contribution to consolidated sales	**42%**	41%		**41%**	44%	
EBIT	**766**	728	5%	**1,358**	1,334	2%
Depreciation and amortization	**331**	302	10%	**302**	279	8%
Total assets	**9,766**	8,934	9%	**13,852**	12,407	12%
Capital expenditure, gross	**432**	407	6%	**213**	226	-6%
Acquisitions, gross/investments	**924**	266	--	**592**	277	114%
Employees (per capita on balance sheet date)	**74,415**	66,179	12%	**47,701**	46,082	4%

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2011	2010	Change	**2011**	2010	Change	**2011**	2010	Change	**2011**	2010	Change
	1,582	1,307	21%	**899**	814	10%	**360**	316	14%	**16,522**	15,972	3%
	10%	8%		**5%**	5%		**2%**	2%		**100%**	100%	
	251	205	22%	**124**	107	16%	**47**	36	31%	**2,546**	2,410	6%
	50	47	6%	**29**	28	4%	**5**	6	-17%	**717**	662	8%
	1,889	1,617	17%	**878**	749	17%	**125**	124	1%	**26,510**	23,831	11%
	69	74	-7%	**72**	51	41%	**11**	10	10%	**797**	768	4%
	75	89	-16%	**17**	11	55%	**–**	–	--	**1,608**	643	150%
	13,134	12,258	7%	**12,754**	11,726	9%	**1,347**	1,307	3%	**149,351**	137,552	9%

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

CONTENT NOTES

GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2011:

- 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 233,156 patients in its 2,898 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 provides engineering and services for hospitals and other health care facilities internationally.

Fresenius SE & Co. KGaA owned 30.74% of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 30.34% of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2011. 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, 2011. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds a 100% 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. H., the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of

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

The legal form of the KGaA enables Fresenius to achieve the benefits of a single share class while maintaining the control position of the Else Kröner-Fresenius-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. 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.

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.

III. BASIS OF PRESENTATION

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

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

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

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

At February 22, 2012, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review the consolidated financial statements.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

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

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

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

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

b) Composition of the Group

Besides Fresenius SE & Co. KGaA, the consolidated financial statements include all material subsidiaries in which Fresenius SE & Co. KGaA, directly or indirectly, holds a majority investment or the majority of the voting power and has the possibility of control. Special purpose entities (SPEs) are consolidated if they are controlled by a Fresenius Group company, i. e. risk and rewards remain with the Group.

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 SPEs which are controlled by Fresenius Medical Care and therefore have been fully consolidated. They generated approximately €140 million (US$195 million) and €100 million (US$133 million) in sales in 2011 and 2010, respectively. Fresenius Medical Care provided funding to these SPEs through loans and accounts receivable of €114 million (US$148 million) and €83 million (US$111 million) in 2011 and 2010, respectively. The interest held by the other shareholders in the consolidated SPEs is reported as noncontrolling interest in the consolidated statement of financial position at December 31, 2011.

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. These project entities are SPEs, which are not controlled by Fresenius Vamed and therefore are not consolidated. The project entities generated approximately €78 million in sales in 2011 (2010: €54 million). The SPEs finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the SPEs are not material. Fresenius Vamed made no payments to the SPEs 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 SPEs.

The consolidated financial statements of 2011 included, in addition to Fresenius SE & Co. KGaA, 163 (2010: 144) German and 1,094 (2010: 972) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2010	**144**	**972**	**1,116**
Additions	**20**	**159**	**179**
of which newly founded	4	45	49
of which acquired	9	100	109
Disposals	**1**	**37**	**38**
of which no longer consolidated	1	17	18
of which merged	0	20	20
December 31, 2011	**163**	**1,094**	**1,257**

19 companies (2010: 17) 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 2011, 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 Beteiligungsgesellschaft mbH & Co. KG	München
Fresenius Kabi	
CFL GmbH	Frankfurt am Main
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	
D.i.a.-Solution GmbH	Erfurt
HELIOS Agnes Karll Krankenhaus GmbH	Bochum
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Versorgungszentrum Bad Saarow GmbH	Bad Saarow
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum

c) Classifications

Certain items in the consolidated financial statements of 2010 have been reclassified to conform with the presentation in 2011.

d) Hyperinflationary accounting

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

e) Sales recognition policy

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

Product sales are recognized when the 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 that a return is required, the appropriate reductions to sales, cost of sales and accounts receivable are made. Sales are presented 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. Initially, the grant is recorded as a liability and as soon as the asset is acquired, the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

g) Research and development expenses

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

h) Impairment

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

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

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

i) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2011 and 2010, interest of €4 million, based on an average interest rate of 4.12% and 4.90%, respectively, was recognized as a component of the cost of assets.

j) Deferred taxes

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income attributable to Fresenius SE & Co. KGaA.

Deferred tax assets also include claims to future tax reductions which arise from the probably expected usage of existing tax losses available for carryforward. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

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

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

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

k) Earnings per ordinary share and preference share

Basic earnings per ordinary share are computed by dividing net income attributable to Fresenius SE & Co. KGaA by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares that would have been outstanding during the fiscal year. The equity-settled awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect. In prior year, basic earnings per ordinary share were 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 were derived by adding the preference dividend per preference share to the basic earnings per ordinary share.

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 fiscal year 2011.

l) Cash and cash equivalents

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

m) Trade accounts receivable

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

n) Inventories

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

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

o) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements are capitalized; repair and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging

from 3 to 50 years for buildings and improvements (with a weighted-average life of 16 years) and 2 to 15 years for machinery and equipment (with a weighted-average life of 11 years).

p) Intangible assets with finite useful lives

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

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

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

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

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected utilization period. In 2011, an impairment loss was recorded on in-process R & D projects, which were not pursued (see note 8, Research and development expenses).

q) Goodwill and other intangible assets with indefinite useful lives

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

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level based on regions or legal entities. Four CGUs were identified in the segment Fresenius Medical Care (Europe, Latin America, Asia-Pacific and North America). In the segment Fresenius Kabi, there is one CGU for the region North America and one CGU for the business outside of North America. According to the regional organizational structure, the segment Fresenius Helios consists of seven CGUs, which are managed by a central division. The segment Fresenius Vamed consists of two CGUs (Project business and Service business). At least once

a year, the Fresenius Group compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2011 and 2010.

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

r) Leases

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

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

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

s) Financial instruments

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

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

The Fresenius Group has potential obligations to purchase 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 the third-party owners' noncontrolling interests at already defined purchase prices or at the appraised fair value. The methodology the Fresenius Group uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the

underlying business and other factors. When applicable, the obligations are discounted at a pre-tax discount rate. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from Fresenius Group's current estimates depending upon market conditions.

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

t) Liabilities

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

u) Legal contingencies

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

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

v) Other accrued expenses

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

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

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

w) Pension liabilities and similar obligations

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

x) Debt issuance costs

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

y) Stock option plans

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

z) Self-insurance programs

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

aa) Foreign currency translation

The reporting currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries are translated at the mid-closing rate on the date of the statement of financial position, while income and expense 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 2011, 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, 2011	Dec. 31, 2010	**2011**	2010
U.S. dollar per €	**1.2939**	1.3362	**1.3920**	1.3259
Pound sterling per €	**0.8353**	0.8608	**0.8679**	0.8581
Swedish krona per €	**8.9120**	8.9655	**9.0298**	9.5387
Chinese renminbi per €	**8.1588**	8.8220	**8.9960**	8.9729
Japanese yen per €	**100.20**	108.65	**110.96**	116.32

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

bb) Fair value hierarchy

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

cc) Use of estimates

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

dd) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 17% and 18% 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 2011 and 2010, respectively.

ee) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2011 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2011, or IFRS that can be applied earlier on a voluntary basis.

In 2011, the Fresenius Group did not apply any new standards relevant for its business for the first time.

ff) Recent pronouncements, not yet applied

The IASB issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2012:

- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)
- Amendments to IAS 19, Employee Benefits
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 13, Fair Value Measurement
- Amendments to IAS 28, Investments in Associates and Joint Ventures
- IFRS 9, Financial Instruments

In December 2011, the IASB issued **Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)**. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the statement of financial position, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In December 2011, the IASB issued **Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)**. The amendments to IFRS 9 defer the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. Earlier application is permitted. The amendments to IFRS 7 relieve entities from restating comparative financial statements. Instead, additional disclosures about the transition from IAS 39 to IFRS 9 are required when an entity first applies IFRS 9. The Fresenius Group will apply this guidance when applying IFRS 9 for the first time.

In June 2011, the IASB issued an amended version of **IAS 19**, Employee Benefits. Among other amendments, this version eliminates the corridor approach to accounting for actuarial gains and losses and requires their recognition in Other Comprehensive Income (OCI) without recycling to profit and loss. Another change in pension accounting according to IAS 19 relates to the return on plan assets. Until now, this return was comprised of the expected profit out of plan assets. In the future, the return will be calculated by discounting the fair value of a plan asset at the beginning of a period. Additionally, several new disclosures are required. The amended version of IAS 19 is effective retrospectively for fiscal years beginning on or after January 1, 2013 with a few simplifications to retrospective implementation. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In June 2011, the IASB issued **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**. According to the amendments, the statement of comprehensive income shall present items of OCI that can be reclassified to profit and loss separately from items that can not be reclassified. Tax shall be allocated to each of these two groups if OCI items are presented before tax. The amended version of IAS 1 is effective retrospectively for fiscal years beginning

on or after July 1, 2012. Earlier adoption is permitted. The Fresenius Group will implement the amendments to IAS 1 as of January 1, 2013.

In May 2011, the IASB issued **IFRS 10**, Consolidated Financial Statements. The new standard provides one single definition of „control". The new standard replaces the previously relevant consolidation guidance in IAS 27 (2008), Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. According to IFRS 10, an entity (subsidiary) is controlled by an investor, who is exposed or has rights to variable returns from the involvement with the entity (subsidiary), when the investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. IFRS 10 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 11, IFRS 12 and IAS 28 (as amended in 2011). The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2011, the IASB issued **IFRS 11**, Joint Arrangements. The standard defines and regulates the accounting of arrangements under common control (joint arrangements). The new standard replaces the guidance on accounting for joint ventures previously included in IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Joint arrangements are defined as arrangements for which two or more parties have contractually agreed joint control. Joint control exists if decisions about relevant activities must be taken unanimously by all parties. Additionally, IFRS 11 classifies joint arrangements in joint operations and joint ventures and gives guidance on how to account for both types. Parties to a joint operation have rights to the assets and obligations for the liabilities of the arrangement and shall include them in their consolidated financial statements proportionally to their interest. Parties to a joint venture have a right to the net position (asset or liability) of the arrangement and the arrangement shall be accounted for following the equity method. The option to consolidate using the proportional method of accounting has been eliminated. IFRS 11 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 12 and IAS 28 (as amended in 2011). The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2011, the IASB issued an amended version of **IAS 28**, Investments in Associates and Joint Ventures. This version stipulates that joint ventures as described in IFRS 11, Joint Arrangements, shall be accounted for using the equity method guidance in IAS 28, among others. The amended version of IAS 28 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IFRS 12. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2011, the IASB issued **IFRS 12**, Disclosure of Interests in Other Entities. The standard gathers all disclosure requirements for interests held in other entities including joint arrangements. IFRS 12 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IAS 28 (as amended in 2011). The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2011, the IASB issued **IFRS 13**, Fair Value Measurement. IFRS 13 defines fair value as an exit price in a transaction between market participants at the measurement date and enhances disclosures related to fair value measurements. The new standard gives guidance on performing fair value measurements required by other IFRS. IFRS 13 increases convergence with the U.S. GAAP guidance in the field of fair value measurements. IFRS 13 is effective for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In October 2010, the IASB issued additions to **IFRS 9**, Financial Instruments for the accounting of financial liabilities. These additions complete the classification and measurement of financial instruments phase of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new guidance requires entities that choose to measure financial liabilities at fair value to generally present changes in the entity's own credit risk in other comprehensive income (loss).

Other current accounting guidance for financial liabilities has been maintained. In November 2009, the IASB issued IFRS 9, Financial Instruments for the accounting of financial assets, which replaces the IAS 39 financial asset categories with two categories. Financial assets that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial assets are measured at fair value through profit and loss, whereby for strategic equity investments there is an option to record changes in fair value through other comprehensive income (loss). IFRS 9 is effective for fiscal years beginning on or after January 1, 2015. Earlier adoption is permitted. Entities shall only apply the changes to financial liabilities in earlier periods if the guidance on financial assets is also applied. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

The EU Commission's endorsement of the standards described before is still outstanding.

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

V. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2011 and December 31, 2010, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €12,957 million and €11,745 million, respectively. This represented 49%, respectively, of total assets.

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

To determine possible impairments of these assets, the recoverable amount as its value in use of the cash generating units (CGUs) is compared to their carrying amount. The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its approved 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 historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.27% for 2011. This basic rate is then adjusted by a country-specific risk rate within each CGU. In 2011, WACCs (after tax) for the reporting units of Fresenius Medical Care ranged from 6.27% to 12.73%. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 5.87%, country-specific adjustments did not occur. If the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2011.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect Fresenius Group's future operating results.

b) Legal contingencies

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

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €3,234 million and €2,935 million in 2011 and 2010, 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 with 14% as well as private insurers in the U.S. with 12%, at December 31, 2011. 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 €383 million and €317 million as of December 31, 2011 and December 31, 2010, respectively.

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

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

d) Self-insurance programs

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

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions and investments of €1,608 million and €643 million in 2011 and 2010, respectively. Of this amount, €1,393 million was paid in cash and €215 million was assumed obligations in 2011.

Fresenius Medical Care

In 2011, Fresenius Medical Care spent €1,429 million on acquisitions, primarily for acquisitions of International Dialysis Centers, the dialysis service business of Euromedic International, and American Access Care Holdings, LLC, which operates vascular access centers, and for loans provided to, as well as the purchase of a 49% ownership of, the related party Renal Advantage Partners, LLC, the parent company of Renal Advantage, Inc., a provider of dialysis services.

In December 2010, Fresenius Medical Care announced a renal pharmaceutical joint venture between Fresenius Medical Care and Galenica Ltd., Vifor Fresenius Medical Care Renal Pharma Ltd. (VFMCRP), to develop and distribute products to treat iron deficiency anemia and bone mineral metabolism for pre-dialysis and dialysis patients. Closing in the U.S. occurred at the end of 2010. In the fourth quarter of 2011, VFMCRP received approval from the responsible European Union antitrust commission and formal closing occurred on November 1, 2011. After closing in the European Union, VFMCRP now operates worldwide, except for in Turkey and Ukraine, where antitrust approval has not yet been granted.

Further acquisition spending related mainly to the purchase of dialysis clinics.

In the year 2010, Fresenius Medical Care spent €596 million, primarily for acquisitions of dialysis clinics, the formation of VFMCRP, the acquisition of licenses and the acquisition of Gambro's peritoneal dialysis business outside the United States.

Fresenius Kabi

Fresenius Kabi spent €11 million on acquisitions in the year 2011, mainly for compounding companies in Germany.

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.

Fresenius Helios

In 2011, Fresenius Helios spent €45 million on acquisitions, mainly for the acquisition of 51% of the share capital in the Katholisches Klinikum Duisburg GmbH, Germany, in December 2011 and for the acquisition of the Gesundheitszentren Landkreis Rottweil GmbH, Germany, in May 2011. Furthermore, Fresenius Helios made an additional purchase price payment for the HELIOS St. Marienberg Klinik Helmstedt GmbH, Germany.

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

Fresenius Vamed

In the years 2011 and 2010, Fresenius Vamed did not make any material acquisition.

Corporate/Other

In November and December 2011, Fresenius SE & Co. KGaA purchased 1,399,996 ordinary shares of Fresenius Medical Care AG & Co. KGaA. Therefore, the voting rights in Fresenius Medical Care AG & Co. KGaA increased to 30.74% at December 31, 2011. A total of 3.5 million shares shall be acquired.

Furthermore, in the first quarter of 2011, in the segment Corporate/Other, the remaining shares of HELIOS Kliniken GmbH, Germany, were acquired for a purchase price of €54 million.

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

In the fiscal year 2011, 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 €1,056 million and €479 million in 2011 and 2010, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €930 million and the other intangible assets were €126 million. Of this goodwill, €821 million is attributable to the acquisitions of Fresenius Medical Care, €14 million to Fresenius Kabi's acquisitions and €95 million to the acquisitions of Fresenius Helios.

The acquisitions completed in 2011 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	2011
Sales	178
EBITDA	25
EBIT	19
Net interest	14
Net income attributable to Fresenius SE & Co. KGaA	6

The acquisitions increased the total assets of the Fresenius Group by €1,437 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

The consolidated statement of income for the year 2011 ultimately includes several special items relating to the acquisition of APP Pharmaceuticals, Inc. in 2008. The tables below reconcile adjusted earnings to earnings according to IFRS in 2011 and 2010.

€ in millions	Other financial result	Net income attributable to Fresenius SE & Co. KGaA
Earnings 2011, adjusted		758
Mandatory Exchangeable Bonds (mark-to-market)	-105	-85
Contingent Value Rights (mark-to-market)	5	5
Earnings 2011 according to IFRS		**678**

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

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

4. SALES

Sales by activity were as follows:

€ in millions	2011	2010
Sales of services	**9,788**	9,631
Sales of products and related goods	**6,230**	5,850
Sales from long-term production contracts	**498**	490
Other sales	**6**	1
Sales	**16,522**	15,972

A sales analysis by business segment and region is shown in the segment information on pages 82 to 85.

5. COST OF SALES

Cost of sales comprised the following:

€ in millions	2011	2010
Cost of services	**7,246**	7,142
Manufacturing cost of products and related goods	**3,208**	3,102
Cost of long-term production contracts	**424**	404
Other cost of sales	**–**	0
Cost of sales	**10,878**	10,648

6. COST OF MATERIALS

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

€ in millions	2011	2010
Cost of raw materials, supplies and purchased components	**4,404**	4,092
Depreciation of raw materials, supplies and purchased components	**0**	–
Cost of purchased services	**663**	640
Cost of materials	**5,067**	4,732

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €5,552 million and €5,350 million in 2011 and 2010, respectively.

Personnel expenses comprised the following:

€ in millions	2011	2010
Wages and salaries	**4,392**	4,221
Social security contributions, cost of retirement pensions and social assistance	**1,160**	1,129
thereof retirement pensions	**141**	129
Personnel expenses	**5,552**	5,350

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

	2011	2010
Production	**26,240**	23,710
Service	**89,341**	84,097
Administration	**17,924**	17,095
Sales and marketing	**8,170**	7,816
Research and development	**1,513**	1,445
Total employees (per capita)	**143,188**	134,163

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €296 million (2010: €256 million) included expenditure for research and non-capitalizable development costs as well as depreciation and amortization expenses relating to capitalized development costs of €43 million (2010: €23 million). In 2011, research and development expenses included impairments on capitalized development expenses of €31 million (2010: €13 million). These related to in-process R & D of product approval projects, which were acquired through the acquisition of APP Pharmaceuticals, Inc.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €677 million (2010: €615 million) and mainly included expenditures for sales personnel of €336 million (2010: €304 million).

General and administrative expenses amounted to €2,125 million (2010: €2,043 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

10. NET INTEREST

Net interest of -€531 million included interest expenses of €587 million and interest income of €56 million. Interest expenses resulted from Fresenius Group's financial liabilities (see note 31, Financial instruments).

11. OTHER FINANCIAL RESULT

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

The Contingent Value Rights (CVR) awarded to the APP shareholders were traded on the NASDAQ Stock Exchange in the United States. Following a request to the U.S. Securities and Exchange Commission, in the first quarter of 2011, the CVR were deregistered and delisted from the NASDAQ due to the expiration of the underlying agreement and became valueless. As a result, an income of €5 million was recognized in 2011 (2010: income of €32 million resulting from the valuation of the liability).

The issued Mandatory Exchangeable Bonds matured on August 14, 2011. Due to their contractual definition, they included derivative financial instruments that were measured at fair value. This measurement resulted in an expense (before tax) of €105 million in 2011 (2010: expense before tax of €98 million).

12. TAXES

INCOME TAXES

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

€ in millions	2011	2010
Germany	**409**	342
International	**1,506**	1,436
Total	**1,915**	1,778

Income tax expenses (benefits) for 2011 and 2010 consisted of the following:

€ in millions	Current taxes	Deferred taxes	Income taxes
2010			
Germany	98	-13	85
International	472	17	489
Total	570	4	574
2011			
Germany	**96**	**8**	**104**
International	**427**	**63**	**490**
Total	**523**	**71**	**594**

In 2011 and 2010, 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 2011 and 2010.

€ in millions	2011	2010
Computed "expected" income tax expense	**555**	516
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**12**	12
Tax rate differential	**53**	61
Tax-free income	**-12**	-23
Taxes for prior years	**4**	9
Noncontrolling partnership interests	**-22**	-20
Other	**4**	19
Income tax	**594**	574
Effective tax rate	**31.0%**	32.3%

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	2011	2010
Deferred tax assets		
Accounts receivable	**14**	29
Inventories	**79**	65
Other current assets	**65**	48
Other non-current assets	**125**	82
Accrued expenses	**183**	221
Other short-term liabilities	**85**	88
Other liabilities	**44**	37
Benefit obligations	**40**	17
Losses carried forward from prior years	**30**	29
Deferred tax assets	**665**	616
Deferred tax liabilities		
Accounts receivable	**23**	12
Inventories	**22**	15
Other current assets	**11**	18
Other non-current assets	**641**	597
Accrued expenses	**24**	8
Other short-term liabilities	**121**	151
Other liabilities	**102**	25
Deferred tax liabilities	**944**	826
Net deferred taxes	**-279**	-210

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

€ in millions	2011	2010
Deferred tax assets	**454**	438
Deferred tax liabilities	**733**	648
Net deferred taxes	**-279**	-210

As of December 31, 2011, Fresenius Medical Care has not recognized a deferred tax liability on approximately €3.3 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
2012	19
2013	13
2014	21
2015	22
2016	38
2017	18
2018	15
2019	10
2020	7
2021 and thereafter	27
Total	**190**

The total remaining operating losses of €219 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, 2011.

TAX AUDITS

Fresenius SE & Co. KGaA and its subsidiaries are subject to tax audits in Germany and the United States on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, the tax years 2002 to 2005 are currently under audit by the tax authorities. The Fresenius Group recognized and recorded the current proposed adjustments of this audit period in the consolidated financial statements. All proposed adjustments are deemed immaterial. In the fourth quarter of 2011, the tax audit for the years 2006 through 2009 was started. Fiscal years 2010 and 2011 are open to audit. 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 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. The additional benefit related to the agreement has been recognized in the consolidated financial statements 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 continue 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 a complete refund in the United States District Court for the District of Massachusetts, styled as FMCH v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial.

The IRS tax audits of FMCH for the years 2002 through 2008 have been completed. On January 23, 2012, Fresenius Medical Care executed a closing agreement with the IRS with respect to the 2007 – 2008 tax audit. The agreement reflected a full allowance of interest deductions on intercompany mandatorily redeemable preferred shares for the

2007 – 2008 tax years. The agreement evidenced a revocation by the IRS in December of 2011 of an initial disallowance of the deductions on mandatorily redeemable shares for the 2007 – 2008 tax years that was reflected in an IRS examination report issued on November 21, 2011. Fresenius Medical Care also protested the IRS's disallowance of interest deductions associated with mandatorily redeemable shares for the years 2002 – 2006. Although Fresenius Medical Care's protests remain pending before IRS Appeals, the IRS has advised Fresenius Medical Care that it will withdraw its disallowance of, and will accordingly permit the deductions associated with, mandatorily redeemable shares for the years 2002 – 2006. During the IRS tax audit for 2007 – 2008, the IRS proposed other adjustments which have been recognized in the consolidated financial statements. In the U.S., fiscal years 2009, 2010 and 2011 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits 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 effects of such tax audits are not material to these consolidated financial statements.

13. EARNINGS PER SHARE

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

	2011	2010
Numerators, € in millions		
Net income attributable to Fresenius SE & Co. KGaA	**678**	619
less preference on preference shares	**n/a**	0
less effect from dilution due to Fresenius Medical Care shares and MEB	**3**	6
Income available to all classes of shares	**675**	613
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**162,797,197**	80,870,695
Weighted-average number of preference shares outstanding	**0**	80,870,695
Weighted-average number of shares outstanding of all classes	**162,797,197**	161,741,390
Potentially dilutive ordinary shares	**1,522,534**	541,580
Potentially dilutive preference shares	**0**	541,580
Weighted-average number of ordinary shares outstanding assuming dilution	**164,319,731**	81,412,275
Weighted-average number of preference shares outstanding assuming dilution	**0**	81,412,275
Weighted-average number of shares outstanding of all classes assuming dilution	**164,319,731**	162,824,550
Basic earnings per ordinary share in €	**4.17**	3.83
Preference per preference share in €	**n/a**	0.00
Basic earnings per preference share in €	**n/a**	3.83
Fully diluted earnings per ordinary share in €	**4.11**	3.77
Preference per preference share in €	**n/a**	0.00
Fully diluted earnings per preference share in €	**n/a**	3.77

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 fiscal year 2011.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

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

€ in millions	2011	2010
Cash	**627**	650
Time deposits and securities (with a maturity of up to 90 days)	**8**	119
Total cash and cash equivalents	**635**	769

As of December 31, 2011 and December 31, 2010, earmarked funds of €40 million and €65 million, respectively, were included in cash and cash equivalents.

15. TRADE ACCOUNTS RECEIVABLE

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

€ in millions	2011	2010
Trade accounts receivable	**3,617**	3,252
less allowance for doubtful accounts	**383**	317
Trade accounts receivable, net	**3,234**	2,935

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	2011	2010
Allowance for doubtful accounts at the beginning of the year	**317**	285
Change in valuation allowances as recorded in the consolidated statement of income	**216**	175
Write-offs and recoveries of amounts previously written-off	**-154**	-158
Foreign currency translation	**4**	15
Allowance for doubtful accounts at the end of the year	**383**	317

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	1,965	606	295	306	445	**3,617**
less allowance for doubtful accounts	22	49	43	64	205	**383**
Trade accounts receivable, net	1,943	557	252	242	240	**3,234**

16. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2011	2010
Raw materials and purchased components	**385**	350
Work in process	**326**	255
Finished goods	**1,076**	874
less reserves	**70**	68
Inventories, net	**1,717**	1,411

In 2011 and 2010, no reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately €2,316 million of raw materials and purchased components under fixed terms, of which €700 million was committed at December 31, 2011 for 2012. The terms of these agreements run 1 to 14 years. Advance payments from customers of €236 million (2010: €170 million) have been offset against inventories.

Inventories as of December 31, 2011 and December 31, 2010 included approximately €37 million and approximately €25 million, respectively, of the product Erythropoietin (EPO), which is supplied by a single source supplier in the United

States. Effective January 1, 2012, Fresenius Medical Care entered into a new three-year sourcing and supply agreement with its EPO supplier. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of Fresenius Medical Care.

17. OTHER CURRENT AND NON-CURRENT ASSETS

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

	2011		2010	
€ in millions		thereof short-term		thereof short-term
Investments and long-term loans	**796**	**9**	254	6
Tax receivables	**311**	**287**	240	224
Discounts	**143**	**143**	124	124
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**101**	**82**	111	79
Advances made	**77**	**76**	53	52
Leasing receivables	**72**	**29**	73	29
Derivative financial instruments	**54**	**52**	25	18
Prepaid expenses	**45**	**18**	44	15
Re-insurance claims	**11**	**0**	25	0
Accounts receivable from management contracts in clinics	**8**	**8**	7	7
Other assets	**663**	**477**	565	427
Other assets, gross	**2,281**	**1,181**	1,521	981
less allowances	**9**	**7**	8	6
Other assets, net	**2,272**	**1,174**	1,513	975

Investments and long-term loans comprised investments of €537 million (2010: €190 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In 2011, income of €22 million (2010: €4 million) resulting from this valuation was included in general and administrative expenses in the consolidated statement of income. Furthermore, investments and long-term loans include €181 million (2010: €0 million) that Fresenius Medical Care loaned to Renal Advantage Partners, LLC.

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.

In the fiscal year, the amount of depreciation recognized on other non-current assets was immaterial (2010: €2 million).

18. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Land and land facilities	221	1	5	2	1	–	**230**
Buildings and improvements	2,976	31	44	84	175	40	**3,270**
Machinery and equipment	3,805	16	50	372	100	176	**4,167**
Machinery, equipment and rental equipment under capital leases	98	–	–	9	3	5	**105**
Construction in progress	419	–	-1	310	-286	12	**430**
Property, plant and equipment	7,519	48	98	777	-7	233	**8,202**

DEPRECIATION

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Land and land facilities	4	–	0	1	0	–	**5**
Buildings and improvements	1,245	20	4	190	2	32	**1,429**
Machinery and equipment	2,278	14	1	367	–	147	**2,513**
Machinery, equipment and rental equipment under capital leases	36	–	0	10	1	5	**42**
Construction in progress	1	–	0	0	–	–	**1**
Property, plant and equipment	3,564	34	5	568	3	184	**3,990**

ACQUISITION AND MANUFACTURING COSTS

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

DEPRECIATION

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

CARRYING AMOUNTS

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Land and land facilities	**225**	217
Buildings and improvements	**1,841**	1,731
Machinery and equipment	**1,654**	1,527
Machinery, equipment and rental equipment under capital leases	**63**	62
Construction in progress	**429**	418
Property, plant and equipment	**4,212**	3,955

Depreciation on property, plant and equipment for the years 2011 and 2010 was €568 million and €532 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, 2011 and 2010 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 €349 million and €312 million, respectively.

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

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

19. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Goodwill	11,568	277	874	56	-2	–	**12,773**
Patents, product and distribution rights	617	13	2	5	–	55	**582**
Capitalized development costs	344	9	0	14	0	1	**366**
Tradenames	173	5	0	–	1	1	**178**
Technology	83	3	–	0	0	0	**86**
Non-compete agreements	184	6	11	0	0	–	**201**
Management contracts	4	–	–	0	2	0	**6**
Other	489	7	72	36	5	8	**601**
Goodwill and other intangible assets	13,462	320	959	111	6	65	**14,793**

AMORTIZATION

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	139	4	0	45	0	6	**182**
Capitalized development costs	101	4	0	43	0	1	**147**
Tradenames	0	0	0	0	0	0	**0**
Technology	19	1	0	5	0	0	**25**
Non-compete agreements	125	5	–	14	0	0	**144**
Management contracts	0	0	0	0	0	0	**0**
Other	283	4	–	42	–	7	**322**
Goodwill and other intangible assets	667	18	–	149	–	14	**820**

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	10,453	595	354	4	162	0	**11,568**
Patents, product and distribution rights	538	35	4	39	2	1	**617**
Capitalized development costs	314	21	0	9	0	–	**344**
Tradenames	161	12	–	–	–	0	**173**
Technology	69	6	8	0	0	0	**83**
Non-compete agreements	157	12	20	–	–	5	**184**
Management contracts	153	13	0	0	-162	0	**4**
Other	432	33	15	35	–	26	**489**
Goodwill and other intangible assets	12,277	727	401	87	2	32	**13,462**

AMORTIZATION

€ in millions	As of Jan. 1, 2010	Foreign currency translation	Changes in entities consolidated	Additions	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**
Capitalized development costs	75	4	0	23	0	1	**101**
Tradenames	0	0	0	0	0	0	**0**
Technology	12	1	0	6	0	0	**19**
Non-compete agreements	109	8	0	13	–	5	**125**
Management contracts	0	0	0	0	0	0	**0**
Other	244	22	–	43	–	26	**283**
Goodwill and other intangible assets	533	39	–	128	–	33	**667**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Goodwill	**12,773**	11,568
Patents, product and distribution rights	**400**	478
Capitalized development costs	**219**	243
Tradenames	**178**	173
Technology	**61**	64
Non-compete agreements	**57**	59
Management contracts	**6**	4
Other	**279**	206
Goodwill and other intangible assets	**13,973**	12,795

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

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2011			Dec. 31, 2010		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**582**	**182**	**400**	617	139	478
Technology	**86**	**25**	**61**	83	19	64
Non-compete agreements	**201**	**144**	**57**	184	125	59
Capitalized development costs	**366**	**147**	**219**	344	101	243
Other	**601**	**322**	**279**	489	283	206
Total	**1,836**	**820**	**1,016**	1,717	667	1,050

Fresenius Medical Care capitalized development costs in an amount of €8 million for the fiscal year 2011 (2010: €10 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years. The amortization expense for the fiscal year 2011 amounted to €2 million (2010: €2 million). In the case of Fresenius Kabi, development costs capitalized amounted to €211 million at December 31, 2011 (December 31, 2010: €233 million). The amortization is recorded on a straight-line basis over a useful life of 5 years and amounted to €10 million for the fiscal year 2011 (2010: €8 million). Furthermore, in 2011, an impairment loss of €31 million (2010: €13 million) was recorded (see note 8, Research and development expenses).

NON-AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2011			Dec. 31, 2010		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**178**	**0**	**178**	173	0	173
Management contracts	**6**	**0**	**6**	4	0	4
Goodwill	**12,773**	**0**	**12,773**	11,568	0	11,568
Total	**12,957**	**0**	**12,957**	11,745	0	11,745

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 €149 million and €128 million for the years 2011 and 2010, 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	2012	2013	2014	2015	2016
Estimated amortization expenses	112	106	99	91	87

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, 2010	**5,213**	**3,571**	**1,619**	**44**	**6**	**10,453**
Additions	323	30	1	4	0	358
Reclassifications	162	0	0	0	0	162
Foreign currency translation	392	203	0	0	0	595
Carrying amount as of December 31, 2010	**6,090**	**3,804**	**1,620**	**48**	**6**	**11,568**
Additions	821	14	95	0	0	930
Reclassifications	-2	0	0	0	0	-2
Foreign currency translation	186	91	0	0	0	277
Carrying amount as of December 31, 2011	**7,095**	**3,909**	**1,715**	**48**	**6**	**12,773**

As of December 31, 2011 and December 31, 2010, the carrying amounts of the other non-amortizable intangible assets were €168 million and €161 million, respectively, for Fresenius Medical Care as well as €16 million, respectively, for Fresenius Kabi.

20. OTHER ACCRUED EXPENSES

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

	2011		2010	
€ in millions		**thereof short-term**		thereof short-term
Personnel expenses	**570**	**499**	491	427
Invoices outstanding	**215**	**215**	188	188
Self-insurance programs	**126**	**126**	123	123
Bonuses and discounts	**108**	**108**	89	89
Special charge for legal matters	**89**	**89**	86	86
Legal matters, advisory and audit fees	**70**	**70**	66	66
Warranties and complaints	**40**	**39**	36	34
Commissions	**27**	**27**	21	21
All other accrued expenses	**451**	**400**	453	407
Other accrued expenses	**1,696**	**1,573**	1,553	1,441

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

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Utilized	Reversed	As of Dec. 31, 2011
Personnel expenses	491	5	18	433	2	-347	-32	**570**
Invoices outstanding	188	3	2	157	1	-116	-20	**215**
Self-insurance programs	123	4	–	14	–	-5	-10	**126**
Bonuses and discounts	89	2	–	158	-1	-138	-2	**108**
Special charge for legal matters	86	3	0	0	0	0	0	**89**
Legal matters, advisory and audit fees	66	–	2	24	1	-20	-3	**70**
Warranties and complaints	36	–	–	21	–	-13	-4	**40**
Commissions	21	–	–	22	–	-14	-2	**27**
All other accrued expenses	453	-3	23	445	-5	-421	-41	**451**
Total	1,553	14	45	1,274	-2	-1,074	-114	**1,696**

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 (€89 million), without interest, upon plan confirmation. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012 (see note 30, Commitments and contingent liabilities). With the exception of the proposed US$115 million settlement payment, all other matters included in the special charge have been resolved.

21. OTHER LIABILITIES

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

€ in millions	2011	thereof short-term	2010	thereof short-term
Noncontrolling interest subject to put provisions	**276**	**83**	192	66
Derivative financial instruments	**269**	**200**	363	239
Tax liabilities	**155**	**152**	117	114
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**133**	**127**	183	177
Interest liabilities	**131**	**131**	126	126
Personnel liabilities	**116**	**112**	102	97
Advance payments from customers	**77**	**77**	79	72
Leasing liabilities	**59**	**59**	54	54
Accounts receivable credit balance	**25**	**12**	34	13
All other liabilities	**550**	**445**	559	456
Other liabilities	**1,791**	**1,398**	1,809	1,414

The Fresenius Group has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at already defined purchase prices or the appraised fair value at the time of exercise.

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, 2011, the total amount of other noncurrent liabilities was €393 million, thereof €261 million was due between one and five years and €132 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €516 million also included other long-term accrued expenses of €123 million as of December 31, 2011.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €171 million and €606 million at December 31, 2011 and December 31, 2010, respectively. As of December 31, 2011, this debt consisted of borrowings by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2011 and 2010 were 6.62% and 5.14%, respectively.

At December 31, 2010, the accounts receivable facility of Fresenius Medical Care was classified as short-term debt. During the third quarter of 2011, the accounts receivable facility was renewed for a period of three years. As a result, it has been classified as long-term debt at December 31, 2011. At December 31, 2011, there were no outstanding short-term borrowings under the accounts receivable facility (December 31, 2010: €382 million).

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

€ in millions	2011	2010
Fresenius Medical Care 2006 Senior Credit Agreement	**2,161**	2,211
2008 Senior Credit Agreement	**1,326**	1,484
Euro Notes	**800**	800
European Investment Bank Agreements	**527**	531
Accounts receivable facility of Fresenius Medical Care	**413**	0
Capital lease obligations	**53**	54
Other	**351**	262
Subtotal	**5,631**	5,342
less current portion	**1,854**	421
less financing cost	**98**	110
Long-term debt and capital lease obligations, less current portion	**3,679**	4,811

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	976	1,185	0
2008 Senior Credit Agreement	243	1,083	0
Euro Notes	461	339	0
European Investment Bank Agreements	8	495	24
Accounts receivable facility of Fresenius Medical Care	0	413	0
Capital lease obligations	10	32	11
Other	156	162	33
Long-term debt and capital lease obligations	**1,854**	**3,709**	**68**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2011 are:

for the fiscal years	€ in millions
2012	1,854
2013	1,795
2014	1,833
2015	49
2016	32
Subsequent years	68
Total	**5,631**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and several of its subsidiaries 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 with the Lenders 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 at the time of the amendment. The maturity for both tranches was extended from March 31, 2011 to March 31, 2013. Furthermore, the parties agreed to new limitations on dividends and other restricted payments for 2011, 2012 and 2013. In addition, this amendment and subsequent amendments have included increases in certain types

of permitted borrowings outside of the Fresenius Medical Care 2006 Senior Credit Agreement, provide further flexibility for certain types of investments and acquisitions and included changes in the definition of Fresenius Medical Care's consolidated leverage ratio, which is used to determine the applicable margin.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at December 31:

	2011			
	Maximum amount available		Balance outstanding	
	US$ in millions	€ in millions	**US$ in millions**	**€ in millions**
Revolving Credit	1,200	927	**59**	**46**
Term Loan A	1,215	939	**1,215**	**939**
Term Loan B	1,522	1,176	**1,522**	**1,176**
Total	3,937	3,042	**2,796**	**2,161**

	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**

In addition, at December 31, 2011 and December 31, 2010, Fresenius Medical Care had letters of credit outstanding in the amount of US$181 million and US$122 million, respectively, which were not included above as part of the balance outstanding at those dates but which reduce available borrowings under the Revolving Credit Facility.

As of December 31, 2011, after consideration of all amendments and repayments to date, the Fresenius Medical Care 2006 Senior Credit Agreement consisted of:

- A US$1,200 million Revolving Credit Facility (with specified sub-facilities for letters of credit, borrowings in certain non-U.S. currencies, and swing line loans in U.S. dollars and certain non-U.S. currencies, with the total outstanding under those sub-facilities not exceeding US$1,200 million) which will be due and payable on March 31, 2013.
- A Term Loan Facility (Term Loan A) of US$1,215 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$1,522 million scheduled to mature on March 31, 2013 with the next quarterly repayment 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) Bank of America's prime rate or (b) the U.S. 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 all cash and cash equivalents) to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care 2006 Senior Credit Agreement).

For a portion of the floating rate borrowings under the Fresenius Medical Care 2006 Senior Credit Agreement, interest rate hedges have been arranged (see note 31, Financial instruments).

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

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

The Fresenius Medical Care 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which was US$330 for 2011 and is US$360 million and US$390 million for 2012 and 2013, respectively. Fresenius Medical Care paid dividends of US$281 million in May of 2011 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, 2011, 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.

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

The following tables show the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31:

	2011			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit Facilities	US$550 million	425	**US$0 million**	**0**
Term Loan A	US$537 million	415	**US$537 million**	**415**
Term Loan D (in US$)	US$971 million	751	**US$971 million**	**751**
Term Loan D (in €)	€160 million	160	**€160 million**	**160**
Total		1,751		**1,326**

	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**

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

- Revolving Credit Facilities in the aggregate principal amount of US$550 million (of which US$150 million is available to APP Pharmaceuticals, LLC and US$400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE & Co. KGaA) which will be due and payable on September 10, 2013.
- Term Loan Facilities (Term Loan A) in the aggregate principal amount of US$537 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, and to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in unequal semi-annual installments with a final maturity date on September 10, 2013.
- Term Loan Facilities (Term Loan D) in the aggregate principal amount of US$971.4 million and €160.5 million (of which US$572.2 million and €160.5 million are available to Fresenius US Finance I, Inc. and US$399.2 million is available to APP Pharmaceuticals, LLC). Term Loan D amortizes and is repayable in equal semi-annual installments with a final bullet payment on September 10, 2014.

The 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 D, a minimum LIBOR or EURIBOR was set for 1.00%.

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, 2011, 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	**2011**	2010
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

The Euro Notes issued by Fresenius Finance B.V. in the amounts of €200 million and €100 million, which are due on April 2, 2012 and on July 2, 2012, respectively, are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position. The Euro Notes issued by FMC-AG & Co. KGaA of €155 million, which are due on October 27, 2012, are also shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

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 Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH).

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

As of December 31, 2011, the Fresenius Group was in compliance with all of its covenants under the Euro Notes.

European Investment Bank Agreements

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

		Maximum amount available € in millions		Book value € in millions	
	Maturity	**2011**	2010	**2011**	2010
Fresenius SE & Co. KGaA	2013	**196**	196	**196**	196
Fresenius Medical Care AG & Co. KGaA	2013/2014	**271**[1]	271[1]	**267**[1]	263[1]
HELIOS Kliniken GmbH	2019	**64**	72	**64**	72
Loans from EIB		**531**	539	**527**	531

[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 amounted to US$165 million (€127 million) at December 31, 2011.

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.

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. The 2009 loan of Fresenius SE & Co. KGaA is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH. All credit agreements with the EIB have customary covenants. As of December 31, 2011, the Fresenius Group was in compliance with the respective covenants.

Capital lease obligations

Details of capital lease obligations are given below:

€ in millions	**2011**	2010
Capital lease obligations (minimum lease payments)	**65**	**68**
due within one year	12	12
due between one and five years	37	32
due later than five years	16	24
Interest component included in future minimum lease payments	**12**	**14**
due within one year	2	2
due between one and five years	5	6
due later than five years	5	6
Present value of capital lease obligations (minimum lease payments)	**53**	**54**
due within one year	10	10
due between one and five years	32	26
due later than five years	11	18

Accounts receivable facility of Fresenius Medical Care

In August 2011, the asset securitization facility (accounts receivable facility) of Fresenius Medical Care was renewed to July 31, 2014 and increased by US$100 million to US$800 million.

As the accounts receivable facility was renewed annually in the past, it has historically been classified as a short-term debt. Since the recent renewal extended the due date to 2014, the accounts receivable facility has been reclassified into long-term debt. At December 31, 2011, there were outstanding borrowings under the accounts receivable facility of US$535 million (€413 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 as long-term debt.

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 2011 was 1.29%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

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. At December 31, 2011, the additional financial cushion resulting from unutilized credit facilities was approximately €2 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$960 million (€742 million) and the 2008 Senior Credit Agreement in the amount of US$550 million (€425 million). Furthermore, bilateral facilities of approximately €850 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, 2011, no commercial papers were outstanding.

Additional financing of up to US$800 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$535 million as of December 31, 2011.

23. SENIOR NOTES

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

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**2011**	2010
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%	**637**	635
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8.75%	**264**	261
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**372**	356
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**248**	247
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**294**	0
FMC Finance VIII S.A. 2011/2016	€100 million	Oct. 15, 2016	variable	**100**	0
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**395**	0
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**383**	370
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**498**	0
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**305**	0
Senior Notes				**3,996**	2,369

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 certain 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 repayment plus interest. As of December 31, 2011, the Fresenius Group was in compliance with all of its covenants.

On October 17, 2011, FMC Finance VIII S.A. issued €100 million of unsecured, floating-rate Senior Notes at par, which are due in 2016. The Senior Notes carry interest of three-month EURIBOR plus 350 basis points. Net proceeds were used for acquisitions, to repay indebtedness and for general corporate purposes.

On September 14, 2011, Fresenius Medical Care US Finance II, Inc. and FMC Finance VIII S.A. issued unsecured Senior Notes of US$400 million and €400 million, respectively. The Senior Notes have a coupon of 6.5% and are due in 2018. They were issued at an issue price of 98.62% and had a yield to maturity of 6.75%. Net proceeds were used for acquisitions, to refinance indebtedness and for general corporate purposes.

On June 20, 2011, Fresenius Medical Care US Finance, Inc. acquired substantially all of the assets of FMC Finance III S.A. and assumed the obligations of FMC Finance III S.A. under its US$500 million 6.875% Senior Notes due in 2017 and the related indenture. The guarantees of FMC-AG & Co. KGaA, Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) for these Senior Notes have not been amended and remain in full force and effect.

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 in 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% had 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 used to repay indebtedness, for acquisitions and for general corporate purposes.

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 in 2016. Net proceeds were used to repay short-term indebtedness and for general corporate purposes.

The Senior Notes of Fresenius Medical Care US Finance, Inc., Fresenius Medical Care US Finance II, Inc., FMC Finance VI S.A., FMC Finance VII S.A. and FMC Finance VIII S.A. (wholly-owned subsidiaries of FMC-AG & Co. KGaA) are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA, FMCH and FMC D-GmbH. The holders have the right to request that the respective issuers repurchase the respective 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 (except for the floating-rate Senior Notes of FMC Finance VIII S.A.) 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, 2011, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes existing at this point in time.

24. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP Pharmaceuticals, Inc., Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of €554.4 million were issued by Fresenius Finance (Jersey) Ltd. in July 2008. Fresenius Finance B.V. subscribed for these MEB at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), who placed the MEB in the market. The bonds carried a coupon of 5⅝% per annum and matured on August 14, 2011. Upon maturity, the bonds were mandatorily exchangeable into ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). Each holder of an MEB received 1,418 ordinary shares of FMC-AG & Co. KGaA per MEB, corresponding to a final conversion price of €35.26. The ordinary shares of FMC-AG & Co. KGaA were owned by Fresenius SE & Co. KGaA and there was no issuance of new shares. Fresenius SE & Co. KGaA's shareholding in FMC-AG & Co. KGaA was thus reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital.

The MEB were shown under short-term liabilities in an amount of €554 million until their maturity on August 14, 2011.

The derivative financial instruments embedded in the MEB were measured at fair value and were shown separately in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities until the maturity of the MEB.

25. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware, United States. Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) owned all of the common securities of these trusts. The sole asset of each trust was 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 were guaranteed through a series of undertakings by FMC-AG & Co. KGaA, FMC D-GmbH and FMCH.

The trust preferred securities entitled the holders to distributions at a fixed annual rate of the stated amount and were mandatorily redeemable after 10 years.

On June 15, 2011, Fresenius Medical Care redeemed the trust preferred securities that became due on that date and that were issued in 2001 by Fresenius Medical Care Capital Trust IV and V in the amount of US$225 million and €300 million, respectively, primarily with funds obtained under existing credit facilities.

The trust preferred securities as of December 31 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2011 € in millions**	2010 € in millions
Fresenius Medical Care Capital Trust IV	2001	US$225 million	7⅞%	June 15, 2011	**0**	168
Fresenius Medical Care Capital Trust V	2001	€300 million	7⅜%	June 15, 2011	**0**	300
Trust preferred securities					**0**	468

26. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

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

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

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefits obligations and the return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

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

Under defined contribution plans, the Fresenius Group pays defined contributions to an independent third party as directed by the employee during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Fresenius Group paid contributions upon leaving the Fresenius Group. The Fresenius Group has a main defined contribution plan in North America.

DEFINED BENEFIT PENSION PLANS

At December 31, 2011, the defined benefit obligation (DBO) of the Fresenius Group of €753 million (2010: €655 million) included €260 million (2010: €261 million) funded by plan assets and €357 million (2010: €330 million) covered by pension provisions. The current portion of the pension liability in an amount of €13 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 €344 million is recorded as pension liability. At December 31, 2011, prepaid pension costs of €5 million (2010: €8 million) related to the North American pension plan were recorded within other non-current assets.

72% of the pension liabilities in an amount of €357 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 2011. FMCH voluntarily contributed US$0.6 million (€0.4 million) during the year 2011. Expected funding for 2012 is US$10.8 million (€8.3 million).

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €373 million. Benefit obligations relating to unfunded pension plans were €380 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	2011	2010
Benefit obligations at the beginning of the year	**655**	556
Changes in entities consolidated	**4**	0
Foreign currency translation	**12**	16
Service cost	**19**	16
Prior service cost	**0**	2
Interest cost	**35**	33
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**0**	-2
Actuarial losses	**47**	50
Benefits paid	**-20**	-18
Amendments	**–**	1
Benefit obligations at the end of the year	**753**	655
thereof vested	**638**	558
Fair value of plan assets at the beginning of the year	**261**	237
Changes in entities consolidated	**–**	0
Foreign currency translation	**6**	14
Actual return on plan assets	**-4**	13
Contributions by the employer	**6**	4
Contributions by plan participants	**1**	1
Settlements	**–**	–
Transfer of plan participants	**–**	0
Benefits paid	**-10**	-8
Fair value of plan assets at the end of the year	**260**	261
Funded status as of December 31	**493**	394

The plan assets are neither invested in the Fresenius Group nor in related parties of the Fresenius Group.

As of December 31, 2011 and 2010, respectively, the net amount recognized (pension liability less recognized assets) was calculated as follows:

€ in millions	2011	2010
Funded status	**493**	394
Unrecognized actuarial loss	**-144**	-75
Unrecognized past service cost	**3**	3
Net amount recognized as of December 31	**352**	322

As of December 31, 2011, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of €5 million (2010: €8 million) was recognized as an asset. For all the remaining pension plans of the Fresenius Group, the benefit obligations exceeded the fair value of plan assets and resulted in a total amount of €357 million (2010: €330 million) recognized as a pension liability.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2011	2010
Discount rate	**5.15**	5.43
Rate of compensation increase	**3.12**	3.32
Rate of pension increase	**1.71**	1.73

As of December 31, the five-year-analysis is as follows:

€ in millions	2011	2010	2009	2008	2007
Pension obligation	**753**	655	556	505	498
thereof experience adjustments	**2**	4	-3	6	4
Plan assets	**260**	261	237	213	226
thereof experience adjustments	**-21**	-4	12	-30	-3
Funded status	**493**	394	319	292	272

Defined benefit pension plans' net periodic benefit costs of €41 million (2010: €33 million) were comprised of the following components:

€ in millions	2011	2010
Service cost	**19**	16
Interest cost	**35**	33
Expected return on plan assets	**-17**	-17
Amortization of unrealized actuarial losses, net	**4**	1
Amortization of prior service costs	**–**	2
Settlement loss	**0**	-2
Net periodic benefit cost	**41**	33

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 %	2011	2010
Discount rate	**5.40**	5.86
Expected return of plan assets	**5.50**	5.58
Rate of compensation increase	**3.30**	3.30

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2011 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €144 million (2010: €75 million).

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2012	23
2013	24
2014	26
2015	28
2016	32
2017 to 2021	187
Total expected benefit payments	**320**

The Fresenius Group uses December 31, 2011 as the measurement date in determining the funded status of all plans.

The major part of pension liabilities relates to Germany. At December 31, 2011, 90% of the pension liabilities were recognized in Germany, 10% in the rest of Europe and North America.

60% of the beneficiaries were located in North America, 30% in Germany and the remainder throughout the rest of Europe and other continents.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.5% for the year 2011.

The overall investment strategy for the North American pension plan is to achieve a mix of approximately 96% of investments for long-term growth and 4% 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 2011**	Allocation 2010	Target allocation
Equity investments	**28.47**	31.12	36.08
Fixed income investments	**62.58**	60.73	59.64
Other incl. real estate	**8.95**	8.15	4.28
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 6.62% compounded annually. Contributions to plan assets for the fiscal year 2012 are expected to amount to €13 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2011 was €63 million (2010: €63 million). Of this amount, €31 million related to contributions by the Fresenius Group to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds for employees of Fresenius Helios. Further €24 million related to contributions to the North American savings plan, which employees of FMCH can join.

Following applicable collective bargaining agreements, the Group pays contributions for a given number of employees of Fresenius Helios to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds (together referred to as ZVK ÖD) to complement statutory retirement pensions. Given that employees from multiple participating entities are insured by these ZVK ÖDs, these plans are Multi-Employer plans.

ZVK ÖDs are defined benefit plans according to IAS 19 since employees are entitled to the statutory benefits regardless of the amounts contributed. The plan assets of the fund necessary to evaluate and calculate the funded status of the Group cannot be obtained from the supplementary pension funds. The calculation of a pension liability according to IAS 19 is not possible due to missing information about future payment obligations. Therefore, the obligation is accounted for as defined contribution plan according to IAS 19.30a.

The plan operates on a pay-as-you-earn system based on applying a collection rate to given parts of gross remuneration.

Paid contributions are accounted for as personnel expenses within cost of sales and selling, general and administrative expenses and amounted to €31 million in 2011 (2010: €32 million). Thereof €15 million were payments to the Rheinische Zusatzversorgungskasse (2010: €15 million). The Group expects to contribute €34 million in 2012.

Under the North American savings plan, 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). 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, 2011 and 2010 was €24 million, respectively.

27. NONCONTROLLING INTEREST

As of December 31, noncontrolling interest in the Group was as follows:

€ in millions	2011	2010
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**4,306**	3,591
Noncontrolling interest in HELIOS Kliniken GmbH	**0**	4
Noncontrolling interest in VAMED AG	**29**	24
Noncontrolling interest in the business segments		
Fresenius Medical Care	**243**	192
Fresenius Kabi	**63**	47
Fresenius Helios	**137**	119
Fresenius Vamed	**2**	2
Total noncontrolling interest	**4,780**	3,979

Due to the maturity of the Mandatory Exchangeable Bonds on August 14, 2011, Fresenius SE & Co. KGaA's shareholding in Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) was reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital. In November and December 2011, Fresenius SE & Co. KGaA purchased 1,399,996 ordinary shares of FMC-AG & Co. KGaA. Therewith, Fresenius SE & Co. KGaA's shareholding in FMC-AG & Co. KGaA amounted to 30.74% of the ordinary share capital at December 31, 2011.

Noncontrolling interest changed as follows:

€ in millions	2011
Noncontrolling interest at December 31, 2010	**3,979**
Noncontrolling interest in profit	643
Maturity of the Mandatory Exchangeable Bonds	299
Dividend payments	-225
Purchase of ordinary shares of FMC-AG & Co. KGaA	-28
Stock options, currency effects and first-time consolidations	112
Noncontrolling interest at December 31, 2011	**4,780**

28. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

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

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

Notification by shareholders

The following table shows the notifications disclosed in 2011 in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). They reflect the corresponding level of investments held in Fresenius SE & Co. KGaA:

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

[1] Attribution of voting rights via: Allianz Deutschland AG, Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherungs-AG
[2] Attribution of voting rights via: Artio Global Holdings, LLC, Artio Global Management, LLC
[3] Attribution of voting rights via: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Advisors Holdings, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings LP, BlackRock Group Limited
[4] Attribution of voting rights via: Fidelity Management & Research Company
[5] Attribution of voting rights via: SEB Bank AG

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

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations – Fresenius Share/ADR – Shareholder Structure.

AUTHORIZED CAPITAL

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

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

The changes to the Authorized Capital became effective upon registration of the amendments to the articles of association with the commercial register on July 11, 2011.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with previously issued stock options or convertible bonds, as the case may be, for bearer ordinary shares under the stock option plans of 1998, 2003 and 2008 (see note 35, Stock options).

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

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	495,255	495,255	990,510
Conditional Capital II Fresenius AG Stock Option Plan 2003	1,743,159	1,743,159	3,486,318
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, 2011	**5,338,414**	**5,338,414**	**10,676,828**
Conversion of the preference shares into ordinary shares in combination with the change of legal form	5,337,526	-5,337,526	0
Fresenius AG Stock Option Plan 1998 – options exercised	-102,082	0	-102,082
Fresenius AG Stock Option Plan 2003 – options exercised	-508,800	-888	-509,688
Fresenius SE Stock Option Plan 2008 – options exercised	-175,476	0	-175,476
Total Conditional Capital as of December 31, 2011	**9,889,582**	**0**	**9,889,582**

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 & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2011, a dividend of €0.86 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid. The total dividend payment was €140 million.

29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value.

Changes in the components of other comprehensive income (loss) in 2011 and 2010 were as follows:

	2011			2010		
€ 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	**-81**	**26**	**-55**	-15	3	-12
Change in unrealized gains/losses	-91	30	-61	-32	7	-25
Realized gains/losses due to reclassifications	10	-4	6	17	-4	13
Foreign currency translation adjustment	**80**	**-3**	**77**	252	-9	243
Other comprehensive income (loss)	**-1**	**23**	**22**	237	-6	231

OTHER NOTES

30. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2011 and 2010 was €497 million and €480 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2011 are:

for the fiscal years	€ in millions
2012	436
2013	376
2014	320
2015	270
2016	221
Thereafter	677
Total	**2,300**

As of December 31, 2011, future investment commitments existed up to the year 2016 from the acquisition contracts for hospitals at projected costs of up to €350 million. Thereof €75 million relates to the year 2012.

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. Legal matters that the Fresenius Group currently deems to be material are described below. For the matters described below in which the Fresenius Group believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Fresenius Group believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately 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. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012.

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. Funds of US$70 million were contributed to the escrow fund. In the parallel reexamination of the last surviving patent, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. Baxter appealed the Board's ruling to the Federal Circuit.

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. The District Court denied Baxter's request to overturn the jury verdict and Baxter appealed the verdict and resulting judgment to the United States Court of Appeals for the Federal Circuit. On February 13, 2012, the Federal Circuit affirmed the District Court's non-infringement verdict.

Other litigation and potential exposures

Renal Care Group – Class action "acquisition"

Renal Care Group, Inc. (RCG), which Fresenius Medical Care acquired in 2006, 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. On June 17, 2011, the District Court entered summary judgment against RCG for US$83 million on one of the False Claims Act counts of the complaint. On June 23, 2011, Fresenius Medical Care appealed to the United States Court of Appeals for the Sixth Circuit. Although Fresenius Medical Care cannot provide any assurance of the outcome, Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, that the decisions made by the District Court on March 22, 2010 and June 17, 2011 will be reversed, and that its position in the litigation will ultimately be sustained.

Fresenius Medical Care Holdings – Qui tam complaint (Western District of Texas)

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 constructively discharging her from employment. 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 the 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.

Fresenius Medical Care Holdings – Qui tam complaint (Massachusetts)

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that FMCH seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary

or not properly ordered by a physician. FMCH has filed a motion to dismiss the complaint. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a Civil Investigative Demand seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH is cooperating fully in responding to the additional Civil Investigative Demand, and will vigorously contest the relator's complaint.

Subpoena "New York"

On June 29, 2011, FMCH received a subpoena from the United States Attorney for the Eastern District of New York (E.D.N.Y). On December 6, 2011, a single Company facility in New York received a subpoena from the OIG that was substantially similar to the one issued by the U.S. Attorney for the E.D.N.Y. These subpoenas are part of a criminal and civil investigation into relationships between retail pharmacies and outpatient dialysis facilities in the State of New York and into the reimbursement under government payor programs in New York for medications provided to patients with end-stage renal disease. Among the issues encompassed by the investigation is whether retail pharmacies may have provided or received compensation from the New York Medicaid program for pharmaceutical products that should be provided by the dialysis facilities in exchange for the New York Medicaid payment to the dialysis facilities. FMCH is cooperating in the investigation.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$115 million (€89 million) payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

31. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

Classes	Categories: Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value	Relating to no category
Cash and cash equivalents				▸ Cash and cash equivalents
Assets recognized at carrying amount	▸ Trade accounts receivable (incl. receivables from and loans to related parties) ▸ Other non-current assets (solely loan to Renal Advantage Partners, LLC)			
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 (until June 15, 2011) ▸ Mandatory exchangeable bonds (excluding embedded derivatives) (until August 14, 2011)		▸ Long-term capital lease obligations
Liabilities recognized at fair value			▸ Other short-term liabilities (solely Contingent Value Rights (until March 31, 2011) and derivatives embedded in the Mandatory Exchangeable Bonds (until August 14, 2011))	
Noncontrolling interest subject to put provisions recognized at fair value				▸ Other short-term liabilities ▸ Other long-term liabilities
Derivatives for hedging purposes			▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities	▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities

The derivative financial instruments embedded in the Mandatory Exchangeable Bonds (MEB) were included in the statement of financial position item short-term accrued expenses and other short-term liabilities until the maturity of the MEB (for details relating to the MEB, please see note 24, Mandatory Exchangeable Bonds). Due to their special character and the difference in valuation, the embedded derivatives were classified separately. Also because of their special character and different valuation, the Contingent Value Rights (CVR) were classified separately from their statement of financial position item.

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories according to IAS 39, were as follows:

€ in millions	2011	2010
Loans and receivables	**3,428**	2,950
Financial liabilities measured at amortized cost	**10,478**	9,870
Assets measured at fair value [1]	**44**	11
Liabilities measured at fair value [1]	**62**	159
Relating to no category	**109**	328

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition according to IAS 39.

Estimation of fair values of financial instruments

The significant methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value, which equals the fair value.

The nominal value of short-term financial instruments such as 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 the 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 value of Fresenius Medical Care's loan to Renal Advantage Partners, LLC is based on significant unobservable inputs of comparable instruments. The fair values of the noncontrolling interest subject to put provisions are determined using significant unobservable inputs.

Currently, there is no indication that a decrease in the value of Fresenius Group's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

The carrying amounts of derivatives embedded in the MEB and the CVR corresponded with their fair values. The MEB matured on August 14, 2011. The embedded derivatives were measured at fair value, which was estimated based on a Black-Scholes model. The CVR were traded on the stock exchange in the United States and were therefore valued with the current stock exchange price until December 31, 2010. In the first quarter of 2011, the CVR were deregistered and delisted from the NASDAQ due to the expiration of the underlying agreement and became valueless.

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:

	2011		2010	
€ in millions	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	**635**	**635**	769	769
Assets recognized at carrying amount	**3,428**	**3,427**	2,950	2,950
Liabilities recognized at carrying amount	**10,531**	**10,778**	9,924	10,152
Liabilities recognized at fair value	**3**	**3**	118	118
Noncontrolling interest subject to put provisions recognized at fair value	**276**	**276**	192	192
Derivatives for hedging purposes	**-212**	**-212**	-225	-225

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 were also classified as Level 2. Until December 31, 2010, the valuation of the CVR was based on the current stock exchange price, they were therefore classified as Level 1. The class liabilities recognized at fair value consisted of embedded derivatives and the CVR and was consequently classified in its entirety as the lower hierarchy Level 2. As of December 31, 2011, this class no longer existed due to the expiration of the CVR and the maturity of the MEB. 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, 2011		Dec. 31, 2010	
€ in millions	Assets	Liabilities	Assets	Liabilities
Interest rate contracts (current)	**0**	**103**	–	43
Interest rate contracts (non-current)	**0**	**60**	1	115
Foreign exchange contracts (current)	**9**	**39**	8	49
Foreign exchange contracts (non-current)	**1**	**5**	5	2
Derivatives designated as hedging instruments[1]	**10**	**207**	14	209
Interest rate contracts (current)	**0**	**0**	0	2
Interest rate contracts (non-current)	**0**	**3**	0	0
Foreign exchange contracts (current)[1]	**43**	**58**	10	34
Foreign exchange contracts (non-current)[1]	**1**	**1**	1	7
Derivatives embedded in the MEB (current)	**0**	**0**	0	111
Derivatives not designated as hedging instruments	**44**	**62**	11	154

[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 entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes were recognized at gross value within other assets in an amount of €54 million and other liabilities in an amount of €266 million.

The current portion of interest rate contracts and foreign exchange contracts indicated as assets in the previous table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is 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 were recognized within other short-term liabilities until the maturity of the MEB.

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 €216 million and foreign currency transactions of -€6 million. In addition, income of €5 million resulted from the fair value measurement of the CVR and expenses of €100 million resulted from the fair value measurement of the derivatives embedded in the MEB. Interest income of €56 million resulted mainly from trade accounts receivable and loans to related parties. Interest expense of €587 million resulted mainly from financial liabilities.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011		
€ 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	-60	-14	-7
Foreign exchange contracts	-31	4	–
Derivatives in cash flow hedging relationships[1]	**-91**	**-10**	**-7**
Foreign exchange contracts			-7
Derivatives in fair value hedging relationships			**-7**
Derivatives designated as hedging instruments	**-91**	**-10**	**-14**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	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.

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	2011	2010
Interest rate contracts	3	–
Foreign exchange contracts	43	-97
Derivatives embedded in the MEB	-100	-90
Derivatives not designated as hedging instruments	**-54**	-187

Gains 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 losses from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €9 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 €55 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, which was made until August 14, 2011 (see note 11, Other financial result).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes 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 entered into 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. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

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 generally implemented by means of micro hedges.

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. 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, 2011, the notional amounts of foreign exchange contracts totaled €3,955 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 -€35 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, 2011, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 47 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be €9 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are mainly designated as cash flow hedges and have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future debt issuances. The U.S. dollar interest rate swaps with a notional volume of US$3,850 million (€2,976 million) and a fair value of -US$174 million (-€134 million) expire at various dates in the years 2012 to 2014. The euro interest rate swaps with a notional volume of €966 million and a fair value of -€32 million expire in the

years 2012 to 2016. The U.S. dollar interest rate swaps bear an average interest rate of 3.45% and the euro interest rate swaps bear an average interest rate of 3.19%.

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. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

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.

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 €54 million for foreign exchange derivatives at December 31, 2011. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 5 years	more than 5 years
Long-term debt and capital lease obligations (including accounts receivable securitization program)[1]	1,980	3,834	78
Short-term debt	182	0	0
Senior Notes	256	3,020	2,218
Trade accounts payable	807	0	0
Noncontrolling interest subject to put provisions	83	128	121
Derivative financial instruments	200	69	0
Total	**3,508**	**7,051**	**2,417**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2011.

32. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Shareholders' equity	**11,031**	9,219
Total assets	**26,510**	23,831
Equity ratio	**41.6%**	38.7%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998, 2003 and 2008 stock option plans (see note 35, Stock options).

DEBT

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Debt	**9,703**	8,677
Total assets	**26,510**	23,831
Debt ratio	**36.6%**	36.4%

According to the definitions in the underlying agreements, the Mandatory Exchangeable Bonds and the Contingent Value Rights were not categorized as debt until their maturity.

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The net debt/EBITDA ratio is a key financial figure for the Fresenius Group, which is measured on the basis of U.S. GAAP figures. As of December 31, 2011, the net debt/EBITDA ratio was 2.8 and was therefore within Fresenius Group's target corridor of 2.5 to 3.0. At the end of 2012, the Fresenius Group expects the net debt/EBITDA ratio to be ≤ 3.0, due to the recently announced acquisitions.

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	stable

On August 2, 2011, Fitch has upgraded the company rating to BB+ from BB, the outlook is stable.

33. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2011 and 2010 are shown on pages 78 to 79.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2011	2010
Assets acquired	**1,408**	560
Liabilities assumed	**-168**	-85
Noncontrolling interest	**-34**	-29
Notes assumed in connection with acquisitions	**-56**	-32
Cash paid	**1,150**	414
Cash acquired	**-46**	-14
Cash paid for acquisitions, net	**1,104**	400

34. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 82 to 85 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, 2011.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology and 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 87 of the notes.

The key data used by the Management Board of Fresenius Management SE (the general partner of Fresenius SE & Co. KGaA) to control the segments are based on U.S. GAAP. Therefore, the segment information is given in accordance with U.S. GAAP. The column IFRS-Reconciliation provides a reconciliation from the U.S. GAAP segment data to the IFRS key data. The differences between the U.S. GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, gains from sale and leaseback transactions with an operating lease agreement, development costs and cumulative actuarial gains and losses for pensions.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income attributable to Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. Until their maturity in 2011, trust preferred securities were also included in debt. The Mandatory Exchangeable Bonds and the Contingent Value Rights were not categorized as debt (see note 32, Supplementary information on capital management).

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally-independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2011	2010
Total EBIT of reporting segments	**2,591**	2,455
General corporate expenses Corporate/Other (EBIT)	**-45**	-45
Group EBIT	**2,546**	2,410
Interest expenses	**-587**	-596
Interest income	**56**	30
Other financial result	**-100**	-66
Income before income taxes	**1,915**	1,778

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Short-term debt	**171**	606
Short-term loans from related parties	**3**	2
Current portion of long-term debt and capital lease obligations	**1,854**	421
Trust preferred securities of Fresenius Medical Care Capital Trusts (current)	**0**	468
Long-term debt and capital lease obligations, less current portion	**3,679**	4,811
Senior Notes	**3,996**	2,369
Debt	**9,703**	8,677
less cash and cash equivalents	**635**	769
Net debt	**9,068**	7,908

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2011	Dec. 31, 2010
Germany	**3,729**	3,600
Europe (excluding Germany)	**2,600**	1,996
North America	**11,498**	10,392
Asia-Pacific	**1,010**	884
Latin America	**391**	354
Africa	**47**	47
Total non-current assets[1]	**19,275**	17,273

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets, derivative financial instruments and capitalized pension assets.

In 2011, the Fresenius Group generated sales of €3,573 million (2010: €3,355 million) in Germany. Sales in the United States were €6,588 million at actual rates and €6,916 million in constant currency in 2011 (2010: €6,849 million).

35. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2011, the Fresenius Group recognized compensation cost in an amount of €35 million for convertible bonds and stock options granted since 2007. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE Stock Option Plan 2008 made during the years 2011 and 2010 are as follows:

	2011		2010	
€ in millions	**December Grant**	**July Grant**	December Grant	July Grant
Expected dividend yield	**1.60%**	**1.58%**	1.58%	1.92%
Risk-free interest rate	**1.70%**	**2.68%**	2.38%	2.12%
Expected volatility	**29.18%**	**29.15%**	28.44%	28.94%
Life of options	**7 years**	**7 years**	7 years	7 years
Exercise price per option in €	**71.37**	**71.28**	63.94	53.49

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, 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). Currently, stock options can only be 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, 2010 and 2011 were met. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in 10 years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: 1/3 of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a 10-year term. At December 31, 2011, 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 to 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 previously 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 remained 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.

Transactions during 2011

In 2011, Fresenius SE & Co. KGaA awarded 1,143,440 stock options under the 2008 Plan, including 198,660 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of €71.28, a weighted-average fair value of €19.09 each and a total fair value of €22 million, which will be amortized over the three-year vesting period.

During the fiscal year 2011, Fresenius SE & Co. KGaA received cash of €31 million from the exercise of 787,246 stock options. The average stock price at the exercise date was €71.16 for ordinary shares and €61.64 for preference shares. The intrinsic value of options exercised in 2011 was €25 million.

Under the 1998 Plan, 29,942 stock options were outstanding and exercisable at December 31, 2011. No options were held by the members of the Fresenius Management SE Management Board. 1,412,135 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2011. The members of the Fresenius Management SE Management Board held 291,530 convertible bonds. At December 31, 2011, out of 4,052,050 outstanding stock options issued under the 2008 Plan, 806,006 were exercisable and 758,520 were held by the members of the Fresenius Management SE 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 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**
Granted	1,143,440	71.28	
Exercised	786,358	38.85	
Forfeited	151,389	48.38	
Converted from preference shares	2,643,773	43.87	
Balance 2011	**5,494,127**	**50.25**	**2,248,083**

Preference shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
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**
Exercised	888	48.71	
Converted into ordinary shares	2,643,773	44.74	
Balance 2011	**0**		

The following table provides a summary of fully vested options outstanding and exercisable for ordinary shares at December 31, 2011:

OPTIONS FOR ORDINARY SHARES

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	87,033	1.50	13.65	87,033	1.50	13.65
15.01 – 20.00	42,338	0.79	19.32	42,338	0.79	19.32
20.01 – 25.00	100,235	2.50	21.96	100,235	2.50	21.96
25.01 – 30.00	262,811	3.46	28.58	262,811	3.46	28.58
30.01 – 35.00	1,008,816	4.50	33.81	0		
35.01 – 40.00	396,164	4.40	39.23	392,664	4.39	39.26
40.01 – 45.00	67,310	3.92	41.62	67,310	3.92	41.62
45.01 – 50.00	14,496	4.50	48.81	14,496	4.50	48.81
50.01 – 55.00	1,819,984	4.72	54.00	738,696	3.58	54.69
55.01 – 60.00	525,646	5.50	56.43	525,646	5.50	56.43
60.01 – 65.00	9,000	5.92	63.53	0		
70.01 – 75.00	1,160,294	6.49	71.27	16,854	5.50	70.79
	5,494,127	**4.91**	**50.25**	**2,248,083**	**4.01**	**45.33**

At December 31, 2011, the aggregate intrinsic value of exercisable options for ordinary shares was €59 million.

At December 31, 2011, total unrecognized compensation cost related to non-vested options granted under the 2003 Plan and the 2008 Plan was €24 million. This cost is expected to be recognized over a weighted-average period of 2.1 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of Fresenius Medical Care Management AG's (FMC Management AG) Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five-year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75 : 25 to 50 : 50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following FMC-AG & Co. KGaA's AGM and with respect to the grants made in December, on the first Monday in October.

Members of the Management Board of FMC Management AG, members of the management boards of FMC-AG & Co. KGaA's affiliated companies and the managerial staff members of FMC-AG & Co. KGaA and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of FMC Management AG's Management Board, FMC Management AG's Supervisory Board has sole authority to grant awards and exercise other decision making powers under the 2011 Incentive Program (including decisions regarding certain adjustments and forfeitures). FMC Management AG has such authority with respect to all other participants in the 2011 Incentive Program.

The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets measured over a four-year period beginning with the first day of the year of the grant. For each such year, the performance target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (Adjusted EPS), as calculated in accordance with the 2011 Incentive Program, increases by at least 8% year over year during the vesting period or, if this is not the case, the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year of the Adjusted EPS during the four-year vesting period. At the end of the vesting period, one-fourth of the awards granted is forfeited for each year in which the performance target is not achieved. All awards are considered vested if the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year during the four-year vesting period. 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 four-year vesting period.

The 2011 Incentive Program was established with a conditional capital increase up to €12 million subject to the issue of up to 12 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. Of these 12 million shares, up to 2 million stock options are designated for members of the Management Board of FMC Management AG, up to 2.5 million stock options are designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 7.5 million stock options are designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. FMC-AG & Co. KGaA may issue new shares to fulfill the stock option obligations or FMC-AG & Co. KGaA may issue shares that it has acquired or which FMC-AG & Co. KGaA itself has in its own possession.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange 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. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock under the 2011 Incentive Program entitles the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's ordinary shares on the exercise date. Phantom stock will have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established by resolution of FMC-AG & Co. KGaA's Annual General Meeting with a conditional capital increase up to €15 million subject to the issue of up to 15 million non-par value bearer ordinary shares with a nominal value of €1.00 each, which can be exercised to obtain one ordinary share. Of the 15 million ordinary shares, up to 3 million options were designated for members of the Management Board of FMC Management AG, up to 3 million options were designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 9 million options

were 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.

The exercise price of options granted under the Amended 2006 Plan was 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 (Adjusted EPS), as calculated in accordance with the Amended 2006 Plan, increases by at least 8% year over year during the vesting period, beginning with Adjusted EPS for the year of grant as compared to Adjusted EPS for the year preceding such grant. Calculation of Adjusted 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 2011, 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.

After December 2010, no further grants were 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 €10.24 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 4 million non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split effected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate. 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 10 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. All awards granted under this plan are fully vested.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The exercise 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 exercise 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 2011

During 2011, FMC-AG & Co. KGaA awarded 1,947,231 options under the 2011 Incentive Program, including 307,515 stock options granted to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €52.45, a weighted-average fair value of €13.41 each and a total fair value of €26 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 215,638 phantom shares, including 29,313 phantom shares granted to members of the Management Board of FMC Management AG, at a measurement date average fair value of €49.24 each and a total fair value of €11 million as of December 31, 2011, which will be amortized over the four-year vesting period.

During 2011, FMC-AG & Co. KGaA received cash of €58 million from the exercise of stock options. The intrinsic value of options exercised in 2011 was €36 million. FMC-AG & Co. KGaA recorded a related tax benefit of €9 million for 2011.

At December 31, 2011, the Management Board members of FMC Management AG held 2,354,875 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,669,942 stock options for ordinary shares and 49,090 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

At December 31, 2011, the Management Board members of FMC Management AG held 29,313 phantom shares and employees of FMC-AG & Co. KGaA held 186,149 phantom shares under the 2011 Incentive Plan.

The table below provides reconciliations for options outstanding at December 31, 2011 as compared to December 31, 2010:

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2010 (options for ordinary shares)	**12,152**	**33.78**
Granted	1,947	52.45
Exercised	1,886	30.87
Forfeited	188	34.93
Balance at December 31, 2011 (options for ordinary shares)	**12,025**	**37.24**
Balance at December 31, 2010 (options for preference shares)	**59**	**19.19**
Exercised	9	22.52
Forfeited	1	18.21
Balance at December 31, 2011 (options for preference shares)	**49**	**18.64**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2011:

	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	4,767	2.79	30.57	105
Options for preference shares	49	2.80	18.64	1

At December 31, 2011, total unrecognized compensation cost related to non-vested options granted under all plans was €37 million. This cost is expected to be recognized over a weighted-average period of 1.9 years.

36. RELATED PARTY TRANSACTIONS

Prof. Dr. med. D. Michael Albrecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is medical director and spokesman of the management board of the Universitätsklinikum Carl Gustav Carus Dresden and a member of the supervisory boards of the Universitätsklinika Aachen, Rostock and Magdeburg. The Fresenius Group maintains business relations with these clinics in the ordinary course and under customary conditions.

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 Holding GmbH until August 1, 2010. In 2011, the Fresenius Group paid one or more affiliated companies of the Roland Berger group €1 million for consulting services rendered (2010: €0.2 million).

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. In 2011, the Fresenius Group paid €0.6 million to Commerzbank AG for services provided in connection with the Senior Notes issuances of Fresenius Medical Care.

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, a member of the Management Board of the general partner of Fresenius SE & Co. KGaA, was a member of the supervisory board of Allianz Private Krankenversicherungs-AG until July 6, 2011. In 2011, the Fresenius Group paid €4 million for insurance premiums to Allianz (2010: €3 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, which provides legal services to the Fresenius Group. In 2011, the Fresenius Group paid this law firm €1 million for services rendered (2010: €1 million).

37. SUBSEQUENT EVENTS

On August 2, 2011, Fresenius Medical Care announced its plans to acquire 100% of Liberty Dialysis Holdings, Inc., the owner of all of the business of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC. Fresenius Medical Care owns a 49% stake in Renal Advantage Partners, LLC. Fresenius Medical Care's total investment, including the assumption of incremental debt, will be approximately US$1.7 billion. The transaction remains subject to clearance

under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in the first quarter of 2012. Upon completion, the acquired operations would add approximately 260 out-patient dialysis clinics to Fresenius Medical Care's network in the U.S. and approximately US$1 billion in annual revenue before the anticipated divestiture of some centers as a condition of government approval of the transaction. The transaction will be financed from cash flow from operations and debt.

On October 12, 2011, Fresenius Helios announced the conclusion of a contract to acquire 94.7% of the share capital in the Damp Holding AG, Germany. The Damp Group (Damp) operates seven acute care hospitals and four post acute care hospitals with a total of 4,112 beds (thereof 2,649 in acute care). In addition, Damp operates eight outpatient medical care centers, two nursing care facilities with a total of 606 beds and a wellness resort. In 2010, Damp achieved sales of €487 million and an operating profit (EBIT) of €21 million. The acquisition is still subject to the approval of local and antitrust authorities. Due to the geographic proximity of the HELIOS hospital Schwerin, the Damp hospital Wismar (505 beds, sales of approximately €60 million) was divested to secure regulatory clearance of the transaction. Fresenius Helios anticipates to close the transaction at the end of the first or at the beginning of the second quarter of 2012, respectively.

On January 26, 2012, Fresenius Medical Care US Finance II, Inc. issued unsecured Senior Notes of US$800 million with a coupon of 5.625% at par and unsecured Senior Notes of US$700 million with a coupon of 5.875% at par. In addition, FMC Finance VIII S.A. issued unsecured Senior Notes of €250 million with a coupon of 5.25% at par. The Senior Notes issued by Fresenius Medical Care US Finance II, Inc. in the amount of US$800 million are due on July 31, 2019 and the US$700 million Senior Notes are due on January 31, 2022. The Senior Notes issued by FMC Finance VIII S.A. are due on July 31, 2019. Net proceeds are used for acquisitions, to refinance indebtedness and for general corporate purposes.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2011. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

38. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 160 ff.), which is part of the Management Report.

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

The cash compensation paid to the Management Board for the performance of its responsibilities was €10,135 thousand (2010: €9,398 thousand). Thereof, €4,062 thousand (2010: €4,105 thousand) is not performance-related and €5,539 thousand (2010: €4,685 thousand) is performance-related. The amount of the performance-related compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based payment with cash settlement in an amount of €1,284 thousand.

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

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

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

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

39. AUDITOR'S FEES

In 2011 and 2010, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2011		2010	
€ in millions	Total	Germany	Total	Germany
Audit fees	**14**	**5**	15	5
Audit-related fees	**1**	**–**	1	–
Tax consulting fees	**1**	**0**	1	–
Other fees	**–**	**–**	–	–
Total auditor's fees	**16**	**5**	17	5

40. CORPORATE GOVERNANCE

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

41. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2011 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €0.95 per bearer ordinary share on the 163,237,336 ordinary shares entitled to dividend	155,075,469.20
Additions to other reserves	299,700,000.00
Balance to be carried forward	40,788.92
Retained earnings	**454,816,258.12**

42. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 22, 2012

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

COMPENSATION REPORT

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

COMPENSATION OF THE MANAGEMENT BOARD

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

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

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

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2011:

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

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

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

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

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

Dr. Lipps receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

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

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**900**	900	**61**	47	**1,150**	908	**2,111**	1,855
Rainer Baule	**500**	500	**120**	42	**764**	608	**1,384**	1,150
Dr. Francesco De Meo	**500**	500	**19**	18	**671**	498	**1,190**	1,016
Dr. Jürgen Götz	**375**	375	**33**	30	**584**	464	**992**	869
Dr. Ben Lipps[1]	**862**	905	**182**	354	**1,078**	1,172	**2,122**	2,431
Stephan Sturm	**500**	500	**86**	85	**721**	574	**1,307**	1,159
Dr. Ernst Wastler	**425**	425	**33**	32	**571**	461	**1,029**	918
Total	**4,062**	4,105	**534**	608	**5,539**	4,685	**10,135**	9,398

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 30% of the total subscribed capital.
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 2011, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €4,461 thousand. This equals 95% of the total bonus of €4,691 thousand. The remaining part in an amount of €230 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

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

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

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

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

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

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

In the fiscal year 2011, as a further long-term incentive component, the members of the Management Board were granted an entitlement to a share-based compensation with cash settlement (performance shares) for the first time. The entitlement is subject to a four-year vesting period although a shorter period may apply in special cases (e. g. professional incapacity, retirement, non-renewal of expired service agreements by the Company). The amount of cash payment corresponds to the share price of Fresenius SE & Co. KGaA's ordinary shares upon exercise at the end of the four-year vesting period.

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

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

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

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

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed performance-related compensation		Share-based compensation with cash settlement (performance shares)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**56,760**	56,760	**1,084**	733	**0**	174	**100**	0	**1,184**	907
Rainer Baule	**28,380**	28,380	**542**	367	**122**	241	**100**	0	**764**	608
Dr. Francesco De Meo	**28,380**	28,380	**542**	367	**29**	131	**100**	0	**671**	498
Dr. Jürgen Götz	**28,380**	28,380	**542**	367	**0**	98	**100**	0	**642**	465
Dr. Ben Lipps	**74,700**	99,600	**1,004**	804	**0**	0	**684**	391	**1,688**	1,195
Stephan Sturm	**28,380**	28,380	**542**	367	**79**	208	**100**	0	**721**	575
Dr. Ernst Wastler	**28,380**	28,380	**542**	367	**0**	95	**100**	0	**642**	462
Total	**273,360**	298,260	**4,798**	3,372	**230**	947	**1,284**	391	**6,312**	4,710

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

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

The development and the status of the stock options of the Management Board in the fiscal year 2011 are shown in the following table:

	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, 2011								
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**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	74,700	28,380	28,380	**198,660**
average exercise price in €	71.28	71.28	71.28	71.28	52.48	71.28	71.28	**71.28**
Options exercised during fiscal year								
number	58,480	65,790	0	0	100,870	0	3,300	**127,570**
average exercise price in €	24.48	30.95			18.54		22.81	**27.77**
average stock price in €	72.65	69.18			49.22		71.20	**70.82**
Options outstanding on December 31, 2011								
number	333,680	130,290	138,360	115,680	572,700	196,080	135,960	**1,050,050**
average exercise price in €	50.37	54.37	52.72	53.98	37.20	47.26	51.83	**51.18**
average remaining life in years	4.9	5.1	5.1	5.1	4.1	4.7	5.0	**5.0**
range of exercise prices in €	29.50 to 71.28	33.81 to 71.28	33.81 to 71.28	33.81 to 71.28	30.49 to 52.48	29.50 to 71.28	29.50 to 71.28	**29.50 to 71.28**
Exercisable options on December 31, 2011								
number	168,560	47,730	55,800	33,120	298,800	113,520	53,400	**472,130**
average exercise price in €	47.35	55.95	51.63	55.30	33.30	42.76	49.34	**48.40**

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

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2011 and 2010:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**2,111**	1,855	**1,184**	907	**3,295**	2,762
Rainer Baule	**1,384**	1,150	**764**	608	**2,148**	1,758
Dr. Francesco De Meo	**1,190**	1,016	**671**	498	**1,861**	1,514
Dr. Jürgen Götz	**992**	869	**642**	465	**1,634**	1,334
Dr. Ben Lipps	**2,122**	2,431	**1,688**	1,195	**3,810**	3,626
Stephan Sturm	**1,307**	1,159	**721**	575	**2,028**	1,734
Dr. Ernst Wastler	**1,029**	918	**642**	462	**1,671**	1,380
Total	**10,135**	9,398	**6,312**	4,710	**16,447**	14,108

The stock options and the entitlement to a share-based compensation (performance shares) can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2011 and 2010 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

	Stock options		Share-based compensation with cash settlement (performance shares)		Total expenses for share-based compensation	
€ in thousands	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**736**	681	**2**	0	**738**	681
Rainer Baule	**368**	341	**2**	0	**370**	341
Dr. Francesco De Meo	**351**	268	**2**	0	**353**	268
Dr. Jürgen Götz	**368**	327	**2**	0	**370**	327
Dr. Ben Lipps	**1,098**	879	**780**	860	**1,878**	1,739
Stephan Sturm	**368**	341	**2**	0	**370**	341
Dr. Ernst Wastler	**351**	268	**2**	0	**353**	268
Total	**3,640**	3,105	**792**	860	**4,432**	3,965

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

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

The pension commitments are as follows:

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

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

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

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

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

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

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

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

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

With the Management Board member Dr. Ben Lipps, there is the following individual agreement in plan: Instead of

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

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

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

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

MISCELLANEOUS

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

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

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

COMPENSATION OF THE SUPERVISORY BOARD

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

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time a member of the Supervisory Board of the general partner Fresenius Management SE and receives remuneration for his service on the Supervisory Board for Fresenius Management SE, the remuneration shall be reduced by half. The same applies with respect to the

additional part of the remuneration for the Chairman or one of his deputies if they are at the same time the Chairman or one of his deputies on the Supervisory Board of Fresenius Management SE. If the deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive remuneration for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the remuneration of the Supervisory Board of Fresenius Management SE was charged to Fresenius SE & Co. KGaA.

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

	Fixed compensation				Compensation for committee services				Variable compensation				Total compensation	
	Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE			
€ in thousands	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Gerd Krick	**14**	26	**12**	0	**10**	30	**16**	0	**128**	214	**110**	0	**290**	270
Dr. Dieter Schenk[1]	**1**	20	**18**	0	**0**	0	**8**	0	**14**	161	**165**	0	**206**	181
Niko Stumpfögger	**19**	20	**0**	0	**0**	0	**0**	0	**177**	161	**0**	0	**196**	181
Prof. Dr. med. D. Michael Albrecht (since January 28, 2011)	**12**	0	**0**	0	**0**	0	**0**	0	**110**	0	**0**	0	**122**	0
Prof. Dr. h. c. Roland Berger	**7**	13	**6**	0	**18**	20	**0**	0	**64**	107	**55**	0	**150**	140
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**118**	107	**0**	0	**131**	120
Konrad Kölbl	**13**	13	**0**	0	**9**	10	**0**	0	**118**	107	**0**	0	**140**	130
Klaus-Peter Müller	**7**	13	**6**	0	**0**	0	**0**	0	**64**	107	**55**	0	**132**	120
Dieter Reuß (since May 5, 2011)	**9**	0	**0**	0	**0**	0	**0**	0	**78**	0	**0**	0	**87**	0
Gerhard Roggemann (since January 28, 2011)	**12**	0	**0**	0	**8**	0	**0**	0	**110**	0	**0**	0	**130**	0
Dr. Gerhard Rupprecht	**12**	13	**6**	0	**0**	0	**0**	0	**112**	107	**55**	0	**185**	120
Wilhelm Sachs (until May 5, 2011)	**4**	13	**0**	0	**1**	10	**0**	0	**40**	107	**0**	0	**45**	130
Dr. Karl Schneider[1]	**1**	13	**12**	0	**2**	20	**8**	0	**9**	107	**110**	0	**142**	140
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**118**	107	**0**	0	**131**	120
Rainer Stein	**13**	13	**0**	0	**9**	10	**0**	0	**118**	107	**0**	0	**140**	130
Total	**150**	183	**60**	0	**57**	100	**32**	0	**1,378**	1,499	**550**	0	**2,227**	1,782

[1] Until January 28, 2011 member of the Supervisory Board of Fresenius SE & Co. KGaA, since January 28, 2011 member of the Supervisory Board of Fresenius Management SE

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2012. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE), Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 22, 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Hölzl
German Public Auditor

Hommel
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

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

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

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Management Board regularly kept the Supervisory Board informed – in a timely and comprehensive oral and written manner – about all important matters relating to business policy, business development, economic and financial position, profitability of the Company and the Group, the corporate strategy and planning, risk situation, risk management and compliance, as well as important business events. Based on the reports submitted from the Management Boards of both Fresenius SE and the general partner, respectively, the Supervisory Board discussed all business transactions

that were important for the Company in its committees and at its meetings. The Management Boards of Fresenius SE and of the general partner, respectively, discussed the Company's strategic direction with the Supervisory Board. The Supervisory Board passed resolutions within the framework of its legal and Company statutory authority.

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

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

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

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

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2011, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments in the business segments. The Supervisory Board furthermore thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, for example, the acquisition of Liberty Dialysis Holdings, Inc. in the dialysis segment

and the acquisitions of Damp Holding AG and Katholisches Klinikum Duisburg within our German hospital business. In addition, the Supervisory Board was kept informed about the implementation of the change of legal form and the share conversion. It discussed in detail the 2012 budget and the midterm planning of the Fresenius Group. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

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

The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board.

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

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. However, one of the Group's companies had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants. Prof. Dr. h. c. Berger – also a member

of the Supervisory Board of Fresenius Management SE – was a member of the Fresenius SE Supervisory Board until January 28, 2011, and has been a member of the Fresenius SE & Co. KGaA Supervisory Board since then. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants. The Fresenius Group paid €675,000 to that company for services rendered in 2011 (2010: €0.2 million). The Supervisory Board has closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from the voting. The approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

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

The payments mentioned in the above section "Corporate Governance" are net amounts in Euro. In addition, VAT and insurance tax were paid.

For more information on corporate governance at Fresenius, please refer to 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 205 of the Annual Report.

WORK OF THE COMMITTEES

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

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

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

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

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

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

PERSONNEL – COMPOSITION OF THE MANAGEMENT BOARD OF THE GENERAL PARTNER FRESENIUS MANAGEMENT SE AND THE SUPERVISORY BOARD OF FRESENIUS SE & CO. KGAA

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

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

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

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

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 8 and 9, 2012, the Audit Committee and then the Supervisory Board discussed all the documents in detail.

The auditors delivered a detailed report on the results of the audit at each of these meetings. They found no weaknesses in the internal control system and risk management with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.

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

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

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

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

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

Former Chairman of Fresenius AG

Chairman

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

Prof. Dr. med. D. Michael Albrecht

Dresden

Medical Director and Spokesman of the Management Board of the Universitäts-klinikum Carl Gustav Carus Dresden

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

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

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

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power S.A., Luxembourg (Chairman)
Fiat S.p.A., Italy
Italy 1 Investment S.A., Luxembourg (Deputy Chairman)
Loyalty Partner Holdings S.A., Luxembourg (until March 1, 2011)
RCS Mediagroup S.p.A., Italy
Telecom Italia S.p.A., Italy (until April 12, 2011)

Dario Anselmo Ilossi

(as of January 31, 2011)

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

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

Konrad Kölbl

(as of January 31, 2011)

Hof am 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

Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

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

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

(as of May 5, 2011)

Weilrod

Full-time Works Council Member

Chairman of the Joint Works Council Fresenius SE & Co. KGaA / Bad Homburg site

Member of General Works Council Fresenius SE & Co. KGaA

Gerhard Roggemann

Hanover

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

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

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

Dr. Gerhard Rupprecht

Gerlingen

Former Member of the Management Board of Allianz SE

Deputy Chairman

Offices
Supervisory Board
Euler Hermes Deutschland AG (since April 27, 2011)
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Wilhelm Sachs

(January 31 until May 5, 2011)
Friedrichsdorf
Full-time Works Council Member

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

Member of the European Works Council of Fresenius SE & Co. KGaA

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

Chairman of the European Works Council of Fresenius SE & Co. KGaA

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, Head of Company and Industry Politics in Health Care and Social Affairs
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 January 1, 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]

Joint Committee (since July 11, 2011) [4]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht
Dr. Karl Schneider

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

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider [1]

Königstein

Chairman

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care 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 (until February 24, 2011)

Rainer Baule [1]

Ettlingen

Business Segment Fresenius Kabi

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

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 (until January 14, 2011)
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong
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)
HELIOS Kliniken Leipziger Land GmbH (Chairman)
HELIOS Kliniken Mansfeld-Südharz GmbH (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Spital Überlingen GmbH (Chairman)

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

Dr. Jürgen Götz [1]

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps [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 (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Supervisory Board
Fresenius SE (until January 28, 2011)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

FINANCIAL CALENDAR

Report on 1st quarter 2012 Conference call Live webcast	May 3, 2012
Annual General Meeting, Frankfurt am Main, Germany	May 11, 2012
Payment of dividend [1]	May 14, 2012
Capital Market Day Fresenius Kabi, Bad Homburg v. d. H.	June 12, 2012
Report on 1st half 2012 Conference call Live webcast	August 1, 2012
Report on 1st – 3rd quarters 2012 Conference call Live webcast	October 31, 2012

[1] Subject to prior approval by the Annual General Meeting

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M1053
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	8 ADR = 1 Share
Main trading location	Frankfurt/Xetra	Trading location	OTC-market

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

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Germany

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e-mail: pr-fre@fresenius.com

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

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