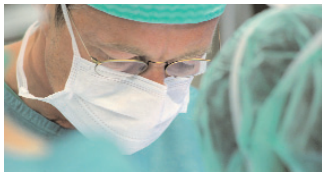
FRESENIUS


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

at December 31, 2008

applying Section 315a HGB in accordance with International Financial Reporting Standards

FRESENIUS

CONTENTS

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

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

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

- Fresenius Medical Care concentrates on dialysis care, manufacturing and marketing products for the treatment of patients with end stage renal disease (ESRD).
- Fresenius Kabi specializes in the production and sale of products for infusion therapy and clinical nutrition as well as intravenously administered generic drugs (IV drugs) and transfusion technology.
- Fresenius Helios operates hospitals and had a network of 57 clinics, 56 in Germany and one in Switzerland, as of December 31, 2008.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.
- The segment Corporate/Other comprises the holding activities of Fresenius SE, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate/Other also includes the consolidation measures conducted between the business segments.

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

Management and control

The corporate bodies of the group are the Management Board, the Supervisory Board, and the General Meeting. In accordance with Regulation No. 2157/2001 on the Statute

for a European Company (SE), Fresenius SE has a two-tier management and control system consisting of the Management Board and the Supervisory Board. The two boards work independently of each other and no one is allowed to be a member of both simultaneously.

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

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

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

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

For information on Management Board and the Supervisory Board compensation, please see pages 128 to 132 of the Notes.

Key products, services and business processes

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis and provides dialysis care at its own clinics in over 30 countries. Dialysis products are sold both to group clinics and to external dialysis care providers in more than 115 countries. Fresenius Kabi is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi sells its products mainly to hospitals in approximately 100 countries. Fresenius Helios operates hospitals mainly in Germany. Fresenius Vamed provides engineering and services for hospitals and health care facilities internationally.

Important markets and competitive position

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

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

Legal and economic factors

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially the rate of the US dollar to the euro, which had a pronounced effect in 2008. This impacted: first, on the statement of income due to the changed average annual exchange rate between these currencies of 1.47 in 2008 compared to 1.37 in 2007; and

second, on the balance sheet due to the changed spot rate of 1.39 as of December 31, 2008 compared to 1.47 as of December 31, 2007.

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

Capital, shareholders, statutes

The summary below shows the subscribed capital of Fresenius SE.

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

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

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

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

In addition, there is the following conditional capital:

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

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

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

Fresenius SE does not have a share buyback program.

Direct and indirect ownership interests in Fresenius SE are listed on page 107 of the Notes. The Else Kröner-Fresenius-Stiftung informed the company on December 14, 2008 that it holds 46,871,154 ordinary shares of Fresenius SE. This corresponds to a voting interest of 58.17 %.

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

Material agreements incorporating contingent conditions in the event of a change of control as the result of a takeover bid exist in respect of some of our long-term financing agreements. These agreements contain customary change of control clauses that grant creditors the right of premature call in the event of a change of control, whereby, generally, the change of control has to be followed by a downgrading of the company's rating.

CORPORATE PERFORMANCE CRITERIA, GOALS AND STRATEGY

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

The Management Board believes that, in addition to operating income, EBITDA (earnings before interest, taxes, depreciation, and amortization) is a good indicator of the business segments' ability to achieve positive financial results and to discharge their financial commitments. The operating cash flow contributions of our business segments are also controlled on the basis of days sales outstanding (DSO) and scope of inventory (SOI). A key performance indicator at the group level is the net debt/EBITDA ratio.

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

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to the value creation of the Group. Group ROIC is 7.1 % (2007:

8.4 %) and Group ROOA is 9.7 % (2007: 11.6 %). The decline in the two ratios compared to 2007 is due to the acquisition of APP Pharmaceuticals. We expect an improvement in ROIC and ROOA in the future.

The summary below shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2008**	2007	**2008**	2007
Fresenius Medical Care	**8.6**	8.4	**12.3**	12.5
Fresenius Kabi	**7.0**	14.0	**8.9**	17.7
Fresenius Helios	**5.9**	5.0	**6.3**	5.6
Fresenius Vamed*	**–**	–	**22.2**	22.8
Group (IFRS)	**7.1**	8.4	**9.7**	11.6

*ROIC: Invested capital is negative due to prepayments, cash, and cash equivalents.
2008: Pro forma APP Pharmaceuticals and excluding special items from the acquisition.
All business segment data according to US GAAP.

Strategy and goals

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

- To expand our market position: Fresenius' goal is to ensure the long-term future of the company as a leading international provider of products and services in the health care industry and to grow our market share. Fresenius Medical Care is the largest dialysis company in the world, with an especially strong market position in the United States. Future opportunities in dialysis will arise from international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the European market leader in infusion therapy and clinical nutrition. To strengthen the position, more products in its portfolio will be rolled out to growth markets. Further market share is also anticipated from the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. Mid-term, Fresenius Kabi plans to market products from its existing range in the United States; similarly, products from the newly acquired American company APP Pharmaceuticals will be sold globally. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Fresenius Vamed will be further strengthening its position as a specialist provider of engineering and services to hospitals and other health care facilities.
- To extend our global presence: In addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in Asia-Pacific and Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to concentrate on markets that offer attractive growth potential. Fresenius also plans to make further selective acquisitions to improve the company's market position and to diversify its business geographically.
- To strengthen innovation in the development of new products and technologies: Fresenius' strategy is to continue building on its strong position in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage on our competence in research and development in our operations to develop products and systems that provide a high level of safety and user-friendliness and which can be tailored to meet individual patient needs. We shall continue to meet the requirements of best-in-class medical standards, developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to increase brand recognition for its health care services and innovative therapies.
- To enhance profitability: Our goal is to continue to improve Group profitability. To contain costs, we are concentrating particularly on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and imposing strict cost controls. Focusing on our operating cash flow and maintaining efficient working capital management will improve our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC)

by deliberately employing a balanced mix of equity and debt funding. Our net debt/EBITDA ratio rose to 3.6 as of December 31, 2008 as a result of financing the acquisition of APP Pharmaceuticals. In 2010, we expect to bring down this ratio to a level of between 2.5 and 3.0 again. We report on our goals in detail in the Outlook section of the Management Report on pages 41 to 50.

RESEARCH AND DEVELOPMENT

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

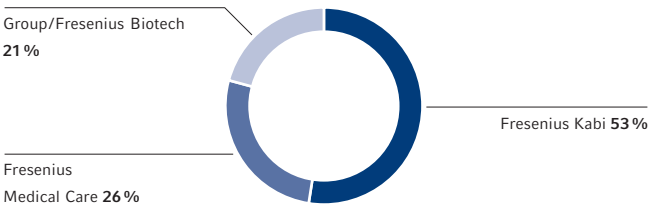
- dialysis and other extracorporeal therapies
- infusion and nutrition therapies and related medical devices
- antibody therapies.

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

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

Fresenius Kabi concentrated on developing new products and product enhancements in its core areas of infusion therapy, clinical nutrition, IV drugs, and medical devices. Attention was centered on IV drugs, where we are working on filing dossiers for approval in and outside Europe. In 2008, we submitted the dossiers for 11 products

R&D EXPENSES BY SEGMENT



to the European regulatory authorities. With the acquisition of APP Pharmaceuticals and Dabur Pharma, we have significantly expanded our R&D capabilities in this product segment. We began rolling out the Dabur products internationally last year. Dabur Pharma is a leading supplier of generic drugs and active agents for cancer treatment. In clinical nutrition, we submitted dossiers for the approval of SMOFlipid®, a lipid emulsion, for pediatric use in 2008. The approval process for SMOFKabiven® was completed. In enteral clinical nutrition, we continued our work on the development of a product line for dysphagia patients.

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

Expenditure for research and development was € 206 million in 2008 (2007: € 182 million). As in 2007, we invested about 5 % of our product sales in R&D. The pie chart shows the R&D figures by business segment. In 2008, Fresenius Medical Care increased R&D spending by 12 % and Fresenius Kabi by 27 %. In the segment Corporate/Other R&D, € 43

million were expended on the clinical development of trifunctional antibodies at Fresenius Biotech. Detailed figures are included in the segment reporting on pages 60 to 61.

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

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

	2008	2007	2006	2005	2004
R&D expenses (in million€)	**206**	182	166	147	122
R&D employees	**1,562**	999	911	856	819

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

OVERALL BUSINESS DEVELOPMENT

Economic environment

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

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

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

▶ Europe

The economic dynamic in the Eurozone weakened appreciably in 2008. GDP growth was 0.9 %, well below the previous year's level of 2.6 %. Despite the strong trade links within the single market, the weakness of the US economy and the global financial market crisis had a dampening effect on the economy in all member countries of the Eurozone, albeit to differing extents. Countries that had also witnessed a property boom, such as Spain and Ireland, were hit harder by the correction to the property market, with declining investment in residential construction and falling asset prices. Germany, on the other hand, was affected more by the indirect repercussions of the crisis, feeding through later in the form of weak foreign demand. The labor market continued to improve. The unemployment rate in the Eurozone was 7.4 %, the lowest since recording began. Given the massive economic downturn, the jobless rate in Europe is likely to rise significantly in 2009. Government

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

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

▶ United States

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

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

▶ Asia

In Asia (excluding Japan), economic development was more restrained than the year before, with GDP growth of 7.1 % (2007: 9.4 %). Nonetheless, despite this slowdown,

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

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

▸ Latin America

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

Health care industry

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

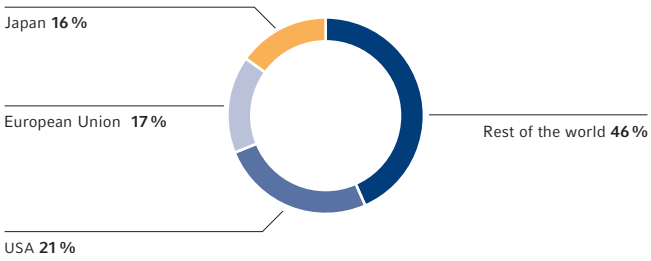
At the same time, the cost of health care is rising and is claiming an ever increasing share of national income. Health spending averaged 8.9 % of GDP in the OECD countries in 2006, with an average of US$ 2,824 spent per capita. The United States had the highest per capita spending with

US$ 6,714 followed by Norway, Switzerland, and Luxemburg with over US$ 4,000. Germany ranked tenth among the OECD countries with per capita spending of US$ 3,371.

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

Our most important markets developed as follows:

DIALYSIS PATIENTS BY REGION



▶ The dialysis market

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

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

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

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

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

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

Fresenius Medical Care is the leading provider of dialysis care in the United States with a market share of about 33 %. Together, Fresenius Medical Care and the second largest dialysis care provider DaVita treat almost 63 % of all US dialysis patients. Outside the United

States, the markets for dialysis care are much more fragmented. With over 700 dialysis clinics outside the United States and more than 60,000 patients treated in over 30 countries, Fresenius Medical Care has by far the largest and most international network of dialysis clinics.

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

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

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

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

▸ The market for infusion therapy and clinical nutrition

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

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

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

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

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

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

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

▶ The German hospital market

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

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

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

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

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

After reaching a peak of 17.43 million in 2002, the number of inpatient admissions at acute care clinics in Germany declined at first to 16.54 million in 2005 after

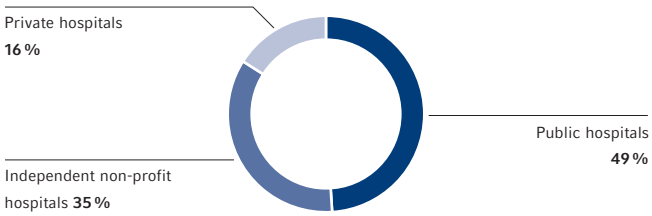
2007 KEY FIGURES FOR INPATIENT CARE IN GERMANY

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

*total costs, gross

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

HOSPITAL BEDS BY OPERATOR IN 2007



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

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

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

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

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

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

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

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

Significant factors affecting operating performance

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

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

The Group financial statements were also affected by a number of acquisitions and divestitures, partly from 2007. The principal transactions were: the acquisition of APP Pharmaceuticals and Dabur Pharma in 2008, and in 2007 the acquisition of Nestlé's enteral nutrition business in France (Novartis Nutrition S.A.S.) and Spain (Nestlé España), and the acquisition of Ribbon, a leading European manufacturer of antibiotic active agents. Städtische Kliniken Krefeld was consolidated as of December 31, 2007. In addition, Fresenius Medical Care acquired a number of dialysis clinics and entered into two marketing and license agreements for intravenously administered iron products in its renal pharmaceuticals business. The acquisition of APP Pharmaceuticals had a significant impact on the Group's financial statements. APP shareholders received a cash purchase price of US$ 23.00 per share plus a registered and tradeable Contingent Value

Right (CVR) that could deliver up to US$ 6.00 per share, payable in 2011, if APP Pharmaceuticals exceeds a cumulative adjusted EBITDA target for 2008 to 2010. Excluding the Contingent Value Rights, the total cash purchase for the fully diluted equity capital of APP Pharmaceuticals was approximately US$ 3.7 billion. In addition, US$ 0.9 billion of debt was assumed.

The annual financial statements for 2008 contain a number of special items resulting from the acquisition of APP Pharmaceuticals. The adjusted earnings figures represent the Group's business operations in the reporting period.

The Management Board's assessment of the business results

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

Comparison of the actual business results with the forecasts

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

Based on the very good operating performance in the first three quarters, Fresenius again raised its forecasts for sales at the beginning of November 2008. The sales growth of 11 % in constant currency (US GAAP: 11 %) that Fresenius achieved (excluding APP Pharmaceuticals) is above its forecast of 9.5 to 10.5 %. The target of 10 to 15 % in constant currency for net income was also fully achieved according to US GAAP, with growth of 13 %. Net income growth according to IFRS was 7 %. The outlook for 2008 was based on business excluding APP Pharmaceuticals and the special items resulting from the acquisition. Fresenius invested € 772 million in property, plant and equipment in 2008 (US GAAP: € 764 million). That is slightly above the projected figure of approximately € 750 million.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS, AND LIABILITIES

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

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

RESULTS OF OPERATIONS

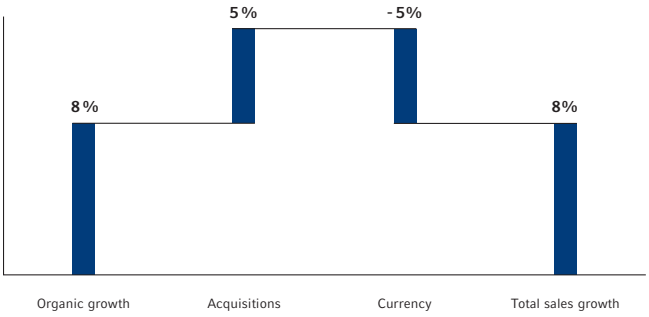
Sales

In 2008, we increased Group sales by 13 % in constant currency and by 8 % at actual rates to € 12,353 million (2007: € 11,391 million). Very good organic growth of 8 % was achieved, while acquisitions contributed 5 % to the growth in sales.

Group*	Targets for 2008 announced in February 2008	Raised target announced in November 2008	**Achieved in 2008 (US GAAP)**	**Achieved in 2008 (IFRS)**
Sales (growth, in constant currency)	8 to 10 %	9.5 to 10.5 %	**11 %**	**11 %**
Net income (growth, in constant currency)	10 to 15 %		**13 %**	**7 %**
Capital expenditure	€ ~ 750 million		**€ 764 million**	**€ 722 million**

* All Group targets according to US GAAP

SALES GROWTH ANALYSIS



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

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

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

Sales performance by business segment was as follows:

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

SALES BY REGION

in million €	2008	2007	Change	Organic growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Europe	**5,549**	4,852	14 %	9 %	-1 %	6 %	45 %
North America	**5,046**	4,965	2 %	5 %	-7 %	4 %	41 %
Asia-Pacific	**935**	802	17 %	17 %	-5 %	5 %	7 %
Latin America	**582**	488	19 %	18 %	-5 %	6 %	5 %
Africa	**241**	284	-15 %	-11 %	-7 %	3 %	2 %
Total	**12,353**	11,391	8 %	8 %	-5 %	5 %	100 %

SALES BY BUSINESS SEGMENT*

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

* All amounts according to US GAAP

STATEMENT OF INCOME (SUMMARY)

in million €	2008	2007	Change	Change in constant currency
Sales	**12,353**	11,391	8 %	13 %
Cost of goods sold	**- 8,410**	- 7,687	- 9 %	- 14 %
Gross profit	**3,943**	3,704	6 %	10 %
Operating expenses	**- 2,183**	- 2,057	- 6 %	- 10 %
EBIT, adjusted	**1,738**	1,647	6 %	9 %
EBIT	**1,760**	1,647	7 %	11 %
Net interest	**- 431**	- 368	- 17 %	- 2 %
Other financial result	**68**	0	–	–
Income taxes	**- 463**	- 469	1 %	- 3 %
Minority interest	**- 405**	- 388	- 4 %	- 9 %
Net income, adjusted	**437**	422	4 %	7 %
Net income	**529**	422	25 %	28 %
Earnings per ordinary share (in €), adjusted	**2.77**	2.72	2 %	5 %
Earnings per ordinary share (in €)	**3.35**	2.72	23 %	26 %
Earnings per preference share (in €), adjusted	**2.78**	2.73	2 %	5 %
Earnings per preference share (in €)	**3.36**	2.73	23 %	26 %
EBITDA, adjusted	**2,224**	2,074	7 %	11 %
EBITDA	**2,281**	2,074	10 %	14 %
Depreciation and amortization	**521**	427	22 %	25 %

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

Earnings structure

We achieved excellent growth rates in adjusted net income in 2008. Adjusted Group net income rose 4 % to € 437 million. Currency translation had an effect of –3 %. Growth in constant currency was 7 %. All business segments contributed to this success. Adjusted earnings per ordinary share rose to € 2.77, and adjusted earnings per preference share to € 2,78 (2007: € 2.72 per ordinary share, € 2.73 per preference share). In each case this is an increase of 5 % in constant currency. Including the special items, Group net income was € 529 million. Including the special items, earnings per share came to € 3.35 for the ordinary shares and to € 3.36 for the preference shares. Inflation had no significant effect on results of operations in 2008.

Adjusted Group EBITDA rose by 11 % in constant currency and by 7 % at actual rates to € 2,224 million (2007: € 2,074 million). Adjusted Group EBIT increased by 9 % in constant currency and by 6 % at actual rates to € 1,738 million (2007: € 1,647 million). Group EBITDA and Group EBIT, including the special items, were € 2,281 million and € 1,760 million, respectively.

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

Reconciliation to adjusted earnings

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

	2008			
in million €	EBIT	Other financial result	Net income	Cash relevant
Earnings, adjusted*	**1,738**		**437**	
Purchase accounting adjustments:				
- inventory step-up (market value)	**- 35**		**- 22**	–
Foreign exchange gain	**57**		**41**	partially
Other financial result:				
- Mandatory Exchangeable Bonds (mark-to-market accounting)		**28**	**20**	–
- Contingent Value Rights (mark-to-market accounting)		**75**	**75**	–
- One-time financing expenses**		**- 35**	**- 22**	partially
Earnings according to IFRS	**1,760**	**68**	**529**	

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

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

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

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

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

Development of other major items in the statement of income

Group gross profit increased to € 3,943 million, exceeding the € 3,704 million in 2007 by 6 % (10 % in constant currency). The gross margin was 31.9 % (2007: 32.5 %). The cost of sales rose 9 % to € 8,410 million (2007: € 7,687 million). This figure includes € 35 million special items from the inventory step-up due to market price accounting. Cost of sales as a percentage of Group sales was 68.1 %, up from 67.5 % in 2007. Selling, general, and administrative expenses consisted primarily of personnel costs, marketing and distribution costs, as well as depreciation and amortization. These expenses rose by 5 % to € 1,977 million in 2008 (2007: € 1,875 million). Their ratio as a percentage of Group sales improved slightly to 16.0 % (2007: 16.5 %). This includes special items of € 57 million from the currency gain on US dollar intercompany loans. Depreciation and amortization (adjusted for special items) were € 486 million (2007: € 427 million). Their ratio as a percentage of sales was 3.9 % (2007: 3.7 %). Including special items, depreciation and amortization was € 521 million. This includes the valuation step-up of € 35 million in inventories.

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

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

The adjusted Group tax rate was 35.6 % (2007: 36.7 %). Including the special items, the Group's tax rate was 33.1 %.

Minority interest increased to € 405 million, mainly due to good earnings performance at Fresenius Medical Care (2007: € 388 million). Of this, 93 % was attributable to the minority interest in Fresenius Medical Care.

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

in %	2008	2007
EBITDA margin, adjusted	**18.0**	18.2
EBIT margin, adjusted	**14.1**	14.5
Return on sales (before taxes and minority interest), adjusted	**10.6**	11.2

Value added

The value added statement shows Fresenius' total output in 2008 less purchased goods and services, and less depreciation and amortization. The value added of the Fresenius Group was € 6,182 million in 2008 (2007: € 5,784 million). This is an increase of 7 %. The distribution statement shows that, at € 4,328 million or 70 %, the largest portion of our value added went to our employees. Governments and lenders came next with € 557 million and € 431 million,

VALUE ADDED STATEMENT

in million €	2008	%	2007	%
Creation				
Company output	**12,407**	**100**	11,522	100
- Materials and services purchased	**5,704**	**46**	5,311	46
Gross value added	**6,703**	**54**	6,211	54
- Depreciation and amortization	**521**	**4**	427	4
Net value added	**6,182**	**50**	5,784	50
Distribution				
Employees	**4,328**	**70**	4,044	70
Governments	**557**	**9**	562	10
Lenders	**431**	**7**	368	6
Shareholders	**114**	**2**	103	2
Company and minority interest	**752**	**12**	707	12
Net value added	**6,182**	**100**	5,784	100

or 9 % and 7 %, respectively. Shareholders received € 114 million and minority interest € 405 million. The Company retained € 347 million for reinvestment.

FINANCIAL POSITION

Financial management policies and goals

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

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

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

Financing

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

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

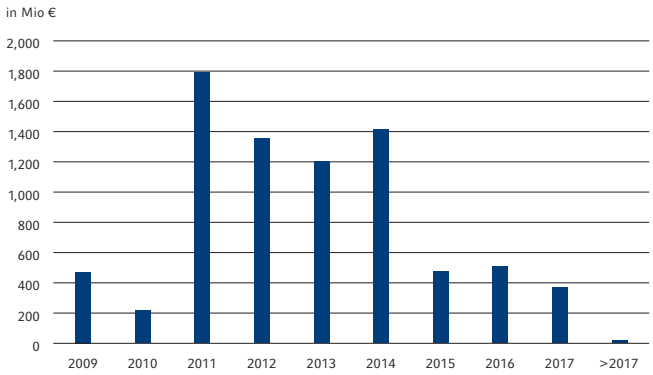
- On July 17, 2008 Fresenius SE successfully placed man-

datory exchangeable bonds (MEB) with a total nominal amount of € 554 million. The bonds have a term of 3 years and may only be redeemed by exchanging them for ordinary shares of Fresenius Medical Care AG & Co. KGaA. At maturity, Fresenius has to deliver a minimum of 14.24 million shares and a maximum of 16.80 million shares, equivalent to about 4.8 % and about 5.6 %, respectively, of the total subscribed capital of Fresenius Medical Care AG & Co. KGaA. The bond carries an annual coupon of 5 5/8 %. The minimum exchange price is equal to the reference price of € 33.00 and the maximum exchange price has been set 18 % above the reference price. This structure enables Fresenius SE to participate in a rise in the price of the Fresenius Medical Care ordinary shares up to a maximum exchange price of € 38.94.

- On August 15, 2008 Fresenius SE completed a capital increase, with gross proceeds of approximately € 289 million. Priced at € 52.00, 2,748,057 new bearer shares were issued as well as 2,748,057 new preference shares at a price of € 53.00. The new shares were offered to institutional investors through an accelerated bookbuilt offering.
- On August 20, 2008, a US$ 2.45 billion senior secured credit facilities agreement was signed. Of this, US$ 2.25 billion was drawn to cover the purchase price, to refinance APP's existing debt, and to meet transaction-related expenses when the APP acquisition was closed on September 10, 2008. On October 6, 2008, in response to strong demand among investors, Fresenius SE increased the credit facilities by the equivalent of US$ 500 million to approximately US$ 2.95 billion. For greater financial flexibility, the credit facilities' revolving credit lines were increased from US$ 450 million to US$ 550 million on November 26, 2008. The total volume of the senior secured credit facilities is thus approximately US$ 3.05 billion, with US$ 550 million of revolving credit lines, a Loan A of US$ 1.0 billion, and a Loan B of approximately US$ 1.5 billion. Loan B consists of US dollar tranches of US$ 497.5 million, US$ 502.5 million and US$ 210.5 million, respectively, and a euro tranche of € 200 million. The revolving credit lines and Loan A have a term of 5 years. Loan B has a term of 6 years. When the APP Pharmaceuticals acquisition was closed, US$ 250 million of the revolving credit lines were drawn.
- On August 20, 2008 an agreement was signed for a bridge facility of US$ 1.3 billion, which was also drawn in full on September 10, 2008. This financing was reduced to US$ 650 million in October 2008, using proceeds from the increase in the senior secured credit facilities and funds from other credit lines.
- On January 21, 2009 Fresenius issued unsecured Senior Notes by its subsidiary Fresenius US Finance II, Inc. Proceeds were US$ 800 million. The euro tranche of € 275 million principal amount was issued at a price of 93.024 % and has a coupon of 8.75 %, resulting in a yield to maturity of 10.25 %. The US dollar tranche of US$ 500 million principal amount was issued at a price of 93.076 % and has a coupon of 9.00 %, resulting in a yield to maturity of 10.50 %. Both tranches will mature in 2015 and are non-callable. Proceeds of the Notes offering were used to replace the bridge facility of US$ 650 million used to finance the acquisition of APP Pharmaceuticals and to reduce short-term debt. This transaction completed the financing of the APP Pharmaceuticals acquisition.

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

MATURITY PROFILE OF THE FINANCING FACILITIES OF THE FRESENIUS GROUP*



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

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

Fresenius SE has a commercial paper program under which up to € 250 million in short-term notes can be issued. No commercial papers were outstanding as of December 31, 2008 and December 31, 2007.

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

Detailed information on the Fresenius Group's financing can be found on pages 93 to 101 of the Notes.

Effect of off-balance-sheet financing instruments on our financial position and assets and liabilities

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

Liquidity analysis

In 2008, key sources of liquidity were operating cash flows, short-, medium-, and long-term debt, and equity financing. Cash flow from operations is influenced by the profitability of Fresenius' business and by net working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program, and by drawing on bilateral bank credit agreements. Medium- and long-term funding is provided by the revolving credit facilities of Fresenius Medical Care, the revolving credit facilities of Fresenius SE, bonds, as well as by various other financing instruments. Fresenius believes that its existing

FINANCIAL POSITION – 5-YEARS OVERVIEW

in Mio €	**2008**	2007	2006	2005	2004
Operating Cashflow	**1,080**	1,303	1,058	784	860
in % of sales	**8.7**	11.4	9.8	9.9	11.8
Investments in property, plan and equipment, net	**744**	669	577	335	297
Cashflow before acquisitions und dividends	**336**	634	481	449	563
in % of sales	**2.7**	5.6	4.5	5.7	7.7

credit facilities, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the company's foreseeable liquidity needs.

Dividend

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

Cash flow analysis

Overall, the cash flow statement shows a sustainable development. Cash flow increased by 17 % to € 1,460 million in 2008 (2007: € 1,244 million). This is due to higher depreciation and amortization as a result of special items, while the special items reduced net income. The change in working capital was € -285 million (2007: € 59 million). This was due to the increase in trade accounts receivable and the growth in inventories.

Operating cash flow was € 1,080 million in 2008 (2007: € 1,303 million). The cash flow margin reached 8.7 % (2007: 11.4 %). Operating cash flow was more than sufficient to meet all the financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was € 767 million and proceeds from the sale of property, plant, and equipment amounted to € 23 million (2007: € 707 million and € 38 million, respectively). Cash flow before acquisitions and dividends was therefore € 336 million (2007: € 634 million). Group dividends were financed in full from cash flow. The cash required for acquisitions was funded through equity measures and new debt.

Cash from financing activities (excluding dividend payments) was € 2,868 million (2007: € 82 million). In 2008, this was marked primarily by the equity and debt financing of the APP Pharmaceuticals acquisition. In addition to the acquisition expenditure, Group dividend payments led to a cash outflow of € 245 million in 2008 (2007: € 205 million). The Fresenius SE dividends accounted for € 103 million (2007: € 89 million). Cash and cash equivalents amounted to € 370 million as of December 31, 2008 (December 31, 2007: € 361 million).

CASH FLOW STATEMENT (SUMMARY)

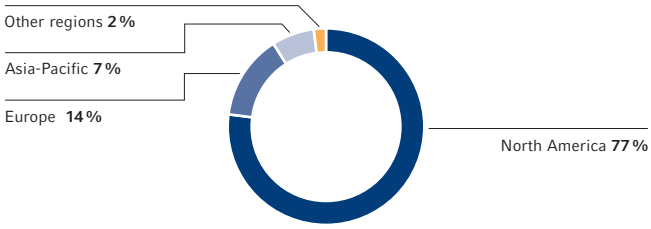
in million €	2008	2007
Net income before minority interest	**934**	810
Abschreibungen	**521**	427
Change in pension provisions	**5**	7
Operating cash flow	**1,460**	1,244
Change in working capital	**- 285**	59
Change in mark-to-market valuation of the mandatory exchangeable bonds and the CVR	**- 95**	–
Operating cash flow	**1,080**	1,303
Property, plant and equipment	**- 767**	-707
Proceeds from the sale of property, plant and equipment	**23**	38
Cash flow before acquisitions and dividends	**336**	634
Cash used for acquisitions/proceeds from disposals	**- 2,954**	-395
Dividends	**- 245**	-205
Cash flow after acquisitions and dividends	**- 2,863**	34
Cash provided by/used for financing activities (without dividends paid)	**2,868**	82
Effect of exchange rate changes on cash and cash equivalents	**4**	-16
Change in cash and cash equivalents	**9**	100

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

Investments and acquisitions

The Fresenius Group invested € 4,623 million in 2008 (2007: € 1,325 million). At € 772 million (2007: € 707 million), investment in property, plant and equipment was well above the level of depreciation of € 486 million before special items and serves as the basis for preserving the company's value over the long term and for expansion. Of the total, about 48 % was invested in maintenance and about 52 % on expansion. Acquisitions incurred € 3,851 million (2007: € 618 million). Of the total investment volume in 2008, 17 % was invested in property, plant and equipment; 83 % was spent on acquisitions.

INVESTMENTS BY REGION



2008: 4,623 Mio €

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

The cash outflows for acquisitions related mainly to the acquisition of APP Pharmaceuticals and the acquisition of Dabur Pharma in the Fresenius Kabi business segment. Fresenius Medical Care invested in expanding its global dialysis care business and its production of renal drugs. At Fresenius Helios, expenditure was for the acquisition of hospitals. Fresenius Vamed mainly invested into hospitals in the Czech Republic and the expansion of the service business. The main investments in property, plant and equipment were as follows:

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

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

ASSETS AND LIABILITIES

Asset and liability structure

The total assets of the Group rose by € 5,518 million (36 %) to € 20,826 million (December 31, 2007: € 15,308 million). In constant currency, this is an increase of 33 %. Of this growth, 29 % is attributable to the acquisitions in 2008, especially APP Pharmaceuticals. The expansion of existing business activities accounted for 4 %. Inflation had no significant impact on the assets of Fresenius in 2008.

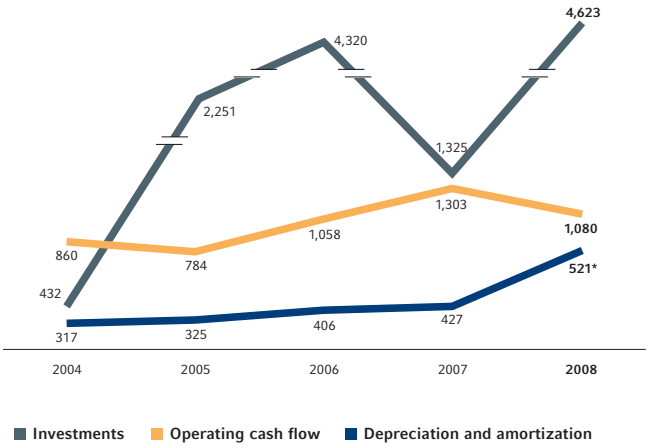
Non-current assets were € 16,004 million (2007: € 11,274 million). Based on the exchange rates as of December 31, 2007, this was an increase of 38 %, and was driven by additions to property, plant and equipment, as well as acquisitions. Goodwill from acquisitions was € 3,228 million as of December 31, 2008, of which € 2,739 million was attributable to the acquisition of APP Pharmaceuticals.

INVESTMENTS BY BUSINESS SEGMENT*

in million €	2008	2007	Thereof property, plant and equipment and intangible assets	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**687**	680	467	220	1 %	15 %
Fresenius Kabi	**3,749**	294	137	3,612	–	81 %
Fresenius Helios	**140**	323	135	5	-57 %	3 %
Fresenius Vamed	**39**	10	4	35	–	1 %
Corporate/Other	**2**	11	21	-19	-82 %	–
Reconcilitation IFRS	**6**	7	8	-2	-14 %	–
Total	**4,623**	1,325	772	3,851	–	100%

* All business segments according to US GAAP

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



* includes special items of € 35 million from the acquisition of APP Pharmaceuticals

Current assets rose by 20 % to € 4,822 million (2007: € 4,034 million). In constant currency, this is also an increase of 20 %. Within current assets, trade accounts receivable rose by 15 % to € 2,477 million, primarily due to business expansion as a result of acquisitions (2007: € 2,159 million). Average days sales outstanding (DSO) of 71 days was on previous year's level. The acquisition of APP Pharmaceuticals had a positive effect while DSO increased at Fresenius Medical Care and Fresenius Kabi. Inventories rose by 29 % to € 1,127 million (2007: € 875 million). The scope of inventory (SOI) was 48 days in 2008 (2007: 42 days). This was affected by the first-time consolidation of APP Pharmaceuticals. The ratio of inventories to total assets slightly decreased to 5.4 % as of December 31, 2008 (December 31, 2007: 5.7 %).

Shareholders' equity rose by 19 %, or € 1,138 million, to € 7,237 million (2007: € 6,099 million). In constant currency, this is an increase of 16 %. Group net income increased shareholders' equity by € 529 million. The capital increase in the third quarter of 2008 to finance the APP Pharmaceuticals acquisition added € 289 million. The equity ratio was 34.7 % as of December 31, 2008 (December 31, 2007: 39.8 %).

The liabilities and equity side of the balance sheet shows a solid financing structure. Shareholders' equity of the Group comprises 45 % of non-current assets (2007: 54 %). Together, shareholders' equity and long-term liabilities cover all non-current assets and 58 % of the inventories.

Long-term liabilities were € 9,420 million as of December 31, 2008, an increase of € 3,724 million compared to the previous year's figure of € 5,696 million. The large increase is mainly attributable to the financing of the APP Pharmaceuticals acquisition. Short-term liabilities were € 4,169 million, an increase of 19 % versus the previous year's figure of € 3,513 million.

The Group has no significant accruals. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the Natio-

ASSETS AND LIABILITIES – 5-YEARS OVERVIEW

in million €	**2008**	2007	2006	2005	2004
Total assets	**20,826**	15,308	15,024	11,602	8,200
Shareholders' equity	**7,237**	6,099	5,798	5,204	3,383
As % of total assets	**35**	40	39	45	41
Shareholders' equity/non-current assets (%)	**45**	54	52	63	60
Debt	**8,677**	5,655	5,879	3,502	2,735
As % of total assets	**42**	37	39	30	33
Gearing (%)	**115**	87	98	62	77

nal Medical Care transaction in 1996 that resulted from the bankruptcy of W.R. Grace. The accrual amounts to US$ 115 million (€ 83 million). Please see page 110 of the Notes for details.

Group debt was € 8,677 million. This is well above the previous year's level (2007: € 5,655 million) due to the financing of the APP Pharmaceuticals acquisition. In constant currency it was € 8,389 million. Its relative weight in the balance sheet increased to 41.7 % (2007: 36.9 %). Approximately 63 % of the Group's debt is denominated in US dollars. Liabilities due in less than one year were € 1,264 million (2007: € 937 million), while liabilities due in one to five years or more were € 7,413 million (2007: € 4,718 million).

The net debt to equity ratio including minority interest (gearing) has risen to 115 % (2007: 87 %). The return on equity after taxes reached 9.6 % (2007: 12.3 %), and the return on total assets after taxes and before minority interest was 3.9 % in 2008 (2007: 5.3 %); both pro forma APP Pharmaceuticals and before special items related to the acquisition.

The table below shows other key asset and capital ratios:

in million €	Dec 31, 2008	Dec 31, 2007
Debt/EBITDA*	**3.7**	2.8
Net debt/EBITDA*	**3.6**	2.6
EBITDA/interest ratio*	**4.0**	5.6

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

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was € 1,493 million as of December 31, 2008. These contracts had a market value of € 31 million. The nominal value of interest rate hedging contracts was € 3,470 million. These contracts had a market value of € -191 million. Please see the Risk Report on page 38 and the Notes on pages 114 to 117 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

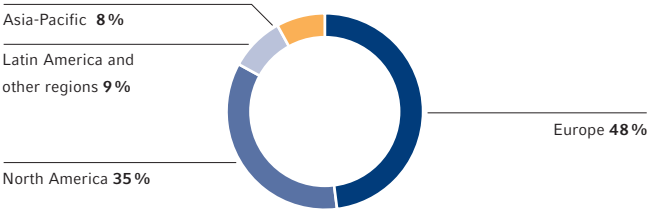
The Fresenius Group had 122,217 employees worldwide at the end of 2008. The increase of 8,036 or 7 % (December 31, 2007: 114,181) was mainly due to acquisitions.

Employee numbers in the business segments were as follows:

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

The chart shows the distribution of our employees by region. These percentages roughly correspond to the sales contributions of the respective continents. With an increase of 7 %, the number of employees has grown significantly in North America. This is mainly due to the APP Pharmaceuticals acquisition. The number of employees also rose strongly in Asia-Pacific, with an increase of 32 %. This reflects the acquisition of Dabur Pharma and our fast-growing business in this region, where currency-adjusted sales growth was 22 %. In Germany, 37,078 people are employed, an increase of 4 % (2007: 35,789).

EMPLOYEES BY REGION



2008: 122,217

Personnel expenses for the Fresenius Group were € 4,328 million in 2008 (2007: € 4,044 million). Personnel expenses per employee were € 36.5 thousand (2007: € 37.4 thousand). There were no significant changes to compensation or employment agreements in 2008.

PROCUREMENT

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

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

in million €	2008	2007
Cost of raw materials, supplies and purchased components	**3,668**	3,266
Depreciation of raw materials, supplies and purchased components	**3**	4
Reversals of write downs of raw materials, supplies and purchased components	**0**	–
Cost of purchased components and services	**536**	503
Total	**4,207**	3,773

In 2008, the cost of raw materials and supplies and purchased components and services was € 4,207 million (2007: € 3,733 million).

Fresenius Medical Care

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

Fresenius Kabi

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

To counter increases in raw materials and energy prices, Fresenius Kabi began extending the global bundling of requirements early on, also acting in coordination with other Fresenius companies. A focus in 2008 was on synergy projects, e.g. for dextrose derived from corn and for process filters used in the production of infusion solutions.

Fresenius Kabi uses processed products derived from raw materials of agricultural origin – both milk and corn – in its infusion therapies and enteral nutrition. The price of corn, which is used as a basic raw material for various processed products, rose strongly at times in the course of 2008. Following large price increases for processed milk products, supply grew in 2008. As a result of this development, Fresenius Kabi was able to enhance its negotiating results. A bidding process was developed together with Fresenius Medical Care for joint requirements in the area of solution filters. This will take effect in 2009.

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

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

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

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

Fresenius Helios

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

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

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

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

In procurement management, the quality attributes of the products used are of essential importance. For example, in 2008 HELIOS Kliniken Group sourced new safety syringes for blood collection and vein punctures where, after use, an irreversible guard is automatically fitted over the used syringe, excluding all risk of accidental injury and infection for staff and patients. Statutory regulations only require such safety syringes to be used where the risk of accidental injury from hypodermic needles is particularly high. HELIOS Kliniken Group, however, uses these syringes in all inpatient and working areas.

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

QUALITY MANAGEMENT

Our quality management has the following three objectives:

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

These objectives overlay the quality of our products and all services and therapies that we provide. Our quality management system integrates all product groups, including drugs, medical devices, and nutrition, as well as our clinics. The quality management system is regularly evaluated by internal audits and external certification bodies. Our products are closely controlled even at the development stage. Because our drugs are subject to regulatory approval, appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo a conformity assessment procedure that documents their compliance with the appropriate norms. In enteral nutrition, we follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process. We have established quality assurance systems in all our production facilities. In addition to the controlled use of materials, validated production procedures, and ambience and in-process controls, each batch produced also undergoes final controls and a formal release procedure. Our production facilities are regularly inspected by regulatory authorities or other independent institutions. All audits and inspections have resulted in the renewal of the relevant manufacturing authorization or certification. Sales and marketing are also an integral part of the quality management system. For example, at any given time we are able to trace where every batch has been supplied.

In recent years, HELIOS has initiated and further developed a performance indicator system to evaluate the quality of medical results in hospitals. Although not based on ISO certification, within the hospital market this system is acknowledged as a highly innovative procedure. The system is even used as quality standard in more than 200 German hospitals outside HELIOS Group. Furthermore, in 2008 the Swiss Federal Office of Public Health (Bundesamt für Gesundheit) started a pilot project based on the HELIOS quality management system to evaluate quality indicators in the hospital market.

Fresenius Medical Care

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

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

Fresenius Medical Care monitors the effective implementation of IMS through so-called audits. To ensure that these audits can be carried out regularly and company-wide further employees were trained in 2008. Generally, quality management is to be even more firmly embedded among employees. Fresenius Medical Care is currently developing a training management system. This holistic system, like IMS, will not only cover aspects of product quality but also environmental management, occupational safety and especially risk management issues.

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

Fresenius Kabi

Quality management at Fresenius Kabi is subject to a great many national and international regulations, such as Good Clinical Practice (GCP), current Good Manufacturing Practice (cGMP), Good Distribution Practice (GDP), ISO Standard 13485:2003, the environmental management standard ISO 14001:2004 as well as regulatory, product-specific requirements. All of these requirements have been integrated into a quality management system conforming to ISO Standard 9001:2008. Fresenius Kabi has included virtually all its global production facilities and the majority of the local sales organizations in the external certification process. Quality management at our production sites, in the sales divisions, and at a cross-functional level is reviewed regularly by national and international regulatory authorities and by customers. The high standards and exemplary functionality of the systems were again confirmed in 2008.

The focus in 2008 was on new certification for the sales organizations outside Europe. In addition to European sites, plants in India and China are included in the certification process to environmental standard 14001:2004. The existing

electronic workflow systems were further refined to improve global communication in the area of quality management.

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

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

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

Fresenius Helios

The HELIOS quality management system that was developed in-house is committed to a continuous improvement in patient care. Now, over 900 indicators (2007: about 700) cover all the main diseases, so that the number of services performed and partially also surgical procedures and, where possible, the quality of the outcomes, can be recorded. Utilizing over 142 indicators, our annual medical report regularly publishes the 30 most important diseases and surgical procedures for the HELIOS Group. The individual clinics provide this information in their hospital guidebooks. The results are also published on the Internet. These publications demonstrate the exemplary transparency of HELIOS' performance externally. Demanding targets were defined for 33 indicators. In these areas, the HELIOS clinics aim to be at least as good as the German average. Where benchmark data are available, HELIOS expects its clinics to match best-in-class international standards in surgical medicine. The Group met or significantly exceeded the targets for 24 of these indicators. Group-wide mortality rates for major diseases, such as heart attack, heart failure, stroke, and pneumonia, and for many major surgical procedures, were well below the German average – by as much as 29 % in some cases. For example, the mortality rate in the treatment of fractures of the neck of the femur, often caused by falls of elderly persons, was below the German average. Where targets were not achieved, the deviation from the German average was so small as to be statistically insignificant. The medical teams at HELIOS are also pursuing goals relating to care in their various specialist areas.

HELIOS has taken yet another important step aimed at independent and transparent reporting of treatment quality: The Initiative of Quality Medicine (IQM) was launched in collaboration with six other hospital operators. Close to a million patients are treated at the 100 or so clinics covered by this initiative. Members undertake to conduct standardized measurements of the quality of the treatment results at their clinics, based on administrative data, and to publish the results. This voluntary commitment also includes a form of peer reviewing: Internal and external experts analyze the treatment results that do not meet the initiative's quality goals and discuss concrete improvements with the clinic involved. The aim of this review is to achieve improvements in the procedures and structures of the treatment process.

IQM is the first multi-operator, administrative data-based quality assurance initiative in Germany and furthers HELIOS' interest in improving the transparency of quality data for the German health care market.

Fresenius Vamed

In the planning and construction of hospitals, Fresenius Vamed sets high quality standards in its flexible design of parameters across processes and structures. These parameters include process optimization (covering, for example, ambulance bays, admission and discharge areas, interdisciplinary emergency facilities, interdisciplinary outpatient clinics), differentiation according to modular care levels (from basic to intensive care), and the flexible use of buildings and wards in response to shifts in demand – always allowing for particular reimbursement systems and technical developments. VAMED has an internationally experienced team of experts who assure the quality of the structural and process design even when the project is at the concept stage and after, when the services are established. Internally, the processes are designed for efficiency and sustainability, using interdisciplinary quality standards. These standards are mostly based on ISO 9001:2000 and ISO 13485:2003 standards, as well as the standards of the European Foundation for Quality Management (EFQM).

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

SALES, MARKETING, AND LOGISTICS

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

Fresenius' products are shipped by the production plants to central warehouses, generally located not far from the production sites. These central warehouses dispatch the products to regional warehouses, which then distribute them to the clinics and other customers, or directly to a patient's home. The business segments offer after-sales services, training in the local language, technical support, servicing, and maintenance and warranty arrangements in every country in which Fresenius sells its products. Product training is also provided at the company's production sites. Regional service centers are responsible for day-to-day international service support.

The business segments have the following customer structure:

Dialysis clinics and hospitals are Fresenius Medical Care's main customers for its products business. In dialysis care, approximately 35 % of Fresenius Medical Care's revenues are derived from the US government's Medicare/Medicaid programs, with about 65 % from hospitals and private and other health care payors.

Fresenius Kabi has a broadly diversified customer base that includes hospitals, wholesalers, purchasing organizations, medical and similar institutions, hospital operators, and home care patients. Fresenius Kabi has no significant dependence on one source of revenue. In the United States, the products of APP Pharmaceuticals are distributed primarily through group purchasing organizations.

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

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

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Our products and services continue to be in significant demand around the world. Operating performance in the first weeks of 2009 has been in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

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

As a provider of often life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. Our experience in the development and manufacture of products, as well as in our markets, serves as a solid basis for a reliable assessment of risks. At the same time, we will continue to take advantage of the wide-ranging opportunities for sustainable growth that the health care market offers to the Fresenius Group.

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity, aimed at securing the company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. Opportunities management is closely linked to the Fresenius Group's long-term strategy and medium-term planning. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and institutions, and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 41.

RISK MANAGEMENT

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

- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.

- The managers responsible are required to report without delay any relevant changes in the risk profile to the Management Board.
- Markets are kept under constant observation and close contacts maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

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

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

RISK AREAS

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

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

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

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

  In the United States, almost all injectable pharmaceutical products are sold to customers through arrangements with group purchasing organizations (GPOs) and

distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. APP Pharmaceuticals currently derives, and expects to continue to derive, a large percentage of its revenue through a small number of GPOs. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. APP Pharmaceuticals has purchasing arrangements with the major GPOs. To maintain these relationships, APP Pharmaceuticals believes it needs to be a reliable supplier, offer a broad high-quality product line, remain price competitive and comply with FDA regulations. The GPOs also have purchasing agreements with other manufacturers, and the bid process for products such as those of APP Pharmaceuticals is highly competitive. Most of APP Pharmaceuticals' GPO agreements can be terminated at short notice.

In addition, our close ties with the medical and scientific communities allow us to identify and support relevant technological innovations and to keep abreast of developments in alternative treatment methods. These enable us to evaluate and adjust our corporate strategy if necessary.

Operating risks

Production, products and services

We confront potential risks in production and services with the following measures: Compliance with product and manufacturing regulations is insured by quality management systems in accordance with the internationally recognized quality standards ISO 9001 and ISO 9002 and corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out by quality management officers at the Group's production sites and dialysis clinics. These audits test compliance with all regulations in all areas – from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the international "Good Manufacturing Practice" (GMP) guidelines and other internationally and nationally recognized standards. In addition, the quality management and compliance programs document and make sure that business is carried out in line with high ethical standards and in accordance with official procedures. Internal and external audits review the legality and efficiency of our operations and the effectiveness of our internal monitoring systems. Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews.

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

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

Growing competition could adversely affect the pricing and sale of our products and services. The introduction of new products and services by competitors could make products and services of the Fresenius Group less competitive. On the procurement side, we counter risks, which mainly involve possible price increases, by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group. Generally, the markets in which we operate are characterized by price pressure, competition, and efforts to contain health care costs. These could result in lower sales and adversely affect our business, our financial position, and our operational results.

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

- Research and development

The development of new products and therapies always carries the risk that the ultimate goal is not achieved. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. We also strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development. With IV drugs, it is also crucial that new products are brought to the market continually and at the right time.

- Risks from the integration of acquisitions

The integration of acquisitions or potential acquisitions carries risks that can adversely affect Fresenius' assets and liabilities, our financial position, and results of operations. Following an acquisition, the infrastructure of the acquired company must be integrated while legal questions and contractual obligations are being clarified. Marketing, patient services, and logistics must also be unified. During the integration phase, key managers can leave the company and the course of ongoing business as well as relationships with customers and employees can be harmed. In addition, change of control clauses may be claimed. The integration process may prove to be more difficult and cost-intensive or last longer than expected. Risks can arise from the operations of the newly acquired company that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected. Future acquisitions may be a strain on the finances and management of our business. Moreover, as a consequence of an acquisition Fresenius may become directly or indirectly liable toward third parties or claims against third parties may turn out to be nonassertible.

Acquired by Fresenius in 2008, APP Pharmaceuticals has agreed to indemnify Abraxis BioScience, Inc. which split from it in 2007, from and after the spin-off with respect to all liabilities of the pre-separation company related to APP Pharmaceuticals' business. At the same time, Abraxis BioScience agreed to indemnify APP Pharmaceuticals from and after the spin-off with

respect to all liabilities of the pre-separation company not related to APP Pharmaceuticals' business. The extent to which Abraxis BioScience will be able to satisfy these potential claims in future cannot be predicted.

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

- Personnel risks

Risks in personnel marketing are not considered to be significant. Nevertheless, the Group uses comprehensive recruiting and personnel development programs to counteract a possible shortage of skilled personnel. By using targeted personnel marketing measures to recruit a qualified and dedicated workforce, Fresenius counters the general shortage of specialized hospital personnel, thus insuring our high standards of treatment quality. At the same time, by assisting in the training of young people we thereby seek to commit them to the Company. HELIOS, for instance, pays a monthly stipend to medical students during their one-year internship. This practice puts HELIOS at a considerable competitive advantage over other hospital operators in recruiting staff.

- Financial risks

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

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

The Fresenius Group is protected to a large extent against currency and interest rate risks. As of December 31, 2008, approximately 69 % of the Fresenius Group's debt is protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 31 %, or € 2,724 million, is exposed to an interest rate risk. A rise of 0.5 % in the reference rates relevant for Fresenius would have a less than 1.5 % impact on Group net income.

As an international company, Fresenius is widely exposed to translation effects due to foreign exchange rate fluctuations. The exchange rate of the US dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. As a globally active company, we have production facilities in all the main currency areas. In our service businesses, the revenue and cost base coincide. The exposure to currency risks arising from our business activities does not rise to the same extent as sales.

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

Fresenius' debt has increased significantly as a result of the financing of the APP Pharmaceuticals acquisition reaching € 8,677 million as of December 31, 2008. The debt could limit the ability to pay dividends, to arrange refinancing, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. This is counteracted through a long-term spread maturities profile. In addition, the Group has no material short-term refinancing requirements.

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

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

  In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent court. Claims made out of court by certain private US health insurers were also settled by an agreement. Consequently, all legal issues resulting from the NMC transaction have been finally concluded subject to plan confirmation. FMCH and its subsidiaries, including RCG (before its acquisition by Fresenius Medical Care) received in April 2005 (RCG in August 2005) a subpoena from the US Department of Justice in St. Louis (Missouri) in connection with civil and criminal investigations. Documentation must be provided on clinical quality programs, business development activities, compensation of clinic managers, contractual relationships with doctors, joint ventures, and anemia treatment therapies, RCG's suppliers, pharmaceutical and other services which RCG has provided for patients, RCG's relations to companies in the phar-

maceutical industry and RCG's procurement of dialysis machines from FMCH. The Inspector General of the U.S. Department of Health and the Attorney General for the Eastern District of Texas confirmed their involvement in the review of the anemia management program.

In July 2007, the U.S. Attorney General filed a civil action against RCG and FMCH, in its capacity as the present holding company of RCG, before the U.S. district court for the Eastern District of Missouri. The action claims damages and penalties in respect of the business activities of the RCG Method II supplier company in 2005, before RCG was acquired by FMCH. The company believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation.

Please see pages 110 and 113 of the Notes for further information.

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

- Other risks

Other risks, such as environmental risks and risks involving management and control systems or our IT systems, are not considered to be significant. IT risks are countered through security measures, such as controls and monitoring. In addition, we counter these risks with constant investment in hardware and software as well as by improving our system know-how.

ASSESSMENT OF OVERALL RISK

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

CORPORATE RATING

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

RATING OF FRESENIUS SE

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

SUBSEQUENT EVENTS

On January 21, 2009, Fresenius issued a US$ 800 million equivalent of unsecured Senior Notes by its subsidiary Fresenius US Finance II, Inc. Please see page 22 for further details.

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

OUTLOOK*

This Management Report contains forward-looking statements, including statements on future sales, expenses and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the company in the future. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Risk Report on pages 34f. The Management Board controls the business segments by setting strategic and operative targets and through various financial ratios according to US GAAP. Therefore, in the following outlook all ratios of the business segments and of the Group are according to US GAAP.

GENERAL AND MID-TERM OUTLOOK

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

- The sustained growth of the markets in which we operate: Here, Fresenius sees very good opportunities to profit from the considerable health care needs, primarily in the developing and emerging countries.
- The development of innovative products and therapies: These will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality and the reliability of our products and therapies is key to being able to exploit opportunities for expansion.
- The expansion of our regional presence: The fast-growing markets in Asia-Pacific and Latin America especially offer further opportunities for increasing our market shares.
- We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment will enable us over time to introduce infusion and nutrition therapy products to the US market. Similarly, Fresenius Kabi's international marketing and sales network will provide us with a global market for APP Pharmaceutical's products in future.
- The broadening of our services business: Fresenius Helios has concrete opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities, for instance, for Fresenius Medical Care. Since Japan is one of the world's biggest dialysis markets, changes in the framework conditions for the operation of dialysis clinics for private commercial enterprises there could open up new sales potential for Fresenius Medical Care, since Japan is one of the world's biggest dialysis markets.
- Selective acquisitions: We will continue to take opportunities to grow by making acquisitions that extend our product portfolio and strengthen our regional presence.

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

* According to US GAAP

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

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

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

This forecast takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2009 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

As an international company, we offer our products and services in more than 100 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. Consequently, we anticipate that there will be opportunities for Fresenius to penetrate new markets, both by expanding its regional presence and by extending its product portfolio. In the United States, since Fresenius Medical Care and its competitor DaVita already share about two-thirds of the market, acquisitions are likely to be few; potential antitrust restrictions are an additional factor. Other new markets will open up for Fresenius as we successively roll out our existing product portfolio in other regions.

With the acquisition of APP Pharmaceuticals and Dabur Pharma, Fresenius Kabi now has further access to attractive growth markets.

ECONOMIC OUTLOOK

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

Europe

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

In Germany, GDP is set to contract sharply in 2009, with a drop of 2.5 % according to current estimates. Economic momentum has been hit especially by the dramatic fall in global demand for Germany's exports. Nor is private

consumption likely to provide much stimulus in 2009. Given the subdued global outlook, private investment may be expected to be extremely weak.

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

▸ United States

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

▸ Asia

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

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

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

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

▸ Latin America

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

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

HEALTH CARE SECTOR AND MARKETS

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

▶ The dialysis market

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

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

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

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

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

The act will establish pay-for-performance quality standards that will take effect in 2012. If dialysis clinics do not meet the set quality standards, their payments will be cut by 2 %. Quality standards will probably be developed for clinics in the areas of anemia management, patient satisfaction, iron management, bone mineral metabolism, and vascular access.

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

▸ The market for infusion therapies and clinical nutrition

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

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

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

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

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

▸ The German hospital market

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

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

In the mid-term, we expect legislative initiatives that provide for the introduction of quality-based reimbursement (pay-for-performance) and allow hospitals the option of concluding selective contracts with health insurers. With its strict focus on quality and transparency, HELIOS is also excellently prepared for this future development.

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

care, thereby increasing our number of post-acute care admissions.

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

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

Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They have the potential to secure cost advantages in procurement and generally have more advantageous financing prospects. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures.

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

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

GROUP SALES AND GROUP EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is excellently positioned for continued growth in the coming years. Specific opportunities for profitable growth are indicated by the developments described in the section "Health Care Sector and Markets". In 2009, we therefore expect to increase sales by more than 10 % at 2008 exchange rates.

While our traditional markets in Europe and North America are growing at average low to mid single-digit rates, we see stronger growth potential in the Asia-Pacific region and in Latin America. Here, the demand for our life-saving and

GROUP FINANCIAL TARGETS

	Targets 2009 (US GAAP)	Fiscal year 2008 (US GAAP)	Fiscal year 2008 (IFRS)
Sales, growth (in constant currency)	>10 %	€ 12,336 million	€ 12,353 million
Net income, growth* (in constant currency)	~10 %	€ 450 million	€ 437 million
Capital expenditure	€ ~ 700 - 750 million	€ 764 million	€ 772 million
Dividend	Profit-driven dividend policy	Proposal: + 6 % per ordinary and preference share	Proposal: + 6 % per ordinary and preference share

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

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

life-sustaining products continues to be very high because access to medical care is still limited. This will also be reflected in sales.

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

SALES AND EARNINGS BY BUSINESS SEGMENT

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

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

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

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

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

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

FINANCIAL TARGETS BY BUSINESS SEGMENT

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

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

FINANCING

In 2008, we generated a sustained operating cash flow of € 1,080 million. The key driver was our good earnings performance. The cash flow margin was 8.7 %. We estimate that a cash flow margin of this order can be achieved again in 2009.

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

Overall, unused credit lines under syndicated or bilateral credit facilities from banks will provide us with a sufficient financial cushion. Fresenius SE's € 250 million commercial paper program was not utilized. For further details, please see page 23 of the Management Report.

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

INVESTMENTS

Fresenius plans to invest in further growth in 2009, increasing capital expenditure in property, plant, and equipment by about € 700 to 750 million, a figure slightly below the very high € 772 million invested in 2008. About 60 % of the capital expenditure will be invested at Fresenius Medical Care, while Fresenius Kabi and Fresenius Helios will each account for over 15 %. Investments at Fresenius Medical Care will be concentrated on the construction and expansion of dialysis clinics, and on the maintenance and expansion of production plants. Fresenius Kabi will invest in expanding and maintaining production facilities and in introducing new manufacturing technologies, enabling further improvements in production efficiency. At Fresenius Helios, we will be investing primarily in modernizing hospitals and in hospital equipment. The regional focus of the investments will be on Europe and North America, which will account for about 50 % and 35 %, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 30 % of the funds will be invested in Germany.

PROCUREMENT

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

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

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

Fresenius Helios will start implementing a master article database in 2009. The project analysis was performed in 2008. As a first step, the HELIOS product group catalog will be completely revised, with an improved structure, hierarchy, and specification system that will make effective materials control easier. All materials negotiated will then be assigned to new groups, with designations, volumes, and supplier names harmonized across all regions. The structure of the groupwide updating and administration of the master data will be developed together with related IT. This will enable further cost savings and improve cost control in future. The integration of more clinics will support these goals, increasing purchasing power by ordering in larger quantities, and by requiring sourcing to be conducted through the HELIOS Kliniken procurement management system.

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

RESEARCH AND DEVELOPMENT

Our R&D activities will continue to play a key role in securing the Group's long-term growth through innovations and new therapies. We are concentrating our R&D on products for the treatment of patients with chronic kidney failure. Here, the emphasis will continue to be on dialysis membranes and dialysis machines.

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

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

We are planning to invest more in research and development in 2009. The increase should be higher than the expected organic growth rate in sales. The number of employees in research and development will also be increased.

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

CORPORATE LEGAL STRUCTURE AND ORGANIZATION

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

Since January 1, 2008, the Fresenius Group has been divided into four business segments, each of which is a legally independent entity. The business segments are organized on

a regional and decentralized basis to provide the greatest flexibility for meeting the demands of their respective markets. The "entrepreneur in the enterprise" principle, with clearly defined responsibilities, has proven itself over many years. We will continue to follow this principle.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future as a result of strong organic expansion. However, the growth in the number of employees will further be held below the expected rate of organic sales growth. The regional distribution of our employees will not change significantly – about 48 % will be located in Europe, about 34 % in North America, and about 18 % in Asia-Pacific, Latin America, and Africa.

DIVIDEND

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

FRESENIUS

CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS

CONTENTS

Consolidated statement of income

January 1 to December 31, in million €	Note	2008	2007
Sales	4	**12,353**	11,391
Cost of sales	5	**-8,410**	-7,687
Gross profit		**3,943**	3,704
Selling, general and administrative expenses	9	**-1,977**	-1,875
Research and development expenses	8	**-206**	-182
Operating income (EBIT)		**1,760**	1,647
Interest income	10	**25**	27
Interest expenses	10	**-456**	-395
Other financial result	11	**68**	0
Financial result		**-363**	-368
Earnings before income taxes and minority interest		**1,397**	1,279
Income taxes	12	**-463**	-469
Earnings after income taxes and before minority interest		**934**	810
Minority interest	27	**-405**	-388
Group net income		**529**	422
Basic earnings per ordinary share in €	13	**3.35**	2.72
Fully diluted earnings per ordinary share in €	13	**3.21**	2.69
Basic earnings per preference share in €	13	**3.36**	2.73
Fully diluted earnings per preference share in €	13	**3.22**	2.70

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

Consolidated balance sheet
Assets

as of December 31, in million €	Note	2008	2007
Cash and cash equivalents	14	**370**	361
Trade accounts receivable, less allowance for doubtful accounts	15	**2,477**	2,159
Accounts receivable from and loans to related parties		**22**	8
Inventories	16	**1,127**	875
Prepaid expenses and other current assets	17	**826**	631
I. Total current assets		**4,822**	4,034
Property, plant and equipment	18	**3,422**	2,973
Goodwill	19	**10,473**	7,093
Other intangible assets	19	**1,368**	572
Other non-current assets	17	**333**	247
thereof at equity consolidated financial investments		**11**	14
Deferred taxes	12	**408**	389
II. Total non-current assets		**16,004**	11,274
Total assets		**20,826**	15,308

Liabilities and shareholders' equity

as of December 31, in million €	Note	2008	2007
Trade accounts payable		**598**	485
Short-term accounts payable to related parties		**6**	5
Short-term accrued expenses and other short-term liabilities	20, 21	**2,197**	1,928
Short-term borrowings	22	**729**	362
Short-term loans from related parties		**2**	–
Current portion of long-term debt and liabilities from capital lease obligations	22	**433**	120
Current portion of Senior Notes	23	**100**	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	26	**0**	455
Short-term accruals for income taxes		**104**	158
A. Total short-term liabilities		**4,169**	3,513
Long-term debt and liabilities from capital lease obligations, less current portion	22	**5,604**	2,838
Senior Notes, less current portion	23	**1,354**	1,434
Mandatory Exchangeable Bonds	24	**554**	0
Long-term accrued expenses and other long-term liabilities	20, 21	**423**	292
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	26	**455**	446
Pension liabilities	25	**283**	273
Long-term accruals for income taxes		**147**	87
Deferred taxes	12	**600**	326
B. Total long-term liabilities		**9,420**	5,696
I. Total liabilities		**13,589**	9,209
A. Minority interest	27	**3,070**	2,674
Subscribed capital	28	**161**	155
Capital reserve	28	**2,095**	1,786
Other reserves	28	**1,998**	1,572
Accumulated other comprehensive loss	29	**-87**	-88
B. Total Group's equity		**4,167**	3,425
II. Total shareholders' equity		**7,237**	6,099
Total liabilities and shareholders' equity		**20,826**	15,308

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

Consolidated cash flow statement

January 1 to December 31, in million €	Note	2008	2007
Cash provided by/used for operating activities			
Group net income		**529**	422
Minority interest	27	**405**	388
Adjustments to reconcile Group net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**521**	427
Change in deferred taxes	12	**128**	27
Gain on sale of fixed assets		**-71**	-1
Change in assets and liabilities, net of amounts from businesses acquired or disposed of			
Change in trade accounts receivable, net	15	**-230**	-112
Change in inventories	16	**-107**	-125
Change in prepaid expenses and other current and non-current assets	17	**-183**	55
Change in accounts receivable from/payable to related parties		**-10**	-1
Change in trade accounts payable, accruals and other short-term and long-term liabilities		**484**	498
Received interest	10	**25**	27
Paid interest	33	**-410**	-388
Change in accruals for income taxes		**358**	409
Tax payments related to divestitures and acquisitions		**–**	0
Income taxes paid	33	**-359**	-323
Cash provided by operating activities		**1,080**	1,303
Cash provided by/used for investing activities			
Purchase of property, plant and equipment		**-767**	-707
Proceeds from sales of property, plant and equipment		**23**	38
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 33	**-3,050**	-447
Proceeds from divestitures		**96**	52
Cash used for investing activities		**-3,698**	-1,064

January 1 to December 31, in million €	Note	2008	2007
Cash provided by/used for financing activities			
Proceeds from short-term borrowings	22	**141**	175
Repayments of short-term borrowings	22	**-186**	-108
Proceeds from long-term debt and liabilities from capital lease obligations	22	**2,417**	224
Repayments of long-term debt and liabilities from capital lease obligations	22	**-232**	-496
Repayments for trust preferred securities of Fresenius Medical Care Capital Trusts	26	**-461**	0
Proceeds from liabilities from Senior Notes	23	**0**	353
Proceeds from the issuance of bearer ordinary shares	28	**143**	0
Proceeds from the issuance of bearer preference shares	28	**146**	0
Payments of additional costs of capital increase	28	**-6**	0
Proceeds from the issuance of mandatory exchangeable bonds	24	**554**	0
Changes of accounts receivable facility	22	**309**	-132
Proceeds from the exercise of stock options	35	**43**	55
Dividends paid		**-245**	-205
Change in minority interest	27	**-2**	–
Exchange rate effect due to corporate financing		**2**	11
Cash provided by/used for financing activities		**2,623**	-123
Effect of exchange rate changes on cash and cash equivalents		**4**	-16
Net increase in cash and cash equivalents		**9**	100
Cash and cash equivalents at the beginning of the year	14	**361**	261
Cash and cash equivalents at the end of the year	14	**370**	361

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

Consolidated statement of shareholders' equity

		Ordinary shares		Preference shares		Subscribed Capital	
	Note	Number of shares in thousand	Amount in thousand €	Number of shares in thousand	Amount in thousand €	Amount in thousand €	Amount in million €
As of December 31, 2006		25,726	65,858	25,726	65,858	131,716	132
Capital increase from the Company's funds		51,451	11,319	51,451	11,319	22,638	22
Proceeds from the exercise of stock options	35	405	405	405	405	810	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Comprehensive income (loss)							
Group net income							
Other comprehensive income (loss) related to							
Cash flow hedges	29, 31						
Foreign currency translation	29						
Comprehensive income (loss)							
As of December 31, 2007		77,582	77,582	77,582	77,582	155,164	155
Issuance of bearer ordinary and bearer preference shares	28	2,748	2,748	2,748	2,748	5,496	5
Proceeds from the exercise of stock options	35	242	242	242	242	484	1
Compensation expense related to stock options	35						
Minimum dividend of ordinary shareholders							
Dividends paid	28						
Comprehensive income (loss)							
Group net income							
Other comprehensive income (loss) related to							
Cash flow hedges	29, 31						
Foreign currency translation	29						
Comprehensive income (loss)							
As of December 31, 2008		**80,572**	**80,572**	**80,572**	**80,572**	**161,144**	**161**

	Note	Reserves		Other comprehensive income (loss)		Total Groups' equity in million €	Minority interest in million €	Total shareholders' equity in million €
		Capital reserve in million €	Other reserves in million €	Foreign currency translation in million €	Cash flow hedges in million €			
As of December 31, 2006		1,770	1,239	32	30	3,203	2,595	5,798
Capital increase from the Company's funds		-22				0	0	0
Proceeds from the exercise of stock options	35	20				21	34	55
Compensation expense related to stock options	35	17				17	11	28
Minimum dividend of ordinary shareholders		1				1	0	1
Dividends paid	28		-89			-89	-116	-205
Comprehensive income (loss)								
Group net income			422			422	388	810
Other comprehensive income (loss) related to								
Cash flow hedges	29, 31				-37	-37	0	-37
Foreign currency translation	29			-113		-113	-238	-351
Comprehensive income (loss)			422	-113	-37	272	150	422
As of December 31, 2007		1,786	1,572	-81	-7	3,425	2,674	6,099
Issuance of bearer ordinary and bearer preference shares	28	278				283	0	283
Proceeds from the exercise of stock options	35	12				13	30	43
Compensation expense related to stock options	35	19				19	14	33
Minimum dividend of ordinary shareholders		-				-	0	-
Dividends paid	28		-103			-103	-142	-245
Comprehensive income (loss)								
Group net income			529			529	405	934
Other comprehensive income (loss) related to								
Cash flow hedges	29, 31				-95	-95	0	-95
Foreign currency translation	29			96		96	89	185
Comprehensive income (loss)			529	96	-95	530	494	1,024
As of December 31, 2008		**2,095**	**1,998**	**15**	**-102**	**4,167**	**3,070**	**7,237**

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

Segment reporting

by business segment

in million€	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios		
	2008	2007	Change	**2008**	2007	Change	**2008**	2007[1]	Change
Sales	**7,213**	7,093	2 %	**2,495**	2,030	23 %	**2,123**	1,841	15 %
thereof contribution to consolidated sales	**7,209**	7,089	2 %	**2,458**	1,986	24 %	**2,123**	1,841	15 %
thereof intercompany sales	**4**	4	0 %	**37**	44	-16 %	**0**	0	
contribution to consolidated sales	**59 %**	62 %		**20 %**	18 %		**17 %**	16 %	
EBITDA	**1,419**	1,418	0 %	**544**	408	33 %	**251**	220	14 %
Depreciation and amortization	**282**	265	6 %	**101**	76	33 %	**76**	65	17 %
EBIT	**1,137**	1,153	-1 %	**443**	332	33 %	**175**	155	13 %
Net interest	**-229**	-271	15 %	**-145**	-49	-196 %	**-60**	-53	-13 %
Net income	**556**	523	6 %	**200**	183	9 %	**80**	64	25 %
thereof from associates and joint ventures	**–**	0		**0**	0		**–**	1	-100 %
Operating cash flow	**691**	875	-21 %	**205**	179	15 %	**225**	202	11 %
Cash flow before acquisitions and dividends	**233**	479	-51 %	**83**	67	24 %	**94**	65	45 %
Total assets	**10,720**	9,626	11 %	**6,240**	2,310	170 %	**3,092**	3,072	1 %
Debt	**4,123**	3,833	8 %	**4,288**	1,121	--	**1,090**	1,136	-4 %
Other operating liabilities	**1,871**	1,661	13 %	**841**	603	39 %	**694**	682	2 %
Capital expenditure	**467**	418	12 %	**137**	116	18 %	**135**	149	-9 %
Acquisitions	**220**	262	-16 %	**3,612**	178	--	**5**	174	-97 %
Research and development expenses	**55**	49	12 %	**109**	86	27 %	**–**	1	-100%
Employees (per capita on balance sheet date)	**68,050**	64,662	5 %	**20,457**	16,964	21 %	**30,088**	30,043	0 %
Key figures									
EBITDA margin	**19.7 %**	20.0 %		**21.8 %**	20.1 %		**11.8 %**	12.0 %	
EBIT margin	**15.8 %**	16.3 %		**17.8 %**	16.4 %		**8.2 %**	8.4 %	
Depreciation and amortization in % of sales	**3.9 %**	3.7 %		**4.0 %**	3.7 %		**3.6 %**	3.5 %	
Operating cash flow in % of sales	**9.6 %**	12.3 %		**8.2 %**	8.8 %		**10.6 %**	11.0 %	
ROOA	**12.3 %**	12.5 %		**8.9 %**[2]	17.7 %		**6.3 %**	5.6 %	

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

Fresenius Vamed			Corporate/Other			IFRS-Reconciliation			Fresenius Group IFRS		
2008	2007 [1]	Change	**2008** [3]	2007 [1]	Change	**2008** [3]	2007	Change	**2008**	2007	Change
524	408	28 %	**-19**	-14	-36 %	**17**	33	-48 %	**12,353**	11,391	8 %
524	408	28 %	**22**	34	-35 %	**17**	33	-48 %	**12,353**	11,391	8 %
–	0		**-41**	-48	15 %	**0**	0		**0**	0	
4 %	4 %		**0 %**	0 %		**0 %**	0 %		**100 %**	100 %	
35	31	13 %	**11**	-47	123 %	**21**	44	-52 %	**2,281**	2,074	10 %
5	5	0 %	**319**	10	--	**-262**	6	--	**521**	427	22 %
30	26	15 %	**-308**	-57	--	**283**	38	--	**1,760**	1,647	7 %
6	6	0 %	**-3**	-1	-200 %	**0**	0		**-431**	-368	-17 %
26	23	13 %	**-592**	-383	-55 %	**259**	12	--	**529**	422	25 %
0	0		**–**	0		**0**	0		**–**	1	-100 %
27	72	-63 %	**-74**	-32	-131 %	**6**	7	-14 %	**1,080**	1,303	-17 %
23	68	-66 %	**-95**	-45	-111 %	**-2**	0		**336**	634	-47 %
469	390	20 %	**23**	-74	131 %	**282**	-16	--	**20,826**	15,308	36 %
2	0		**-716**	-391	-83 %	**-110**	-44	-150 %	**8,677**	5,655	53 %
293	251	17 %	**596**	31	--	**17**	0		**4,312**	3,228	34 %
4	4	0 %	**21**	13	62 %	**8**	7	14 %	**772**	707	9 %
35	6	--	**-19**	-2	--	**-2**	0		**3,851**	618	--
0	0		**315**	48	--	**-273**	-2	--	**206**	182	13 %
2,802	1,767	59 %	**820**	745	10 %	**0**	0		**122,217**	114,181	7 %
6.7 %	7.6 %								**18.0 %** [4]	18.2 %	
5.7 %	6.4 %								**14.1 %** [4]	14.5 %	
1.0 %	1.2 %								**3.9 %** [4]	3.7 %	
5.2 %	17.6 %								**8.7 %**	11.4 %	
22.2 %	22.8 %								**9.7 %** [2]	11.6 %	

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

Segment reporting

by region

	Europe			North America		
in million €	**2008**	2007	Change	**2008**	2007	Change
Sales	**5,549**	4,852	14 %	**5,046**	4,965	2 %
contribution to consolidated sales	**45 %**	43 %		**41 %**	44 %	
EBIT	**639**	575	11 %	**886** [1]	863	3 %
Depreciation and amortization	**261**	224	17 %	**210** [2]	163	29 %
Total assets	**7,525**	6,723	12 %	**11,653**	7,342	59 %
Capital expenditure	**398**	385	3 %	**271**	244	11 %
Acquisitions	**272**	330	-18 %	**3,276**	196	--
Employees (per capita on balance sheet date)	**59,310**	56,830	4 %	**42,885**	40,076	7 %

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

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2008	2007	Change	**2008**	2007	Change	**2008**	2007	Change	**2008**	2007	Change
	935	802	17 %	**582**	488	19 %	**241**	284	-15 %	**12,353**	11,391	8 %
	7 %	7 %		**5 %**	4 %		**2 %**	2 %		**100 %**	100 %	
	129	119	8 %	**71**	52	37 %	**35**	38	-8 %	**1,760**	1,647	7 %
	30	23	30 %	**17**	14	21 %	**3**	3	0 %	**521**	427	22 %
	1,082	720	50 %	**492**	450	9 %	**74**	73	1 %	**20,826**	15,308	36 %
	42	33	27 %	**55**	39	41 %	**6**	6	0 %	**772**	707	9 %
	269	73	--	**34**	17	100 %	**0**	2	-100 %	**3,851**	618	--
	9,114	6,917	32 %	**10,021**	9,481	6 %	**887**	877	1 %	**122,217**	114,181	7 %

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

FRESENIUS

CONTENT NOTES

General Notes

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of Fresenius SE, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2008:

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

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 184,086 patients in its 2,388 own dialysis clinics.

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

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

Fresenius SE owned 36.27 % of the ordinary voting shares of Fresenius Medical Care AG & Co.KGaA (FMC-AG & Co.KGaA) and 35.80 % of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2008. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly-owned subsidiary of Fresenius SE. Due to this structure, FMC-AG & Co.KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group. Fresenius SE continued to hold 100 % of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2008. In addition, Fresenius SE holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology and in Fresenius Biotech Beteiligungs GmbH.

The reporting currency in the Fresenius Group is the euro. In order to make the presentation clearer, amounts are mostly shown in million euros. Amounts which are lower than € 1 million after they have been rounded are marked with "–".

II. BASIS OF PRESENTATION

Since January 1, 2005, Fresenius SE as a stock exchange listed company with a domicile in a member state of the European Union (EU) fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying § 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE at December 31, 2008 have been prepared and will be published in accordance with the Standards valid on the balance sheet date issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), which are binding to be applied in the EU. At the same time, the Fresenius Group voluntarily continues to prepare and publish consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (US GAAP).

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

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

The consolidated balance sheet contains all information required to be disclosed by IAS 1 (Presentation of Financial Statements) and is in accordance with RIC 1 (Balance Sheet Classification according to current/non-current Distinction in compliance with IAS 1 Presentation of Financial Statements) classified on the basis of the liquidity of assets and liabilities following the consolidated balance sheet in accordance with US GAAP; the consolidated statement of income is classified using the cost-of-sales accounting format.

At February 26, 2009, the Management Board authorized the consolidated financial statements for issue and passed it through to the Supervisory Board. The Supervisory Board has to control and approve the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods in accordance with IAS 27 (Consolidated and Separate Financial Statements).

Capital consolidation is performed according to IFRS 3 (Business Combinations) by offsetting investments in subsidiaries against the underlying revaluated equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

Associated companies are consolidated under the equity method according to IAS 28 (Investments in Associates).

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

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

b) Composition of the Group

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

Special purpose entities as defined by SIC 12 (Consolidation – Special Purpose Entities) are consolidated if they are controlled by a Fresenius Group company, i. e. risk and rewards remain with the Group.

Joint ventures and entities in which Fresenius SE, directly or indirectly, holds between 20 % and 50 % of the voting rights and can exercise a significant influence over their financial and operating policies, are consolidated using the equity method.

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

The composition of the Group changed as follows:

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

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

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

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

Name of the company	Registered office
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Frankfurt am Main
Fresenius Kabi AG	Frankfurt am Main
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
V. Krütten Medizinische Einmalgeräte GmbH	Idstein
Fresenius Helios	
D.i.a.-Solution GmbH	Erfurt
HELIOS Agnes Karll Krankenhaus GmbH	Bad Schwartau
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Pflege Dresden GmbH	Dresden
HELIOS Privatkliniken GmbH	Berlin
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	Frankfurt am Main
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Berlin
Fresenius ProServe GmbH	Bad Homburg v. d. H.
Fresenius ProServe Beteiligungs GmbH	Bad Homburg v. d. H.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungs-gesellschaft mbH & Co. KG	München

c) Classifications

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

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under the reimbursement arrangements. Sales are recognized on the date services and related products are provided and the payor is obligated to pay.

Product sales are recognized when title to the product passes to the customers either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. As product returns are not typical, no return allowances are established. In case of a return, an appropriate reduction to sales, cost of sales and accounts receivable is made. Sales are stated net of discounts, allowances and rebates.

In the business segment Fresenius Vamed, sales for long-term production contracts are recognized depending on the individual agreement, using the percentage-of-completion (PoC) method when the conditions of IAS 18 (Revenue) and IAS 11 (Construction Contracts) 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 according to the proportion of work completed. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably.

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

e) Government grants

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a

liability and as soon as the asset is acquired the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge. Development is the technical and commercial implementation of research results. Research costs are expensed as incurred. Development costs that fully meet the criteria for the recognition of an intangible asset set out in IAS 38 (Intangible Assets) are capitalized as intangible asset.

g) Impairment

The Fresenius Group reviews the carrying amount of its property, plant and equipment, its intangible assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's net realizable value or its value in use in accordance with IAS 36 (Impairment of Assets). 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 (CGUs).

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

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) assets held for sale are reported at the lower of their carrying amount and fair value less costs to sell. As long as the company intends to sell the asset, it is not depreciated.

h) Capitalized Interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if they are directly attributable to the acquisition, construction or manufacture of qualifying assets in accordance with IAS 23 (Borrowing Costs). For the fiscal years 2008 and 2007, interest of € 6 million each, based on an average interest rate of 5.52 % and 5.60 %, respectively, was recognized as a component of the cost of assets.

i) Deferred taxes

In accordance with IAS 12 (Income Taxes), deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting Group net income. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward where future recoverability is probable.

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

The recoverability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. A deferred tax asset is recognized to the extent that the utilization of parts or all of it is probable because sufficient taxable profit will be available.

j) Earnings per ordinary share and preference share

Basic earnings per ordinary share and preference share are computed in accordance with IAS 33 (Earnings per Share). Basic earnings per ordinary share is computed by dividing net income of the group less preference amounts by the weighted-average number of ordinary shares and preference shares outstanding during the year. Basic earnings per preference share is derived by adding the preference per preference share to the basic earnings per ordinary share. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that

would have been outstanding during the fiscal year. The awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

k) Cash and cash equivalents

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

l) Trade accounts receivable

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

m) Inventories

In accordance with IAS 2 (Inventories), inventories comprise all assets which are held for sale in the ordinary course of operations (finished products), in the process of production for such sale (work in progress) or consumed in the production process or in the rendering of services (raw materials and supplies).

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

n) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements are capitalized; repair and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 4 to 50 years for buildings and improvements (with a weighted-average life of 17 years) and 3 to 15 years for machinery and equipment (with a weighted-average life of 10 years). Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment.

o) Intangible assets with definite useful lives

In accordance with IAS 38 (Intangible Assets), intangible assets with definite useful lives, for example non-compete agreements, technology and licenses to manufacture, distribute and sell pharmaceutical drugs, are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment in accordance with IAS 36 (Impairment of Assets) (see Note 1.III.g, Impairment). The useful lives of patents, products and distribution rigths range from 5 to 20 years. Non-compete agreements have useful lives ranging from 7 to 25 years with an average useful life of 8 years. Technology has a useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over the contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

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

Development costs are capitalized as manufacturing costs when the recognition criteria set out in IAS 38 (Intangible Assets) 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.

p) Goodwill and other intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives such as product rights, tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill, pursuant to the criteria specified by IAS 38 (Intangible Assets). 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 CGUs in accordance with IAS 36 (Impairment of Assets) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level according to regions or legal entities. Six CGUs were identified in the segment Fresenius Medical Care (Europe, Latin America, Asia-Pacific, North America Dialysis Products, North America Dialysis Services, North America Laboratory Services). In the segment Fresenius Kabi, there exists one CGU for the region North America and one CGU for the business beyond/outside North America. According to the regional organizational structure, the segment Fresenius Helios consists of seven CGUs. The segment Fresenius Vamed consists of two CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the fair value of each CGU to the CGU's carrying amount. The fair value of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the fair value of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

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

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

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

q) Leases

Leased assets assigned to the Fresenius Group based on the risk and rewards approach (finance leases) are recognized as property, plant and equipment in accordance with IAS 17 (Leases) and measured on receipt date at their fair values as long as the present values of the lease payments are not lower. Leased assets are depreciated in straight-line over their useful lives. If there is doubt as to whether title to the asset passes at a later stage and there is no opportune purchase option the asset is depreciated over the lease term, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. The impairment loss is reversed if the reasons for impairment no longer exist.

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

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

r) Financial instruments

The Fresenius Group adopted IFRS 7 (Financial Instruments: Disclosures) as of January 1, 2007. IFRS 7 introduces new disclosure requirements to improve the information on financial instruments with regard to risk management – in addition to the existing disclosures – (concerning recognition, presentation and measurement of financial instruments) in the IFRS-consolidated financial statements. 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. All other categories are immaterial or not existing. Until now the Fresenius Group classified its financial instruments into the following classes according to its character: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount and derivatives designated as hedging instruments. According to new financial instruments in 2008, the Fresenius Group defined two further classes: assets recognized at fair value and liabilities recognized at fair value.

The relationship between classes and categories as well as the reconciliation to the balance sheet 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 related parties)			
Assets recognized at fair value			▸ derivatives embedded in the MEB	
Liabilities recognized at carrying amount		▸ Trade accounts payable ▸ Short-term accounts payable to related parties ▸ Short-term borrowings (incl. short-term loans from related parties) ▸ Long-term debt and liabilities from capital lease obligations ▸ Senior notes ▸ Trust preferred securites ▸ Mandatory exchangeable bonds (MEB) excluding embedded derivatives		
Liabilities recognized at fair value			▸ Contingent Value Rights (CVR)	
Derivatives designated as hedging instruments				▸ Prepaid expenses and other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities

The derivative financial instruments embedded in the MEB are included in the balance sheet item prepaid expenses and other current assets. Due to their special character and the difference in valuation, the embedded derivatives are classified separately from other current assets.

The Contingent Value Rights (CVR) are included in the balance sheet item other long-term liabilities. Like the embedded derivatives, the CVR are classified separately from their balance sheet item, because of their special character and different valuation.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity (see Note 31, Financial instruments). The non-effective portion of cash flow hedges is recognized in earnings immediately.

s) Liabilities

At the balance sheet date, liabilities are generally stated in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) at amortized cost which normally corresponds to the settlement amount.

t) Legal contingencies

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

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

u) Other accrued expenses

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the amount can be reliably estimated.

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

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

v) Pension liabilities and similar obligations

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (Employee Benefits) using the projected unit credit method, taking into account trends for future salary and trends for pension increase. Actuarial gains and losses that exceed a corridor of 10 % of the present value of the defined benefit obligation are spread over the expected average remaining working lives of the employees participating in the plans, adjusted for fluctuation.

w) Debt issuance costs

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

x) Stock option plans

The total cost of stock options and convertible equity instruments granted to members of the Management Board and executive employees of the Fresenius Group at the grant date is measured in accordance with IFRS 2 (Share-based Payment) using an option pricing model and recognized as expense over the vesting period of the stock option plans.

y) Self-insurance programs

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

z) Foreign currency translation

The reporting currency is the euro. The Fresenius Group follows the provisions of IAS 21 (The Effects of Changes in Foreign Exchange Rates). Substantially all assets and liabilities of the foreign subsidiaries are translated at mid-closing rate on balance sheet date, while revenues and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are considered foreign equity investments, are also reported in accumulated other comprehensive income (loss).

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. Besides the gains shown under Note 3, Special items relating to acquisitions, further immaterial gains resulted out of this transaction in the fiscal year 2008.

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

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

[1] mid-closing rate on balance sheet date

aa) Use of estimates

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

bb) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 21 % and 22 % of the Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2008 and 2007, respectively.

cc) Recent pronouncements and accounting changes

The Fresenius Group has prepared its consolidated financial statements at December 31, 2008 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2008, or IFRS that can be applied earlier on a voluntary basis.

The Fresenius Group applied the following standard, as far as it is relevant for the Fresenius Group's business, for the first time in 2008:

- IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)

In July 2007, the IFRIC issued **IFRIC Interpretation 14** (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) (IFRIC 14). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 (Employee Benefits) on the amount of the surplus that can be recognized as an asset (defined benefit asset). It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The interpretation will standardize practice and ensure that entities recognize an asset in relation to a surplus on a consistent basis. No additional liability needs to be recognized by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The interpretation is mandatory for fiscal years beginning on or after January 1, 2008. The Fresenius Group adopted this standard as of January 1, 2008.

dd) New accounting standards

The IASB issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2009 and are not adopted earlier by the Fresenius Group.

- Amendments to IFRS 3 (Business Combinations)
- Amendments to IAS 1 (Presentation of Financial Statements: A revised Presentation)
- Amendments to IAS 23 (Borrowing Costs)
- Amendments to IAS 27 (Consolidated and Separate Financial Statements)
- Improvements to IFRSs – a collection of amendments to International Financial Reporting Standards

In March 2007, the IASB issued an amendment to **IAS 23** (Borrowing Costs). The key amendment to IAS 23 is related to the removal of the option to immediately recognize borrowing costs in the income statement which are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs should be capitalized as part of the acquisition costs of the qualifying asset. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Earlier adoption is permitted. As the Fresenius Group already capitalizes borrowing costs in accordance with the effective IAS 23, the requirements of the amendment to IAS 23 are already met.

In September 2007, the IASB issued a revised version of **IAS 1** (Presentation of Financial Statements), that is aimed at improving financial statement users' ability to analyze and compare information. In general, IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their

content. The main changes are to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The revised IAS 1 is effective for fiscal years beginning on or after January 1, 2009. Earlier adoption is permitted. The Fresenius Group will adopt this standard as of January 1, 2009.

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

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

Both, revised IAS 27 and revised IFRS 3, are mandatory for accounting periods beginning on or after July 1, 2009. In the case of IFRS 3, this will apply to business combinations in those periods. Early adoption is permitted but depending on certain requirements. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2008, in the course of the Annual Improvement Project, the IASB issued **Improvements to IFRSs** – a collection of amendments to International Financial Reporting Standards. Annual improvement projects address necessary but not urgent amendments to IFRS. Improvements focus on inconsistencies between IFRS and on wording clarification. Among others, Improvements to IFRSs makes changes to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), IAS 16 (Property, Plant and Equipment), IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and IAS 39 (Financial Instruments: Recognition and Measurement). Most amendments are effective for fiscal years beginning on or after January 1, 2009 or beginning on or after July 1, 2009 with earlier application permitted. The Fresenius Group doesn't expect any material impact of these amendments on its consolidated financial statements.

The EU Commission's endorsements of the amendments to IFRS 3 and IAS 27 are still outstanding. The amendments to the other standards are already endorsed.

IV. CRITICAL ACCOUNTING POLICIES

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

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

Fresenius Group's intangible assets, including goodwill, product rights, tradenames and management contracts are a main part of the total assets. At December 31, 2008 and December 31, 2007, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was € 10,797 million and € 7,410 million, respectively, which represented 52 % and 48 %, respectively, of total assets.

In accordance with IFRS 3 (Business Combinations), 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.

To comply with the regulations of IFRS 3 and determine possible impairments of these assets, the fair value of the CGUs is compared to the CGUs' carrying amount. The fair

value of each CGU is estimated using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its three-year budget, projections for years four to ten and a corresponding growth rate for all remaining years. These growth rates are 0 % to 4 % for Fresenius Medical Care, 2 % for Fresenius Kabi and 1 % for Fresenius Helios and for Fresenius Vamed. This discount factor is determined by the WACC of the respective CGU. The Fresenius Medical Care's WACC consists of a basic rate of 6.47 % for 2008. This basic rate is then adjusted by a country specific risk rate within each CGU for determining the CGU's fair value. In 2008, this rate ranged from 0 % to 7 %. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC was 7.28 %, country specific adjustments did not occur. If the fair value of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in the fiscal year 2008.

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

b) Legal contingencies

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

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were € 2,477 million and € 2,159 million in 2008 and 2007, respectively, net of allowance. Approximately two thirds of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were US Medicare and Medicaid health care programs with 14 % as well as private insurers in the US with 16 % at December 31, 2008. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogenous customer structure.

The allowance for doubtful accounts was € 257 million and € 223 million as of December 31, 2008 and December 31, 2007, respectively.

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

From time to time, the Fresenius Group reviews changes in collection experience to ensure the appropriateness of the allowances.

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

d) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of the Fresenius Group, located in North America, is partially self-insured for professional liability claims. For further details regarding the accounting policies for self-insurance programs, please see Note 1. III y, Self-insurance programs.

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of € 3,851 million and € 618 million in 2008 and 2007, respectively. Of this amount, € 3,050 million were paid in cash and € 801 million were assumed obligations in 2008.

Fresenius Medical Care

In the year 2008, acquisition spending of Fresenius Medical Care in an amount of € 220 million related mainly to the purchase of dialysis clinics and license agreements. In July 2008, Fresenius Medical Care entered into license and distribution agreements to market and distribute intravenous iron products. For further details on these license and distribution agreements, please see Note 19, Goodwill and other intangible assets.

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

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

Fresenius Kabi

Acquisitions in 2008

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

Acquisition of APP Pharmaceuticals, Inc.

In July 2008, Fresenius Kabi has signed definitive agreements to acquire 100 % of the share capital of APP. APP is a leading manufacturer of intravenously administered generic drugs (I.V. generics) in North America. Through the acquisition of APP, Fresenius Kabi enters the US pharmaceuticals market and achieves a leading position in the global I.V. generics market. APP focuses on I.V. generics for hospital

use and distributes its products in the US and Canada. The company employs around 1,400 people and has modern production facilities in Illinois, New York and Puerto Rico as well as a distribution company in Toronto, Canada. In 2008, APP achieved sales of US$ 777 million and an adjusted EBITDA of US$ 317 million according to US GAAP.

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

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

- Mandatory exchangeable bonds with an aggregate nominal amount of € 554.4 million (US$ 871 million) (see Note 24, Mandatory Exchangeable Bonds)
- Capital increase in an amount of approximately € 289 million (US$ 453 million) (see Note 28, Group's equity)
- Senior secured credit facilities in an amount of US$ 2.45 billion (see Note 22, Debt and liabilities from capital lease obligations)
- Bridge Credit Agreement of US$ 1.3 billion (see Note 22, Debt and liabilities from capital lease obligations)

In October 2008, the senior secured credit facilities were increased by US$ 500 million. These proceeds together with other available funds were used to reduce the Bridge Credit Agreement to US$ 650 million. In January 2009, the residual amount of the Bridge Credit Agreement was redeemed using the proceeds of new Senior Notes (see Note 37, Subsequent events).

As of September 1, 2008, the Fresenius Group consolidated APP for the first time. APP contributed € 39 million to the net income of the Fresenius Group. Included therein are special revenues in an amount of € 75 million resulting from the valuation of the CVR (see Note 11, Other financial result) as well as one-time special charges in an amount of € 39 million in connection with the first-time consolidation and the financing of the acquisition.

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

The purchase price allocation is as follows:

	Book value before acquisition		Fair value at acquisition date	
	in million US$	in million €	in million US$	in million €
Net working capital and other assets	204	145	53	38
Property, plant and equipment	133	94	133	94
Identifable intangible assets	442	314	908	644
Goodwill	160	114	3,812	2,704
Total	**939**	**667**	**4,906**	**3,480**

The acquisition increased the total assets of the Fresenius Group by € 3.7 billion. The identifiable intangible assets acquired in an amount of US$ 908 million (€ 644 million) mainly comprise product rights and in-project R&D. The product rights have an average useful life of 20 years. The capitalized goodwill in an amount of US$ 3.8 billion (€ 2.7 billion) is not deductible for tax purposes.

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

	2008		2007	
in million €	**as reported**	**pro forma**	as reported	pro forma
Sales	**12,353**	**12,658**	11,391	11,859
Adjusted Group net income [1]	**437**	**399**	422	339
Group net income	**529**	**491**	422	339
Basic earnings per ordinary share in €	**3.35**	**3.11**	2.72	2.18
Fully diluted earning per ordinary share in €	**3.21**	**3.12** [2]	2.69	2.21 [2]
Basic earnings per preference share in €	**3.36**	**3.12**	2.73	2.19
Fully diluted earning per preference share in €	**3.22**	**3.13** [2]	2.70	2.22 [2]

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

Acquisition of Dabur Pharma Ltd.

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

Acquisitions in 2007

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

Fresenius Helios

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

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

Fresenius Vamed

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

Corporate/Other

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

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

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

In the fiscal year 2008, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Except for the acquisition of APP, each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was € 4,038 million and € 579 million in 2008 and 2007, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was € 3,228 million and the other intangible assets were € 810 million. Of this goodwill, € 63 million is attributable to the acquisitions of Fresenius Medical Care, € 3,123 million to Fresenius Kabi's acquisitions, € 32 million to the acquisitions of Fresenius Helios, mainly resulting from the purchase of additional shares of HELIOS Klinken GmbH, and € 10 million to Fresenius Vamed's acquisitions.

The acquisitions completed in 2008 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

	2008	
in million €	as reported	before special items
Sales	626	626
EBITDA	167	110
EBIT	104	82
Net interest	-104	-104
Other financial result	68	0
Group net income	71	-21

The acquisitions increased the total assets of the Fresenius Group by € 4,437 million.

Notes on the consolidated statement of income

3. SPECIAL ITEMS RELATING TO ACQUISITIONS

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

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

in million €	EBIT	Other financial result	Group net income
Earnings, adjusted	1,738		437
Purchase accounting adjustments			
Inventory step-up	-35		-22
Foreign exchange gain	57		41
Other financial result			
MEB (mark to market)		28	20
CVR (mark to market)		75	75
One-time financing expenses		-35	-22
Earnings according to IFRS	**1,760**	**68**	**529**

4. SALES

Sales by activity were as follows:

in million €	2008	2007
Sales of services	**7,631**	7,325
Sales of products and related goods	**4,380**	3,787
Sales from long-term production contracts	**341**	278
Other sales	**1**	1
Sales	**12,353**	11,391

A sales analysis by business segment and region is shown in the segment information on pages 60 to 63.

5. COST OF SALES

Cost of sales comprised the following:

in million €	2008	2007
Costs of services	**5,785**	5,513
Manufacturing cost of products and related goods	**2,341**	1,948
Cost of long-term production contracts	**284**	226
Other cost of sales	–	–
Cost of sales	**8,410**	7,687

6. COST OF MATERIALS

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

in million €	2008	2007
Costs of raw materials, supplies and purchased components	**3,668**	3,266
Depreciation of raw materials, supplies and purchased components	**3**	4
Reversals of write-downs of raw materials, supplies and purchased components	**0**	-
Cost of purchased services	**536**	503
Cost of materials	**4,207**	3,773

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and expenses on research and development included personnel expenses of € 4,328 million and € 4,044 million in 2008 and 2007, respectively.

Personnel expenses comprised the following:

in million €	2008	2007
Wages and salaries	**3,508**	3,246
Social security contributions, cost of retirement pensions and social assistance	**820**	798
thereof retirement pensions	95	100
Personnel expenses	**4,328**	4,044

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

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

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of € 206 million (2007: € 182 million) included expenditure for research and non-capitalizable development costs as well as depreciation and amortization expenses referring to capitalized development costs of € 6 million (2007: € 5 million).

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

General and administrative expenses amounted to € 1,464 million (2007: € 1,408 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

10. NET INTEREST

The net interest expenses of € 431 million included interest expenses of € 456 million and interest income of € 25 million. Interest expenses resulted from the Fresenius Group's financial liabilities (see Note 31, Financial instruments).

11. OTHER FINANCIAL RESULT

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

The registered and tradable Contingent Value Rights (CVR) awarded to the APP shareholders are traded at the NASDAQ Stock Exchange in the United States. The corresponding liability is therefore valued with the current stock exchange price at the reporting date. This valuation resulted in a revenue of € 75 million as of December 31, 2008.

Due to its contractual definition, the issued Mandatory Exchangeable Bonds (MEB) include derivative financial instruments that have to be measured at fair value. This measurement resulted in a revenue of € 28 million as of December 31, 2008. However, this measurement does not cause a change of the MEB's nominal amount of € 554.4 million that has to be settled in ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) upon maturity, but mainly reflects the share price development of these shares (see Note 24, Mandatory Exchangeable Bonds).

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

12. TAXES

INCOME TAXES

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

in million €	2008	2007
Germany	**455**	277
International	**942**	1,002
Total	**1,397**	1,279

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

in million €	Current taxes	Deferred taxes	**Income taxes**
2007			
Germany	117	12	129
International	325	15	340
Total	442	27	469
2008			
Germany	**77**	**69**	**146**
International	**258**	**59**	**317**
Total	**335**	**128**	**463**

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

The German Business Tax Reform Act (Unternehmensteuerreformgesetz 2008) was enacted in the third quarter of 2007 resulting in a reduction of the corporate income tax rate from 25 % to 15 % (plus a solidarity surcharge of 5.5 % on federal corporation taxes) for German companies. This reduction together with technical changes to trade tax rules has reduced Fresenius Group's German entities' combined corporate income tax rate effective as of January 1, 2008. Deferred tax assets and liabilities for German entities expected to be realized in 2008 and beyond were revalued in 2007 to reflect the changes in the enacted tax rate. The revaluation of deferred tax assets and liabilities resulted in deferred tax expenses of € 4 million which have been included in operations for the year 2007.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes and minority interest. The respective combined tax rates were 29.00 % for the fiscal year 2008 and 38.05 % for the fiscal year 2007.

in million €	2008	2007
Computed "expected" income tax expense	**405**	487
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**21**	8
Foreign tax rate differential	**28**	-35
Tax-free income	**-29**	-38
Taxes for prior years	**26**	41
Change of German tax rate	**0**	4
Other	**12**	2
Income tax	**463**	469
Effective tax rate	**33.1%**	36.7%

DEFERRED TAXES

The tax effects of the temporary differences that gave rise to deferred tax assets and liabilities at December 31 are presented below:

in million €	2008	2007
Deferred tax assets		
Accounts receivable	**33**	35
Inventories	**52**	47
Other current assets	**17**	30
Other non-current assets	**44**	34
Accrued expenses	**207**	224
Other short-term liabilities	**78**	35
Other liabilities	**28**	12
Benefit obligations	**15**	17
Losses carried forward from prior years	**51**	55
Deferred tax assets	**525**	489
Deferred tax liabilities		
Accounts receivable	**9**	11
Inventories	**7**	8
Other current assets	**66**	28
Other non-current assets	**444**	336
Accrued expenses	**70**	36
Other short-term liabilities	**8**	2
Other liabilities	**113**	5
Deferred tax liabilities	**717**	426
Accumulated deferred taxes	**-192**	63

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

in million €	2008	2007
Deferred tax assets	**408**	389
Deferred tax liabilities	**600**	326
Accumulated deferred taxes	**-192**	63

As of December 31, 2008, Fresenius Medical Care has not recognized a deferred tax liability on approximately € 1.1 billion of undistributed earnings of its foreign subsidiaries, because those earnings are intended to be indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	in million €
2009	19
2010	4
2011	12
2012	15
2013	19
2014	7
2015	9
2016	11
2017	8
2018	63
Thereafter	16
Total	**183**

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

In assessing the realizability of deferred tax assets, the Management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Management of Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008.

TAX AUDITS

Fresenius SE and its subsidiaries are subject to tax audits on a regular basis.

In Germany, the tax audit for the years 1998 until 2001 has been finalized, except for Fresenius Helios. With respect to Fresenius Helios, the tax audit for the fiscal year 2001 has not been finalized yet. All results of the completed tax audits are already sufficiently recognized in the financial statements as of December 31, 2007. The fiscal years 2002 to 2005 are currently under audit. All further fiscal years are open to tax audits. Fresenius Medical Care filed a lawsuit against the decision of the tax authority regarding the disallowance of certain deductions taken for fiscal year 1997. An adverse determination in this litigation could have a material adverse effect on Fresenius Medical Care's results of operations and liquidity in the relevant reporting period.

In the United States, Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions of civil settlement payments in prior year tax returns. As a result of a settlement agreement with the IRS to resolve the appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 investigation, Fresenius Medical Care received a refund in September 2008 of US$ 37 million, inclusive of

interest. The settlement agreement preserves the right to continue to pursue claims in the US Federal courts for refund of all other disallowed deductions. The Federal tax audit in the United States for the years 2002 through 2004 has been completed and the IRS has issued its report. The audit report includes disallowance of a material amount of deductions taken during the audit period for interest expense related to intercompany mandatorily redeemable preferred securities. Fresenius Medical Care has filed a protest over the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to any of the disputed disallowances could have a material adverse effect on Fresenius Group's cash flows, tax expenses, net income and earnings per share. Fiscal years 2005 and 2006 are currently under audit, 2007 and 2008 are open to audit. There are a number of state audits in progress and various years are open to audit in other states. All expected results have been recognized in the consolidated financial statements.

Subsidiaries of Fresenius SE in a number of countries outside of Germany and the United States are also subject to tax audits. The Fresenius Group estimates that the tax effects of such audits are not material to the consolidated financial statements.

13. EARNINGS PER SHARE

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

	2008	2007
Numerators in million €		
Group net income	**529**	422
less preference on preference shares	**1**	1
less effect from dilution due to Fresenius Medical Care shares and MEB	**18**	1
Income available to all classes of shares	**510**	420
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**78,855,197**	77,394,080
Weighted-average number of preference shares outstanding	**78,855,197**	77,394,080
Weighted-average number of shares outstanding of all classes	**157,710,394**	154,788,160
Potentially dilutive ordinary shares	**592,526**	792,851
Potentially dilutive preference shares	**592,526**	792,851
Weighted-average number of ordinary shares outstanding assuming dilution	**79,447,723**	78,186,931
Weighted-average number of preference shares outstanding assuming dilution	**79,447,723**	78,186,931
Weighted-average number of shares outstanding of all classes assuming dilution	**158,895,446**	156,373,862
Basic earnings per ordinary share in €	**3.35**	2.72
Preference per preference share in €	**0.01**	0.01
Basic earnings per preference share in €	**3.36**	2.73
Fully diluted earnings per ordinary share in €	**3.21**	2.69
Preference per preference share in €	**0.01**	0.01
Fully diluted earnings per preference share in €	**3.22**	2.70

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

Notes on the consolidated balance sheet

14. CASH AND CASH EQUIVALENTS

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

in million €	2008	2007
Cash	**361**	349
Securities (with a maturity of up to 90 days)	**9**	12
Total cash and cash equivalents	**370**	361

As of December 31, 2008 and December 31, 2007, committed funds of € 78 million and € 65 million, respectively, were included in cash and cash equivalents.

15. TRADE ACCOUNTS RECEIVABLE

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

in million €	2008	2007
Trade accounts receivable	**2,734**	2,382
less allowance for doubtful accounts	**257**	223
Trade accounts receivable, net	**2,477**	2,159

All trade accounts receivable are due within one year.

The following table shows the development of the allowance for doubtful accounts during the fiscal year:

in million €	2008	2007
Allowance for doubtful accounts at the beginning of the year	**223**	218
Change in valuation allowances as recorded in the consolidated statement of income	**159**	152
Write-offs and recoveries of amounts previously written-off	**-129**	-132
Foreign currency translation	**4**	-15
Allowance for doubtful accounts at the end of the year	**257**	223

The following table shows the ageing analysis of trade accounts receivable and their allowance for doubtful accounts:

in million €	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	1,566	459	233	188	288	**2,734**
less allowance for doubtful accounts	8	28	31	42	148	**257**
Trade accounts receivable, net	1,558	431	202	146	140	**2,477**

16. INVENTORIES

As of December 31, inventories consisted of the following:

in million €	2008	2007
Raw materials and purchased components	**289**	209
Work in process	**180**	129
Finished goods	**713**	579
less reserves	**55**	42
Inventories, net	**1,127**	875

In 2008 and 2007, no reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately € 1,940 million of raw materials and purchased components under fixed terms, of which € 344 million was committed at December 31, 2008 for 2009. The terms of these agreements run one to ten years. Advance payments from customers of € 83 million (2007: € 6 million) have been offset against inventories.

Inventories as of December 31, 2008 and December 31, 2007 included approximately € 25 million and approximately € 21 million, respectively, of the product Erythropoietin (EPO), which is supplied by a single source supplier in the United States. Delays, stoppages, or interruptions in the

supply of EPO could adversely affect the operating results of Fresenius Medical Care. In October 2006, Fresenius Medical Care entered into a five-year exclusive sourcing and supply agreement with its EPO supplier. Revenues from EPO accounted for approximately 7 % and 8 % of total sales of the Fresenius Group in 2008 and 2007, respectively.

17. PREPAID EXPENSES AND OTHER CURRENT AND NON-CURRENT ASSETS

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

	2008		2007	
in million €		thereof short-term		thereof short-term
Tax receivables	**170**	**164**	116	113
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**128**	**101**	150	120
Investments and long-term loans	**98**	**3**	55	0
Derivative financial instruments	**87**	**74**	18	17
Prepaid expenses	**39**	**13**	77	16
Advances made	**32**	**32**	20	20
Re-insurance claims	**27**	**0**	29	0
Accounts receivable from management contracts in clinics	**10**	**10**	10	10
Other assets	**577**	**438**	414	342
Prepaid expenses and other assets, gross	**1,168**	**835**	889	638
less allowances	**9**	**9**	11	7
Prepaid expenses and other assets, net	**1,159**	**826**	878	631

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

Depreciations on other non-current assets in an amount of € 4 million and € 5 million were recognized in the fiscal years 2008 and 2007, respectively. In 2008 as well as in 2007, there were no reclassifications to other non-current assets.

18. PROPERTY, PLANT AND EQUIPMENT

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

Acquisition and manufacturing costs

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2008**
Land and land facilities	168	0	26	6	0	1	**199**
Buildings and improvements	2,108	19	60	201	51	15	**2,424**
Machinery and equipment	2,596	-19	129	321	95	101	**3,021**
Machinery, equipment and rental equipment under capital leases	137	1	0	4	0	4	**138**
Construction in progress	300	-2	22	217	-189	2	**346**
Property, plant and equipment	5,309	-1	237	749	-43	123	**6,128**

Depreciation

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2008**
Land and land facilities	2	0	0	0	0	0	**2**
Buildings and improvements	750	11	9	136	0	10	**896**
Machinery and equipment	1,524	-11	44	276	-2	89	**1,742**
Machinery, equipment and rental equipment under capital leases	59	0	0	9	0	3	**65**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	2,336	0	53	421	-2	102	**2,706**

Acquisition and manufacturing costs

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Land and land facilities	171	-1	0	9	-9	2	**168**
Buildings and improvements	1,836	-80	60	170	195	73	**2,108**
Machinery and equipment	2,405	-96	50	297	118	178	**2,596**
Machinery, equipment and rental equipment under capital leases	135	0	0	6	1	5	**137**
Construction in progress	412	-13	3	217	-314	5	**300**
Property, plant and equipment	4,959	-190	113	699	-9	263	**5,309**

Depreciation

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Land and land facilities	0	0	0	2	0	0	**2**
Buildings and improvements	706	-33	1	130	0	54	**750**
Machinery and equipment	1,482	-49	11	243	0	163	**1,524**
Machinery, equipment and rental equipment under capital leases	55	1	0	8	0	5	**59**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	2,244	-81	12	383	0	222	**2,336**

Carrying amounts

in million €	**December 31, 2008**	December 31, 2007
Land and land facilities	**197**	166
Buildings and improvements	**1,528**	1,358
Machinery and equipment	**1,279**	1,072
Machinery, equipment and rental equipment under capital leases	**73**	78
Construction in progress	**345**	299
Property, plant and equipment	**3,422**	2,973

Depreciation on property, plant and equipment for the years 2008 and 2007 was € 421 million and € 383 million, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

LEASING

Machinery and equipment as of December 31, 2008 and 2007 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of € 215 million and € 187 million, respectively.

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

For details of minimum lease payments see Note 22, Debt and liabilities from capital lease obligations.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Acquisition cost

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2008**
Goodwill	7,097	162	3,187	41	8	18	**10,477**
Patents, product and distribution rights	64	-15	403	89	0	1	**540**
Tradenames	168	7	1	0	-9	1	**166**
Technology	68	3	0	0	0	0	**71**
Non-compete agreements	144	9	5	0	0	0	**158**
Capitalized development costs	42	-10	272	8	0	0	**312**
Other	432	19	11	29	42	4	**529**
Goodwill and other intangible assets	8,015	175	3,879	167	41	24	**12,253**

Amortization

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of December 31, 2008**
Goodwill	4	0	0	0	0	0	**4**
Patents, product and distribution rights	39	0	0	15	0	0	**54**
Tradenames	0	0	0	0	0	0	**0**
Technology	3	0	0	5	0	0	**8**
Non-compete agreements	88	4	0	10	0	0	**102**
Capitalized development costs	18	0	0	6	0	0	**24**
Other	198	2	1	25	0	6	**220**
Goodwill and other intangible assets	350	6	1	61	0	6	**412**

Acquisition cost

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Goodwill	7,123	-527	402	85	15	1	**7,097**
Patents, product and distribution rights	112	-3	4	5	-42	12	**64**
Tradenames	185	-17	0	0	0	0	**168**
Technology	49	-7	25	1	0	0	**68**
Non-compete agreements	154	-15	5	0	0	0	**144**
Capitalized development costs	34	-1	3	7	0	1	**42**
Other	384	-30	20	30	35	7	**432**
Goodwill and other intangible assets	8,041	-600	459	128	8	21	**8,015**

Amortization

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Goodwill	4	0	0	0	0	0	**4**
Patents, product and distribution rights	47	0	0	4	-1	11	**39**
Tradenames	0	0	0	0	0	0	**0**
Technology	0	0	0	3	0	0	**3**
Non-compete agreements	90	-10	0	8	0	0	**88**
Capitalized development costs	13	0	1	5	0	1	**18**
Other	197	-12	0	19	0	6	**198**
Goodwill and other intangible assets	351	-22	1	39	-1	18	**350**

Carrying amounts

in million €	**December 31, 2008**	December 31, 2007
Goodwill	**10,473**	7,093
Patents, product and distribution rights	**486**	25
Tradenames	**166**	168
Technology	**63**	65
Non-compete agreements	**56**	56
Capitalized development costs	**288**	24
Other	**309**	234
Goodwill and other intangible assets	**11,841**	7,665

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

Amortizable intangible assets

	December 31, 2008			December 31, 2007		
in million €	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**540**	**54**	**486**	64	39	25
Technology	**71**	**8**	**63**	68	3	65
Non-compete agreements	**158**	**102**	**56**	144	88	56
Capitalized development costs	**312**	**24**	**288**	42	18	24
Other	**371**	**220**	**151**	283	198	85
Total	**1,452**	**408**	**1,044**	601	346	255

Fresenius Medical Care capitalized development costs in an amount of € 12 million for the fiscal year 2008 (2007: € 12 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 2008 amounted to € 1 million (2007: € 1 million).

In the case of Fresenius Kabi, costs capitalized amounted to € 276 million in the fiscal year 2008 (2007: € 12 million).

The increase of capitalized development costs resulted mainly from purchased in-process R&D relating to the acquisition of APP. Amortization of these development projects will start with their admission to the market. Amortization on other development costs are recorded on a straight-line basis over a useful life of 5 years and amounted to € 5 million for the fiscal year 2008 (2007: € 4 million).

Non-amortizable intangible assets

	December 31, 2008			December 31, 2007		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**166**	**0**	**166**	168	0	168
Management contracts	**158**	**0**	**158**	149	0	149
Goodwill	**10,477**	**4**	**10,473**	7,097	4	7,093
Total	**10,801**	**4**	**10,797**	7,414	4	7,410

Amortization on intangible assets amounted to € 61 million and € 39 million for the years 2008 and 2007, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

in million €	2009	2010	2011	2012	2013
Estimated amortization expenses	80	81	80	78	74

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2008	**7,093**
Additions	3,228
Disposals	-18
Reclassifications	8
Foreign currency translation	162
Carrying amount as of December 31, 2008	**10,473**

The increase of the carrying amount mainly results from the addition of the goodwill from the acquisition of APP.

LICENSE AND DISTRIBUTION AGREEMENTS

In July 2008, Fresenius Medical Care entered into two separate license and distribution agreements, one for the US (with Galenica Ltd. and Luitpold Pharmaceuticals Inc., the US Agreement) and one for certain countries in Europe and the Middle East (with Galenica AG and Vifor International AG, the International Agreement), to market and distribute Galenica Ltd.'s and Luitpold Pharmaceuticals, Inc.'s intravenous iron products, such as Venofer® and Ferinject® for dialysis treatment. In North America, the license agreement among Fresenius Medical Care's subsidiary FUSA Manufacturing Inc. (FMI), Luitpold Pharmaceuticals Inc., American Regent, Inc. and Vifor (International), Inc. provides FMI with exclusive rights to manufacture and distribute Venofer® to

freestanding (non-hospital based) US dialysis facilities. In addition, it grants FMI similar rights for Injectafer® (ferric carboxymaltose), a proposed new intravenous iron medication currently under clinical study in the US. The US license agreement has a term of ten years, includes FMI extension options, and requires payment by FMI over the ten year term of approximately US$ 2 billion, which Fresenius Medical Care will expense as incurred (based upon the annual estimated units of sale of the licensed product), subject to certain early termination provisions.

In addition to these payments, Fresenius Medical Care will pay a total of approximately US$ 47 million over a four year period for the US Agreement of which US$ 22 million (€ 15 million) was paid in 2008. Fresenius Medical Care recorded a liability of US$ 23 million (€ 17 million) for the balance. The cost of the US Agreement and related transaction costs of US$ 6 million will be amortized over their 10-year expected useful life (based upon the annual estimated units of sale of the licensed product). Fresenius Medical Care paid US$ 15 million (€ 10 million) upon signing of the International Agreement in 2008 and could pay up to € 40 million more upon certain milestones being met. The International Agreement costs will be amortized over their expected 20-year useful life. Milestone payments will be capitalized and amortized over their useful lives at the time the milestone payments are made.

20. OTHER ACCRUED EXPENSES

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

	2008		2007	
in million €		thereof short-term		thereof short-term
Personnel expenses	**378**	**323**	375	322
Invoices outstanding	**137**	**137**	101	101
Self-insurance programs	**93**	**93**	100	100
Special charge for legal matters	**83**	**83**	78	78
Bonuses and discounts	**76**	**76**	48	48
Legal matters, advisory and audit fees	**40**	**40**	50	50
Warranties and complaints	**27**	**23**	29	19
Commissions	**17**	**17**	17	17
Physician compensation	**9**	**9**	11	11
All other accrued expenses	**381**	**350**	324	296
Other accrued expenses	**1,241**	**1,151**	1,133	1,042

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

in million €	As of January 1, 2008	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	As of December 31, 2008
Personnel expenses	375	5	1	191	3	-174	-23	**378**
Invoices outstanding	101	-4	8	106	–	-60	-14	**137**
Self-insurance programs	100	4	1	2	–	-14	–	**93**
Special charge for legal matters	78	5	0	0	0	0	0	**83**
Bonuses and discounts	48	–	10	66	2	-48	-2	**76**
Legal matters, advisory and audit fees	50	–	3	15	–	-26	-2	**40**
Warranties and complaints	29	–	–	19	-6	-9	-6	**27**
Commissions	17	–	1	22	–	-22	-1	**17**
Physician compensation	11	–	0	0	0	-2	0	**9**
All other accrued expenses	324	-1	26	219	1	-151	-37	**381**
Total	1,133	9	50	640	–	-506	-85	**1,241**

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

In 2001, Fresenius Medical Care recorded a US$ 258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG (Merger), estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$ 115 million (€ 83 million), without interest, upon plan confirmation (see Note 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 million €	2008	thereof short-term	2007	thereof short-term
Derivative financial instruments	**239**	**100**	34	10
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**187**	**174**	187	172
Interest liabilities	**98**	**98**	75	75
Tax liabilities	**96**	**93**	99	96
Personnel liabilities	**73**	**70**	66	64
Advance payments from customers	**69**	**32**	82	57
Accounts receivable credit balance	**26**	**15**	28	17
All other liabilities	**591**	**464**	516	395
Other liabilities	**1,379**	**1,046**	1,087	886

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

Of the total amount of other non-current liabilities € 333 million at December 31, 2008, € 253 million were due between one and five years and € 80 million were due later than five years. The balance sheet line item long-term accrued expenses and other long-term liabilities of € 423 million also included long-term accrued expenses of € 90 million as of December 31, 2008.

22. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

Borrowings

Short-term borrowings of € 729 million and € 362 million at December 31, 2008, and 2007, respectively, consisted of € 342 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and € 387 million outstanding short-term borrowings under the accounts receivable facility described on the next page. The

average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2008 and 2007 were 5.17 % and 5.15 %, respectively.

The rise of short-term borrowings mainly refers to the increase of Fresenius Medical Care's short-term borrowings under its accounts receivable facility. Fresenius Medical Care used the proceeds, together with borrowings under its other existing long-term credit facilities, to redeem its trust preferred securities that became due on February 1, 2008.

Accounts receivable facility

Fresenius Medical Care has an asset securitization facility (accounts receivable facility), which is typically renewed in October of each year and was renewed most recently in October 2008. Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right to recall all transferred interests in the accounts receivable assigned to the banks under the facility. As Fresenius Medical Care has the right at any time to recall the then outstanding interests, the receivables remain on the consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as short-term borrowings.

At December 31, 2008, there were outstanding short-term borrowings under the accounts receivable facility of US$ 539 million (€ 387 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate at December 31, 2008 was 3.89 %. Annual refinancing fees, which include legal costs and bank fees (if any), are amortized over the term of the facility.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

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

in million €	2008	2007
Fresenius Medical Care 2006 Senior Credit Agreement	**2,419**	2,151
2008 Senior Credit Agreement	**1,896**	0
Bridge Credit Agreement	**467**	0
Euro Notes	**800**	440
European Investment Bank Agreements	**309**	169
Capital lease obligations	**42**	42
Other	**220**	205
Subtotal	**6,153**	3,007
less current portion	**433**	120
less financing cost	**116**	49
Long-term debt and liabilities from capital lease obligations, less current portion	**5,604**	2,838

Maturities of long-term debt and liabilities from capital lease obligations are shown in the following table:

in million €	up to 1 year	1 to 5 years	more than 5 years
Fresenius Medical Care 2006 Senior Credit Agreement	96	2,323	0
2008 Senior Credit Agreement	67	816	1,013
Bridge Credit Agreement	0	0	467
Euro Notes	200	300	300
European Investment Bank Agreements	8	163	138
Capital lease obligations	8	24	10
Other	54	107	59
Long-term debt and liabilities from capital lease obligations	**433**	**3,733**	**1,987**

Aggregate annual repayments applicable to the above listed long-term debt and liabilities from capital lease obligations for the five years subsequent to December 31, 2008 are:

for the fiscal years	in million €
2009	433
2010	270
2011	1,300
2012	1,379
2013	784
Subsequent years	1,987
Total	**6,153**

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care entered into a US$ 4.6 billion syndicated credit agreement (Fresenius Medical Care 2006 Senior Credit Agreement) with Bank of America, N.A. (BofA); Deutsche Bank AG New York Branch; The Bank of Nova Scotia; Credit Suisse, Cayman Islands Branch; JP Morgan Chase Bank, National Association; and certain other lenders (collectively the Lenders) on March 31, 2006 which replaced a prior credit agreement.

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

	Maximum amount available		Balance outstanding	
in million US$	**2008**	2007	**2008**	2007
Revolving Credit	**1,000**	1,000	**305**	38
Term Loan A	**1,491**	1,550	**1,491**	1,550
Term Loan B	**1,570**	1,578	**1,570**	1,578
Total	**4,061**	4,128	**3,366**	3,166

In addition, at December 31, 2008, US$ 112 million and at December 31, 2007, US$ 87 million were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

The Fresenius Medical Care 2006 Senior Credit Agreement consists of:

- A 5-year US$ 1 billion revolving credit facility (of which up to US$ 250 million is available for letters of credit, up to US$ 300 million is available for borrowings in certain non-US currencies, up to US$ 150 million is available as swing line loans in US dollars, up to US$ 250 million is available as a competitive loan facility and up to US$ 50 million is available as swing line loans in certain non-US currencies, the total of which cannot exceed US$ 1 billion which will be due and payable on March 31, 2011.
- A 5-year term loan facility (Term Loan A) of US$ 1,850 million, also scheduled to mature on March 31, 2011. The Fresenius Medical Care 2006 Senior Credit Agreement requires 19 quarterly payments on Term Loan A of US$ 30 million each that permanently reduce the term loan facility which began June 30, 2006 and continue through December 31, 2010. The remaining amount outstanding is due on March 31, 2011. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of Senior Notes (see Note 23, Senior Notes), which reduced the principal balance outstanding, the quarterly payments were reduced to US$ 29 million beginning with the payment for September 30, 2008.
- A 7-year term loan facility (Term Loan B) of US$ 1,750 million scheduled to mature on March 31, 2013. The terms of the Fresenius Medical Care 2006 Senior Credit Agreement require 28 quarterly payments on Term Loan B

that permanently reduce the term loan facility. The repayment began on June 30, 2006. The first 24 quarterly payments are US$ 4.4 million and payments 25 through 28 are US$ 411 million with the final payment of the remaining balance due on March 31, 2013, subject to an early repayment requirement on March 1, 2011 if the Trust Preferred Securities due June 15, 2011 are not repaid or refinanced or their maturity is not extended prior to that date. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of senior notes (see Note 23, Senior Notes) the balance of the remaining payments of US$ 4.4 million were reduced to US$ 4.0 million beginning with the September 30, 2008 payment and payments 25 through 28 were reduced to US$ 379 million.

Interest on these facilities will be, at Fresenius Medical Care's option, depending on the interest periods chosen, at a rate equal to either LIBOR plus an applicable margin or the higher of (a) BofA's prime rate or (b) the Federal Funds rate plus 0.5 %, plus an applicable margin.

The applicable margin is variable and depends on Fresenius Medical Care's consolidated leverage ratio which is a ratio of its consolidated funded debt (less up to US$ 30 million cash and cash equivalents) to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care 2006 Senior Credit Agreement).

For a large portion of the floating rate borrowings under the Fresenius Medical Care 2006 Senior Credit Agreement, interest rate hedges have been arranged (see Note 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 in some events. This means especially utilizing portions of the net cash proceeds from certain sales of assets, securitization transactions other than Fresenius Medical Care's existing accounts receivable facility, the issuance of subordinated debt other than certain intercompany transactions, certain issuances of equity and excess cash flow.

The obligations under the Fresenius Medical Care 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the lenders. The Fresenius Medical Care 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is US$ 280 million for dividends paid in 2009, and increases in subsequent years. Fresenius Medical Care paid dividends of US$ 252 million (€ 160 million) in May of 2008 which was in compliance with the restrictions set forth in the Fresenius Medical Care 2006 Senior Credit Agreement. In default, the outstanding balance under the Fresenius Medical Care 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2008, Fresenius Medical Care was in compliance with all covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

Fresenius Medical Care incurred fees of approximately US$ 86 million in conjunction with the Fresenius Medical Care 2006 Senior Credit Agreement which are being amortized over the life of this agreement.

During the fourth quarter of 2008, one of the participating banks defaulted on its obligation to provide funds under the terms of the revolving facility of the Fresenius Medical Care 2006 Senior Credit Agreement. As Fresenius Medical Care deemed the amount in default immaterial, it took no action to amend the Fresenius Medical Care 2006 Senior Credit Agreement to replace the defaulting bank. Fresenius Medical Care believes it has enough availability under this agreement and other credit facilities to meet its immediate needs.

In July 2007, Fresenius Medical Care voluntarily repaid portions of the term loans outstanding utilizing a portion of the proceeds from the issuance of Senior Notes (see Note 23, Senior Notes). Under the terms of the Fresenius Medical Care 2006 Senior Credit Agreement, advance payments on the term loans are applied first against the next four quarterly payments due with any amounts in excess of the four quarterly payments applied on a pro-rata basis against any remaining

payments. As a result of the advance payments on the Term Loans, no payments were made or were due for either Term Loan A or B until the third quarter of 2008.

In June 2007, the Fresenius Medical Care 2006 Senior Credit Agreement was amended in order to enable Fresenius Medical Care to issue US$ 500 million in Senior Notes (see Note 23, Senior Notes). Furthermore, on January 31, 2008, it was amended to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

2008 Senior Credit Agreement

In connection with the acquisition of APP, the Fresenius Group entered into a US$ 2.45 billion syndicated credit agreement (2008 Senior Credit Agreement) on August 20, 2008.

The 2008 Senior Credit Agreement consists of:

- five-year Term Loan A Facilities (Term Loan A) in the aggregate principal amount of US$ 1 billion (of which US$ 500 million is available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE, and US$ 500 million is available to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in 10 unequal semi-annual installments commencing on June 10, 2009 with a final maturity date on September 10, 2013;
- six-year Term Loan B Facilities (Term Loan B) in the aggregate principal amount of US$ 1 billion (of which US$ 502.5 million is available to Fresenius US Finance I, Inc. and US$ 497.5 million is available to APP Pharmaceuticals, LLC). Term Loan B amortizes and is repayable in 11 substantially equal semi-annual installments commencing on June 10, 2009 with a final bullet payment equal to 94.25 % of such loans on September 10, 2014; and
- five-year Revolving Credit Facilities in the aggregate principal amount of US$ 450 million (of which US$ 150 million is available to APP Pharmaceuticals, LLC and US$ 300 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE).

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate per annum equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euro, EURIBOR for the relevant interest period, subject, in the case of Term Loan B, to a minimum LIBOR or EURIBOR of 3.25 %. The applicable margin for Term Loan A and the Revolving Credit Facilities is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement.

To hedge part of the interest rate risk connected with the floating rate borrowings under the 2008 Senior Credit Agreement, the Fresenius Group entered into interest rate hedges (see Note 31, Financial instruments).

In addition to scheduled principal payments, indebtedness outstanding under the 2008 Senior Credit Agreement will be reduced by mandatory prepayments utilizing portions of the net cash proceeds from certain sales of assets, incurrence of additional indebtedness, equity issuances and certain intercompany loan repayments.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of APP Pharmaceuticals, LLC under the 2008 Senior Credit Agreement that refinance outstanding indebtedness under the former APP credit facility are secured by the assets of APP and its subsidiaries and guaranteed by APP's subsidiaries on the same basis as the former APP credit facility. All lenders also benefit from indirect security through pledges over the shares of certain subsidiaries of Fresenius Kabi AG and pledges over certain intercompany loans.

The 2008 Senior Credit Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include, among others, limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum

leverage ratio, a minimum fixed charge coverage ratio, a minimum interest coverage ratio and limits amounts spent on capital expenditure. As of December 31, 2008, Fresenius SE was in compliance with all covenants under the 2008 Senior Credit Agreement.

In October 2008, the 2008 Senior Credit Agreement was amended to increase Term Loan B available to Fresenius US Finance I, Inc. by US$ 210.5 million and € 200 million (US$ 273 million). The proceeds were used for the repayment of the bridge credit agreement described below. In November 2008, Fresenius SE agreed with the lenders upon an increase of the revolving credit facility available to Fresenius Finance I S.A. by US$ 100 million.

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

	Maximum amount available		Balance outstanding	
		in million €		in million €
Revolving Credit Facilities	US$ 550 million	395	US$ 150 million	108
Term Loan A	US$ 1,000 million	718	US$ 1,000 million	718
Term Loan B (in US$)	US$ 1,211 million	870	US$ 1,211 million	870
Term Loan B (in €)	€ 200 million	200	€ 200 million	200
Total		**2,183**		**1,896**

Bridge Credit Agreement

On August 20, 2008, the Fresenius Group entered into a Bridge Credit Agreement of US$ 1.3 billion to fund part of the purchase price of APP. The facility was available to Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE, and was fully drawn down on September 10, 2008. Under certain conditions, the availability of the facility extended to September 10, 2015. In October 2008, the Bridge Credit Agreement was reduced to US$ 650 million using proceeds of the increase of Term Loan B under the 2008 Senior Credit Agreement and funds obtained under other existing credit facilities.

The Bridge Credit Agreement was guaranteed on a senior basis by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH and contained covenants substantially identical to those contained in the 2008 Senior Credit Agreement. Interest on the initial loans was variable and based on LIBOR plus applicable margin.

On January 21, 2009, the residual amount of the Bridge Credit Agreement was redeemed using the proceeds of new Senior Notes (see Note 37, Subsequent events).

Euro Notes

As of December 31, 2008, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	**Book value in million €**
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51 %	**26**
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75 %	**38**
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59 %	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**138**
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98 %	**112**
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	4.57 %	**126**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	variable	**74**
Euro Notes			**800**

The nominal amount of the Euro Notes equals the book value.

In April 2008, Fresenius Finance B.V., a wholly-owned subsidiary of Fresenius SE, issued Euro Notes in an amount of € 400 million in four tranches with four and six year terms. The proceeds from the issuance of the Euro Notes were mainly utilized to finance acquisitions as well as for the repayment of short-term debt and to redeem Euro Notes of € 40 million that were due in May 2008.

In July 2007, Fresenius Finance B.V. issued Euro Notes of € 200 million.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE. The Euro Notes of FMC Finance S.à.r.l. Luxembourg IV are guaranteed by FMC-AG & Co. KGaA.

The Euro Notes issued by FMC Finance S.à.r.l. Luxembourg IV are shown as current portion of long-term debt and liabilities from capital lease obligations in the balance sheet.

Interest of the floating-rate tranches of the Euro Notes is based on EURIBOR plus applicable margin. For a large portion of these tranches interest rate swaps have been arranged (see Note 31, Financial instruments). Only the floating-rate tranche of the Euro Notes of FMC Finance S.à.r.l. Luxembourg IV in an amount of € 74 million is exposed to the risk of interest rate increases.

European Investment Bank Agreements

Various subsidiaries of the Fresenius Group maintain credit facilities with the European Investment Bank (EIB). The following table shows the outstanding amounts under the EIB facilities as of December 31, 2008:

	Maximum amount available in million €	Maturity	**Book value in million €**
Fresenius SE	96	2013	**96**
FMC-AG & Co. KGaA	221	2013/2014	**125**
HELIOS Kliniken GmbH	88	2019	**88**
Loans from EIB	405		**309**

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

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

Some advances under these agreements can be denominated in certain foreign currencies including US dollar. Accordingly, the liabilities of FMC-AG & Co. KGaA comprise loans of US$ 49 million and € 90 million. FMC-AG & Co. KGaA borrowed this € 90 million loan under a credit agreement with the EIB which was entered into in December 2006. This facility was fully drawn down on February 1, 2008. The loan matures on February 1, 2014.

The above mentioned loans bear variable interest rates that change quarterly. As of December 31, 2008, the US dollar borrowings of FMC-AG & Co. KGaA and the euro borrowings of FMC-AG & Co. KGaA bore an interest rate of 2.026 % and 4.767 %, respectively. The borrowings of Fresenius SE and HELIOS Kliniken GmbH had an interest rate of 3.349 %. To some extent, the borrowers may opt to convert those interest rates into fixed rates. The loans under these EIB Agreements are secured by bank guarantees and have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

in million €	2008
Capital lease obligations (minimum lease payments)	**48**
due within one year	10
due between one and five years	27
due later than five years	11
Interest component included in future minimum lease payments	**6**
due within one year	2
due between one and five years	3
due later than five years	1
Present value of capital lease obligations (minimum lease payments)	**42**
due within one year	8
due between one and five years	24
due later than five years	10

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of reporting date. As of December 31, 2008, the additional financial cushion resulting from unutilized credit facilities was approximately € 1.1 billion.

Syndicated credit facilities accounted for € 706 million. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$ 583 million (€ 419 million) and the 2008 Senior Credit Agreement in the amount of US$ 400 million (€ 287 million). Furthermore, bilateral facilities of approximately € 400 million were available. They include the already described credit facilities with the EIB and credit facilities which subsidiaries of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE has a commercial paper program under which up to € 250 million in short-term notes can be issued. As of December 31, 2008, no commercial papers were outstanding.

Additional financing of up to US$ 550 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$ 539 million as of December 31, 2008.

23. SENIOR NOTES

As of December 31, 2008, Senior Notes of the Fresenius Group consisted of the following:

	Notional amount	Maturity	Interest rate	Book value in million €
Fresenius Finance B.V. 2003/2009	€ 100 million	April 30, 2009	7.50 %	**100**
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan 31, 2013	5.00 %	**500**
Fresenius Finance B.V. 2006/2016	€ 500 million	Jan 31, 2016	5.50 %	**500**
FMC Finance III S.A. 2007/2017	US$ 500 million	July 15, 2017	6⅞ %	**354**
Senior Notes				**1,454**

The Senior Notes issued by Fresenius Finance B.V. which mature on April 30, 2009 are shown as current portion of Senior Notes in the balance sheet. The Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer from January 31, 2011 onwards. The respective redemption prices have already been fixed at the date of issuance in the indentures.

All Senior Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius SE has agreed to a number of covenants to

provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE and its subsidiaries (excluding FMC-AG & Co. KGaA and its subsidiaries). These covenants include, amongst other things, restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets. Some of these restrictions are lifted automatically when the rating of Fresenius SE reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bond-holders (owning in aggregate more than 25 % of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayments plus interest. As of December 31, 2008, the Fresenius Group was in compliance with all of its covenants.

In July 2007, FMC Finance III S.A., a wholly-owned subsidiary of FMC-AG & Co. KGaA, issued US$ 500 million aggregate principal amount of 6⅞ % Senior Notes due 2017 at a discount resulting in an effective interest rate of 7⅛ %. The Senior Notes are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA and by its subsidiaries FMCH and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH). Fresenius Medical Care may redeem the Senior Notes at any time at 100 % of principal amount plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have a right to request that Fresenius Medical Care repurchases the Senior Notes at 101 % of principal amount plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the Senior Notes.

24. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP, Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million were launched. Fresenius Finance B.V. subscribed for these MEB issued by Fresenius Finance (Jersey) Ltd. at 100 % of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE who placed the MEB in the market. The bonds carry a coupon of 5⅝ % per annum and will mature on August 14, 2011. Upon maturity, the bonds will be mandatorily exchangeable into ordinary shares of FMC-AG & Co. KGaA with a maximum of 16.80 million and a minimum of 14.24 million shares being deliverable, subject to anti-dilution adjustments with respect to FMC-AG & Co. KGaA (e. g. in case of corporate actions). The MEB are not redeemable in cash.

The initial minimum exchange price was set to € 33.00 and the initial maximum exchange price was set to € 38.94 (i. e. 118 % of the initial minimum exchange price). Pursuant to the terms and conditions of the MEB, both the holder and the issuer may procure for the exchange of the bonds before maturity. In principal, the issuer, Fresenius Finance (Jersey) Ltd., may procure the exchange of all of the outstanding MEB for shares of FMC-AG & Co. KGaA at the maximum exchange ratio calculated on the relevant exchange date plus payment of any accrued and unpaid interest and a make-whole amount. Furthermore, the MEB shall be mandatorily exchangeable at the maximum exchange ratio plus such payments if the corporate credit ratings of Fresenius SE fall below certain benchmarks and such benchmarks are subsequently not reinstated. Moreover, in the event of a change of control of Fresenius SE or FMC-AG & Co. KGaA, each holder of the MEB may elect to exchange its MEB at the maximum exchange ratio plus such payments. Each holder of the MEB may also exchange his MEB at the minimum exchange ratio calculated on the relevant exchange date without payment of accrued interest or any make-whole amount.

Fresenius SE guarantees in favor of Fresenius Finance (Jersey) Ltd. the payment of certain interest payments by Fresenius Finance B.V. Furthermore, it secures the delivery of the underlying shares of FMC-AG & Co. KGaA for exchange via a pledge agreement. In addition, Fresenius SE has undertaken to the holders of the bonds that neither it nor any of its material subsidiaries provides any security of its assets for certain capital market indebtedness, without at the same time having the holders share equally and rateably in such security.

The derivative financial instruments embedded in the MEB are measured at fair value and are shown separately under the balance sheet item prepaid expenses and other current assets.

25. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

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

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

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

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

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

DEFINED BENEFIT PENSION PLANS

At December 31, 2008, the benefit obligation (DBO) of the Fresenius Group of € 505 million (2007: € 498 million) included € 204 million (2007: € 219 million) funded by plan assets and € 293 million (2007: € 282 million) covered by pension provisions. The current portion of the pension liability in an amount of € 10 million is recognized in the balance sheet as short-term accrued expenses and other short-term liabilities. The non-current portion of € 283 million is recorded as pension liability. At December 31, 2008, prepaid pension costs in an amount of € 9 million (2007: € 7 million) related to the North American pension plan and are recorded within other non-current assets.

66 % of the pension liabilities in an amount of € 293 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension plan 1988 does not have a separate pension fund.

FMCH, a subsidiary of Fresenius Medical Care, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in the year 2008. FMCH voluntarily contributed US$ 0.7 million (€ 0.5 million) during the year 2008. Expected funding for 2009 is US$ 0.8 million (€ 0.6 million).

The Fresenius Group's benefit obligations relating to fully or partly funded pension plans were € 242 million. Benefit obligations relating to unfunded pension plans were € 263 million.

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The funded status has developed as follows:

in million €	2008	2007
Benefit obligations at the beginning of the year	**498**	553
Changes in entities consolidated	**–**	1
Foreign currency translation	**2**	-21
Service cost	**15**	17
Prior service cost	**2**	2
Interest cost	**28**	27
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-1**	-3
Actuarial losses/gains	**-25**	-60
Benefits paid	**-15**	-19
Amendments	**–**	–
Benefit obligations at the end of the year	**505**	498
thereof vested	437	427
Fair value of plan assets at the beginning of the year	**226**	235
Changes in entities consolidated	**1**	–
Foreign currency translation	**1**	-21
Actual return on plan assets	**-15**	13
Contributions by the employer	**6**	8
Contributions by plan participants	**1**	1
Settlements	**-1**	0
Transfers	–	–
Profit on disposal of investments	**0**	1
Benefits paid	**-6**	-11
Fair value of plan assets at the end of the year	**213**	226
Funded status as of December 31	**292**	272

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

As of December 31, 2008 and 2007, respectively, the net amount recognized (pension liability less recognized assets) was calculated as follows:

in million €	2008	2007
Funded status	**292**	272
Unrecognized actuarial loss	**-12**	-1
Unrecognized past service cost	**4**	4
Net amount recognized as of December 31	**284**	275

As of December 31, 2008, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of € 9 million was recognized as an asset. For all the remaining pension plans of the Fresenius Group, the benefit obligations exceeded the fair value of plan assets and resulted in a total amount of € 293 million recognized as a pension liability.

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

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

in %	2008	2007
Discount rate	**6.21**	5.80
Rate of compensation increase	**3.56**	3.66
Rate of pension increase	**1.94**	1.80

As of December 31, the five-years-analysis is as follows:

in million €	2008	2007	2006	2005	2004
Pension obligation	**505**	498	553	571	434
thereof experience adjustments	**6**	4	4		
Plan assets	**213**	226	235	232	178
thereof experience adjustments	**-30**	-3	3		
Funded status	**292**	272	318	339	256

Defined benefit pension plans' net periodic benefit costs of € 27 million (2007: € 30 million) were comprised of the following components for each of the years ended December 31:

in million €	2008	2007
Service cost	**15**	17
Interest cost	**28**	27
Expected return on plan assets	**-15**	-16
Amortization of unrealized actuarial losses, net	**-3**	2
Amortization of prior service costs	**2**	1
Settlement loss	**0**	-1
Net periodic benefit cost	**27**	30

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	2008	2007
Discount rate	**5.80**	5.02
Expected return of plan assets	**7.06**	7.03
Rate of compensation increase	**3.66**	3.75

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2008 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses outside the 10 % corridor for each defined benefit plan were € 12 million (2007: € 1 million).

The following table shows the expected benefit payments for the next ten years:

for the fiscal years	in million €
2009	17
2010	18
2011	19
2012	21
2013	23
2014 to 2018	139
Total expected benefit payments	**237**

The Fresenius Group uses December 31, 2008 as the measurement date in determining the funded status of all plans.

Pension liabilities at December 31, related to the following geographical regions:

in million €	**2008**	2007
Germany	**255**	236
Europe (excluding Germany)	**38**	45
North America	**0**	0
Asia-Pacific	**–**	–
Latin America	**–**	1
Africa	**0**	0
Total pension liabilities	**293**	282

Approximately two thirds of the beneficiaries are located in North America, one quarter in Germany and the remainder throughout the rest of Europe and other continents.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.5 % for the year 2008.

The investment policy, utilizing a revised target investment allocation of 31 % equity and 69 % long-term US bonds, considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of FMC-AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, Russell 2000 Growth Index, MSCI EAFE Index, Barclays Capital Long Term Government Credit Index and Barclays Capital US Strips 20+ Year Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2008**	Allocation 2007	Target allocation
Equity securities	**34.27**	36.20	33.22
Debt securities	**61.94**	60.81	63.70
Real estate	**1.63**	0.41	1.75
Other	**2.16**	2.58	1.33
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 7.08 % compounded annually. Contributions to plan assets for the fiscal year 2009 are expected to amount to € 5 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2008 was € 22 million (2007: € 20 million). The main part relates to the North American savings plan, which employees of FMCH can join. Employees can deposit up to 75 % of their pay up to an annual maximum of US$ 15,500 if under 50 years old (US$ 20,500 if 50 or over) under this savings plan. Fresenius Medical Care will match 50 % of the employee deposit up to a maximum Company contribution of 3 % of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2008 and 2007 was € 18 million and € 17 million, respectively.

26. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware, United States. FMC-AG & Co. KGaA owns all of the common securities of these trusts. The sole asset of each trust is a senior subordinated note of FMC-AG & Co. KGaA or a wholly-owned subsidiary of FMC-AG & Co. KGaA. FMC-AG & Co. KGaA, FMC D-GmbH and FMCH have guaranteed payment and performance of the senior subordinated notes to the respective Fresenius Medical Care Capital Trusts. The trust preferred securities are guaranteed by FMC-AG & Co. KGaA through a series of undertakings by Fresenius Medical Care and FMCH and FMC D-GmbH.

The trust preferred securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after ten years. Earlier redemption at the option of the holders may also occur upon a change of control followed by a rating decline or defined events of default including a failure to pay interest. Upon liquidation of the trusts, the holders of trust preferred securities are entitled to a distribution equal to the stated amount. The trust preferred securities do not hold voting rights in the trust except under limited circumstances.

The indentures governing the notes held by the Fresenius Medical Care Capital Trusts contain affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit Fresenius Medical Care's indebtedness and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. As of December 31, 2008, Fresenius Medical Care was in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2008 and 2007 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2008 in million €**	2007 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7⅞ %	Feb 1, 2008	**0**	301
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7⅜ %	Feb 1, 2008	**0**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7⅞ %	Jun 15, 2011	**156**	149
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7⅜ %	Jun 15, 2011	**299**	297
Trust preferred securities					**455**	901

The trust preferred securities of Fresenius Medical Care Capital Trust II und III were due on February 1, 2008 and are therefore classified as a short-term liability and shown as current portion in an amount of € 455 million at December 31, 2007. Fresenius Medical Care used existing credit facilities for the repayment on February 1, 2008.

27. MINORITY INTEREST

As of December 31, minority interest in the Group was as follows:

in million €	2008	2007
Minority interest in FMC-AG & Co. KGaA	**2,788**	2,456
Minority interest in HELIOS Kliniken GmbH	**4**	6
Minority interest in VAMED AG	**29**	25
Minority interest in the business segments		
Fresenius Medical Care	**115**	72
Fresenius Kabi	**33**	28
Fresenius Helios	**99**	86
Fresenius Vamed	**2**	1
Corporate/Other	–	–
Total minority interest	**3,070**	2,674

Minority interest increased in 2008 by € 396 million to € 3,070 million. The change resulted from the minorities' share of profit of € 405 million, dividend payments of € -142 million and from negative currency effects as well as first-time consolidations in a total amount of € 133 million.

28. GROUP'S EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

On August 15, 2008, Fresenius SE successfully closed a capital increase to finance part of the acquisition of APP. In connection with the capital increase, 2,748,057 new ordinary shares were issued at a price of € 52.00 and 2,748,057 new preference shares were issued at a price of € 53.00. The transaction has generated gross proceeds of approximately € 289 million and increased the subscribed capital by € 5.5 million. The new shares have full dividend entitlement for the fiscal year 2008.

During the fiscal year 2008, 482,850 stock options were exercised.

Accordingly, at December 31, 2008, the subscribed capital of Fresenius SE was divided into 80,571,867 bearer ordinary shares and 80,571,867 non-voting bearer preference shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is € 1.00 per share.

Notification by shareholders

The contents of the notifications disclosed in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) by the balance sheet date are set out below. These reflect the most recent notifications made to Fresenius SE about the level of investments held:

The Else Kröner-Fresenius-Stiftung notified Fresenius SE on December 14, 2008, that it holds 46,871,154 ordinary shares of Fresenius SE representing 58.17 % of the voting rights.

On May 28, 2008, FIL Limited, Hamilton, Bermuda, crossed above the threshold of 5 % of the voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v.d.H., Germany. On that date, FIL Limited held 5.19 % of the voting rights in Fresenius SE arising from 4,028,297 voting rights. All voting rights in Fresenius SE were attributed to FIL Limited pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

Furthermore, Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius SE in the name of and on behalf of Fidelity Investment Trust, Boston, Massachusetts, United States, pursuant to Section 21 (1) WpHG of the following: On January 22, 2008, Fidelity Investment Trust exceeded the threshold of 3 % of voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v.d.H., Germany. On that date, Fidelity Investment Trust held 3.02 % of the voting rights in Fresenius SE arising from 2,341,614 voting rights.

Artio Global Management LLC , with its registered office in New York, United States, has notified Fresenius SE pursuant to Section 21 (1) WpHG that on December 16, 2008 its voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v.d.H., Germany, crossed below the threshold of 3 % and amounted to 2.97 % (equivalent to 2,396,313 voting rights) in relation to the total number of voting rights of the issuer. The voting rights in the amount of 2.97 % (equivalent to 2,396,313 voting rights) are entirely attributable to Artio Global Management LLC, pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

All notifications by shareholders in the fiscal year 2008 are published on the website of the Company www.fresenius.com under Investor Relations/The Fresenius Shares/Shareholder Structure.

APPROVED CAPITAL

By resolution of the Annual General Meeting on May 10, 2006, the previous Approved Capital II was revoked. The Management Board of Fresenius SE was authorized, with the approval of the Supervisory Board, until May 9, 2011,

- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 12,800,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions (Approved Capital I). A subscription right must be granted to shareholders.
- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 6,400,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions and/or contributions in kind (Approved Capital II). The Management Board is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (§§ 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG)). As of December 31, 2008, the Approved Capital II decreased by € 5,496,114.00 to € 1.20 due to the capital increase in connection with the acquisition of APP. In 2006, it was already reduced by € 903,884.80 due to the payment in shares in connection with the acquisition of HUMAINE Kliniken GmbH.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III which exist to secure the subscription rights in connection with already issued stock options on bearer ordinary shares and bearer preference shares of the stock option plans of 1998, 2003 and 2008 (see Note 35, Stock options).

Due to the capital increase from the Company's funds enacted on December 4, 2006, the Conditional Capital increased in the same proportion as the subscribed capital by operation of law (cf. Section 218 sentence 1 of the German Stock Corporation Act (AktG)). After the registration of the share split in the commercial register on January 24, 2007, the Conditional Capital I amounted to € 1,971,966.00 (as of December 31, 2006: € 1,682,744.32), divided into 985,983 bearer ordinary and bearer preference shares, and the Conditional Capital II amounted to € 5,104,962.00 (as of December 31, 2006: € 4,356,234.24), divided into 2,552,481 bearer ordinary and bearer preference shares.

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of Fresenius SE and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares (Conditional Capital III). The change in Fresenius SE's Articles of Association with regard to the Conditional Capital III became effective after its registration in the commercial register on July 11, 2008.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares	Preference shares	**Total**
Conditional Capital I Fresenius AG Stock Option Plan 1998	768,306.00	768,306.00	1,536,612.00
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,364,711.00	2,364,711.00	4,729,422.00
Total Conditional Capital as of January 1, 2008	**3,133,017.00**	**3,133,017.00**	**6,266,034.00**
Fresenius AG Stock Option Plan 1998 – options exercised	-85,839.00	-85,839.00	-171,678.00
Fresenius AG Stock Option Plan 2003 – options exercised	-155,586.00	-155,586.00	-311,172.00
Conditional Capital III, approved on May 21, 2008	3,100,000.00	3,100,000.00	6,200,000.00
Total Conditional Capital as of December 31, 2008	**5,991,592.00**	**5,991,592.00**	**11,983,184.00**

CAPITAL RESERVES

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

In the third quarter of 2008, the capital reserves increased by € 284 million in connection with Fresenius SE's capital increase to finance part of the acquisition of APP. The accrued expenses in an amount of € 6 million were charged against the capital reserves.

OTHER RESERVES

Other reserves comprise earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

At the Annual General Meeting in May 2008, a resolution was passed to pay a dividend of € 0.66 per bearer ordinary share and € 0.67 per bearer preference share, i. e. a total dividend of € 103 million was resolved and paid.

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 2008 and 2007 were as follows:

	2008			2007		
in million €	**Amount before taxes**	**Tax effect**	**Amount after taxes**	Amount before taxes	Tax effect	Amount after taxes
Changes in unrealized gains/losses on derivative financial instruments	**-147**	**52**	**-95**	-65	28	-37
Change in unrealized gains/losses	-146	52	-94	-62	27	-35
Realized gains/losses due to reclassifications	-1	–	-1	-3	1	-2
Foreign currency translation adjustment	**96**	**0**	**96**	-113	0	-113
Other comprehensive income (loss)	**-51**	**52**	**1**	-178	28	-150

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, 2008 and 2007 was € 383 million and € 376 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2008 are:

for the fiscal years	in million €
2009	329
2010	284
2011	242
2012	195
2013	158
Thereafter	550
Total	**1,758**

As of December 31, 2008, future investment commitments existed up to the year 2014 from the acquisition contracts for hospitals at projected costs of up to € 173 million. Thereof € 39 million relate to the year 2009.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing healthcare services and products. The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with the Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

Fresenius Medical Care was originally formed as a result of a series of transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius SE (formerly: Fresenius AG) (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH) and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in

the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R.Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation.

No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly: Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$ 140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art. On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$ 14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10 % of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7 % of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the Court of Appeals for the Federal Circuit. Fresenius Medical Care is confident that it will prevail on appeal or as a result of the pending U.S. Patent and Trademark Office re-examinations of the underlying Baxter patents and has made no provision in its financial statements for any potential liability in this matter. If Fresenius Medical Care is unsuccessful on all appeals, including any appeal of the royalty, the royalties payable to Baxter on the machines and disposable supplies that are subject to the court's order will be approximately US$ 56 million for sales through December 31, 2008 and are estimated to be in the range of US$ 2 million to US$ 3 million per month thereafter. In the interim period until its appeal is decided, Fresenius Medical Care is funding a court-approved escrow account at the royalty rates noted above. If Fresenius Medical Care wins the appeal, the escrowed funds will be returned to it with interest. In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that Fresenius Medical Care expects will eliminate any incremental

hemodialysis machine royalty payment exposure under the court order and permit the continued sale of the modified machine in compliance with the injunction, irrespective of the outcome of Fresenius Medical Care's appeal.

On April 28, 2008, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division (Chicago), styled Baxter International, Inc. and Baxter Healthcare Corporation v. Fresenius Medical Care Holdings, Inc. and Fresenius USA, Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four recently issued patents (late 2007-2008), all of which are based on one of the patents at issue in the April 2003 Baxter case described above. The new patents expire in April 2011 and relate to trend charts shown on touch screen interfaces and the entry of ultrafiltration profiles (ultrafiltration is the removing of liquid from a patient's body using pressure). The court has stayed the case pending the outcome of the appeal in the April 2003 Baxter case. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue.

On October 17, 2006, Baxter and Deka Products Ltd. (Deka) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleges that FMCH's Liberty peritoneal cyclers infringe certain patents owned by or licensed to Baxter. Sales of the Liberty cyclers commenced in July 2008. Fresenius Medical Care believes that the Liberty peritoneal cycler does not infringe any valid claims of the Baxter/DEKA patents.

Two patent infringement actions have been pending in Germany between Gambro Industries (Gambro) on the one side and FMC D-GmbH,one of Fresenius Medical Care's German subsidiaries, and FMC-AG & Co. KGaA on the other side (hereinafter collectively: Fresenius Medical Care). Gambro herein alleged patent infringements by Fresenius Medical Care concerning a patent on a device for the preparation of medical solutions. The first case was dismissed as being unfounded. Such decision has already become final. In the second case, the District Court of Mannheim rendered a judgment on June 27, 2008 deciding in favor of Gambro and declaring that Fresenius Medical Care has infringed a patent claim. Accordingly, the court ordered Fresenius Medical Care to pay compensation (to be determined in a separate court proceeding) for alleged infringement and to stop offering the alleged patent infringing technology in its original form in Germany. FMC D-GmbH brought an invalidity action in the Federal German Patent Court (BPatG) against Gambro's patent. This case is currently pending with the Federal Court of Justice as the court of appeal. Fresenius Medical Care has also filed an appeal against the District Court's verdict. On January 5, 2009, Gambro enforced such verdict provisionally by way of security to be deposited by Gambro. However, preceding such enforcement Fresenius Medical Care had already developed design modifications, as an alternative technical solution, and replaced the alleged patent infringing technology in nearly all of the affected devices. In view of the pending appeal against BPatG's verdict and Fresenius Medical Care's appeal against the District Court's verdict, Fresenius Medical Care continues to believe that the alleged patent infringing technology does not infringe any valid patent claims of Gambro.

Other litigation and potential exposures

Renal Care Group, Inc. (RCG) was named as a nominal defendant in a second amended complaint filed September 13, 2006, in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville against former officers and directors of RCG which purports to constitute a class action and derivative action relating to alleged unlawful actions and breaches of fiduciary duty in connection with

Fresenius Medical Care's acquisition of RCG (the RCG acquisition) and in connection with alleged improper backdating and/or timing of stock option grants. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and all others similarly situated and derivatively on behalf of RCG, Plaintiff, vs. RCG, Gary Brukardt, William P. Johnston, Harry R. Jacobson, Joseph C. Hutts, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray, Peter J. Grua, C. Thomas Smith, Ronald Hinds, Raymond Hakim, and R. Dirk Allison, Defendants. The complaint sought damages against former officers and directors and did not state a claim for money damages directly against RCG. On August 30, 2007, this suit was dismissed by the trial court without leave to amend. Plaintiff subsequently appealed and the matter remains pending in the appellate court of Tennessee.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, and anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Attorney's office for the Eastern District of Texas have also confirmed that they are participating in the review of the anemia management program issues raised by the U.S. Attorney's office for the Eastern District of Missouri. On July 17, 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH in its capacity as RCG's current corporate parent in the United States District Court, Eastern District of Missouri. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to the date of FMCH's acquisition of RCG. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation.

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee (Qui tam is a legal provision under the United States False Claims Act, which allows for private individuals to bring suit on behalf of the U.S. federal government, as far as such individuals believe to have knowledge of presumable fraud committed by third parties). The first complaint alleges that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleges that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. Counsel for the nephrologist asserted that a criminal investigation of the relator's allegations was in process and therefore moved the Court to stay all activity in the qui tam until the alleged criminal investigation concluded. The Court denied the nephrologist's motion to stay and the litigation is processing.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$ 258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$ 115 million (€ 83 million) payment under the Settlement Agreement, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

31. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

The following table presents the carrying amounts and fair values of the Group's financial instruments as of December 31:

	2008		2007	
in million €	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**370**	**370**	361	361
Assets recognized at carrying amount	**2,499**	**2,499**	2,167	2,167
Assets recognized at fair value	**8**	**8**	0	0
Liabilities recognized at carrying amount	**9,793**	**9,683**	6,103	6,074
Liabilities recognized at fair value	**41**	**41**	0	0
Derivatives designated as hedging instruments	**-160**	**-160**	-16	-16

The class of assets recognized at fair value consist of embedded derivatives. Derivatives designated as hedging instruments and embedded derivatives were recognized at gross values as other current assets in an amount of € 87 million and other liabilities in an amount of € 239 million.

Estimation of fair values of financial instruments

The significant methods and assumptions used to estimate the fair values of financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments like accounts receivable and payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The fair values of senior notes and trust preferred securities are based on market prices and quotes as of the balance sheet date. The fair values of other fixed-rate financial liabilities, for which market quotes are not available, are calculated as present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the balance sheet date are used.

The fair values of financial liabilities with floating interest rates approximate their carrying amounts as the interest rates for these liabilities are predominantly updated every three months with interest rates reflecting actual market conditions at the time of update.

The fair values of derivative financial instruments embedded in the MEB and the CVR correspond with their carrying amounts. The CVR are traded at the stock exchange in the United States and are therefore valued with the current stock exchange price at the reporting date. The embedded derivatives have to be measured at fair value, which is estimated based on a Black-Scholes model.

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 balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency.

Effects of non-derivative financial instruments recorded in the consolidated statement of income

The effects of non-derivative financial instruments recorded in the consolidated statements of income consisted of interest income of € 25 million, interest expenses of € 456 million, as well as allowance for doubtful accounts in an amount of € 159 million and revenues in an amount of € 75 million resulting from the fair value measurement of the CVR.

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes, trust preferred securities and commercial papers and enters into mainly long-term credit agreements and Euro Notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of balance sheet items bearing fixed interest rates.

In order to manage the risks of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not used for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and reasonable market rates. Depending on the individual benchmarks, hedging strategies are determined and implemented.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies in which the financial statements of the foreign subsidiaries are prepared have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, US dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options.

As of December 31, 2008, the notional amounts of foreign exchange contracts totaled € 1,493 million with a fair value of € 31 million. These foreign exchange contracts included foreign exchange options with a nominal value of € 6 million and a market value of € 0 million. The foreign exchange contracts have been entered into to hedge risks from operational business and in connection with intercompany loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses as well as interest income or expenses in the same period in which the hedged transaction affects earnings. After-tax gains of € 13 million (€ 20 million pre-tax) for the year ended December 31, 2008 are deferred in accumulated other comprehensive income and will mainly be reclassified into earnings during 2009. During 2008, the Fresenius Group reclassified after-tax unrealized gains of € 2 million (€ 3 million pre-tax) from accumulated other comprehensive income (loss) into the profit and loss statement.

As of December 31, 2008, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 34 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10 %. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be € 12 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from long-term borrowings at variable rates by swapping them into fixed rates. In addition, the Fresenius Group used interest rate swaps to hedge against changes of the fair value of the underlying fixed rate financial liabilities.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rate and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5 % compared to the actual rates as of the balance sheet date. The corresponding additional annual interest expense is then compared to the Group net income. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of less than 1.5 % on the Group's consolidated net income and shareholders' equity.

Cash Flow Hedge

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing loans and Euro Notes (Schuldscheindarlehen) mainly denominated in US dollars or euros, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 4,250 million (€ 3,054 million) and a fair value of US$ -241 million (€ -173 million) expire at various dates between 2009 and 2014. These interest rate derivatives include interest rate swaps with a notional amount of US$ 1.4 billion entered into in connection with the acquisition of APP. The Euro interest rate swaps with a notional volume of € 416 million and a fair value of € -18 million expire between 2011 and 2014. The US dollar interest rate swaps bear an average interest rate of 4.21 % and the Euro interest rate swaps bear an average interest rate of 4.34 %.

At December 31, 2008, pre-tax losses of € 184 million (2007: € 26 million), were recognized in accumulated other comprehensive income (loss). The equivalent amounts of after-tax losses were € 115 million and € 16 million, respectively. Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date.

Fair Value Hedge

Fresenius Medical Care entered into US dollar interest rate swaps designated as fair value hedges to hedge the risk of

changes in the fair value of parts of its US dollar fixed rate borrowings. At December 31, 2007, US dollar interest rate swaps at Fresenius Medical Care had a notional volume of US$ 450 million. On February 1, 2008, the fair value hedges of Fresenius Medical Care expired together with the mandatory redemption of the underlying debt. These interest rate swaps effectively converted the fixed interest payments on Fresenius Medical Care Capital Trust II trust preferred securities denominated in US dollars into variable interest rate payments and were reported at fair value in the balance sheet. The reported amount of the hedged portion of fixed rate trust preferred securities includes an adjustment representing the change in fair value attributable to the interest rate risk being hedged. The effect of hedged underlyings recognized in the income statement amounted to € -4 million (2007: € -7 million) and was mainly offset by the effect of the hedging instruments recognized in the income statement in an amount of € 4 million (2007: € 7 million). At December 31, 2008, no fair value hedges existed within the Fresenius Group.

CREDIT RISK

The Fresenius Group is exposed to potential losses in the event of non-performance by counterparties to derivative financial instruments. With respect to derivative financial instruments it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to € 0 million for interest rate derivatives and € 79 million for foreign exchange derivatives at December 31, 2008. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see Note 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 liabilities from capital lease obligations).

32. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

Fresenius has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis the use of a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, high, stable, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial liabilities. Moreover, Fresenius Group's customers are almost invariably of high credit quality.

Equity and debt have developed as follows:

Shareholders' equity

in million €	December 31, 2008	December 31, 2007
Shareholders' equity including minority interest	**7,237**	6,099
Total assets	**20,826**	15,308
Equity ratio	**34.75 %**	39.84 %

Fresenius SE is not subject to any capital requirements provided for in its Articles of Association. Fresenius SE has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998, 2003 and 2008 stock option plans (see Note 35, Stock options).

Debt

in million €	December 31, 2008	December 31, 2007
Debt	**8,677**	5,655
Total assets	**20,826**	15,308
Debt ratio	**41.66 %**	36.94 %

According to the definitions in the underlying agreements, the MEB and the CVR are not categorized as debt.

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. The Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium and long-term financings. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

A key financial performance indicator for the Fresenius Group is the net debt/EBITDA ratio, which is measured on the basis of US GAAP figures. This ratio was 3.6 as of December 31, 2008. The aim is to reduce this further. To achieve this goal, Fresenius Group's focus is primarily on earnings growth and sustained strong cash flows as well as debt reduction. The Fresenius Group expects this ratio to be in the range of 2.5 to 3.0 by 2010.

Fresenius Group's financing strategy is reflected in its credit ratings. Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE:

	Standard & Poor's	Moody's	Fitch
Company rating	BB	Ba1	BB
Outlook	negative	negative	negative

33. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

The cash flow statements of the Fresenius Group for the fiscal years 2008 and 2007 are shown on pages 56 to 57.

Cash funds reported in the cash flow statement and in the balance sheet comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

The following summaries provide additional information with regard to the consolidated cash flow statement:

in million €	2008	2007
Interest paid	**410**	388
Income taxes paid	**359**	323

Cash paid for acquisitions (without investments in licenses) consisted of the following:

in million €	2008	2007
Assets acquired	**4,235**	768
Liabilities assumed	**-421**	-124
Minority interest	**2**	-9
Notes assumed in connection with acquisitions	**-767**	-170
Cash paid	**3,049**	465
Cash acquired	**-105**	-22
Cash paid for acquisitions, net	**2,944**	443

34. NOTES ON SEGMENT REPORTING

GENERAL

The segment reporting tables shown on pages 60 to 63 of this annual report are an integral part of the Notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2008.

The key data disclosed in conjunction with segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8 (Operating Segments), which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 184,086 patients in its 2,388 own dialysis clinics.

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

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

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items regarding the acquisition of APP.

The key data used by the Management Board of Fresenius SE to control the segments are based on US GAAP. The segment information is therefore given in accordance with US GAAP. The column IFRS-Reconciliation provides a reconciliation from the US GAAP segment data to the IFRS key data. The differences between the US GAAP and the IFRS key data are mainly due to the differing recognition of in-process R&D, revenues and expenses from reinsurance contracts, gains from sale and lease back transactions with an operating lease agreement, development costs and cumulative actuarial gains and losses for pensions.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives and acquired in-process R&D of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income is defined as earnings after income taxes and minority interest.

The operating cash flow is the cash provided by/used for operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, trust preferred securities, liabilities from capital lease obligations, liabilities

relating to outstanding acquisitions as well as intercompany liabilities. The MEB and the CVR are not categorized as debt (see Note 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 cash flow statement, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

Reconciliation of key figures to consolidated earnings

in million €	2008	2007
Total EBITDA of reporting segments	**2,269**	2,122
Depreciation and amortization	**-521**	-427
General corporate expenses Corporate/Other (EBITDA)	**12**	-48
Interest expenses	**-456**	-395
Interest income	**25**	27
Other financial result	**68**	0
Total earnings before income taxes and minority interest	**1,397**	1,279
Total EBIT of reporting segments	**1,797**	1,705
General corporate expenses Corporate/Other (EBIT)	**-37**	-58
Interest expenses	**-456**	-395
Interest income	**25**	27
Other financial result	**68**	0
Total earnings before income taxes and minority interest	**1,397**	1,279
Depreciation and amortization of reporting segments	**472**	417
Depreciation and amortization Corporate/Other	**49**	10
Total depreciation and amortization	**521**	427

Reconciliation of net debt with the consolidated balance sheet

in million €	December 31, 2008	December 31, 2007
Short-term borrowings	**729**	362
Short-term liabilities and loans from related parties	**2**	–
Current portion of long-term debt and liabilities from capital lease obligations	**433**	120
Current portion of Senior Notes	**100**	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	**0**	455
Long-term debt and liabilities from capital lease obligations, less current portion	**5,604**	2,838
Senior Notes, less current portion	**1,354**	1,434
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portin	**455**	446
Debt	**8,677**	5,655
less cash and cash equivalents	**370**	361
Net debt	**8,307**	5,294

The following table shows the non-current assets by geographical region:

in million €	December 31, 2008	December 31, 2007
Germany	**3,051**	2,727
Europe (excluding Germany)	**1,901**	1,840
North America	**9,737**	5,731
Asia-Pacific	**642**	358
Latin America	**221**	192
Africa	**31**	36
Total non-current assets[1)]	**15,583**	10,884

[1)] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets and derivative financial instruments.

In 2008, the Fresenius Group generated sales of € 2,793 million (2007: € 2,476 million) in Germany.

35. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

The Fresenius Group recognized compensation cost in an amount of € 33 million for stock options granted since 2004. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the then current market values of the underlying stock.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE and Fresenius Medical Care. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150 % of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of Fresenius SE stock option plans made during the years 2008 and 2007 are as follows:

	2008		2007
	December Grant	August Grant	
Expected dividend yield	**2.39 %**	**1.63 %**	0.94 %
Risk-free interest rate	**2.88 %**	**4.20 %**	4.48 %
Expected volatility	**28.91 %**	**27.82 %**	29.06 %
Life of options	**7 years**	**7 years**	10 years
Exercise price per option in €	**43.52**	**53.56**	56.74

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE STOCK OPTION PLANS

Description of the Fresenius SE stock option plans in place

On December 31, 2008, Fresenius SE had three stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan), the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the new stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). The latter is the only plan under which stock options were granted during 2008.

Stock Option Plan 2008

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares.

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management

Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE's Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE's ordinary shares and preference shares, respectively, on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price of both classes of shares during the 30 calendar days immediately prior to the grant date, if these are higher. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income of the Fresenius Group, adjusted for extraordinary effects, has increased by at least 8 % compared to the respective adjusted net income of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income shall be calculated on the basis of the calculation method of the accounting principles according to US GAAP. For the purposes of the 2008 Plan, the adjusted net income is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance target for 2008 is met. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Bonds which were not financed by a note from Fresenius SE are recognized as a liability on Fresenius Group's consolidated balance sheet. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split 1/3 of the initial value) by at least 25 %. If converted after the share split the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15 % less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a ten-year term, and one third of them vest on each of the second, third and fourth anniversary of the grant date. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Transactions during the year 2008

In 2008, Fresenius SE awarded 1,099,102 stock options, including 180,600 options to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 52.63, a weighted-average fair value of € 15.15 each and a total fair value of € 17 million, one third of which will be amortized evenly over three years.

During the fiscal year 2008, Fresenius SE received cash of € 13 million from the exercise of 482,850 stock options. The average stock price at the exercise date was € 57.63 for ordinary shares and € 54.25 for preference shares. The intrinsic value of options exercised in 2008 was € 14 million.

At December 31, 2008, out of 644,154 outstanding and exercisable options issued under the 1998 Plan, 25,800 were held by the members of the Fresenius SE Management Board. The number of outstanding stock options issued under the 2003 Plan was 2,997,342, of which 1,258,814 were exercisable. The members of the Fresenius SE Management Board held 514,500 options. Out of 1,099,102 outstanding stock options issued under the 2008 Plan, 180,600 were held by the members of the Fresenius SE Management Board.

Stock option transactions are summarized as follows:

Ordinary shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2006	**2,090,406**	**27.97**	**855,960**
Granted	456,710	56.90	
Exercised	405,447	23.90	
Forfeited	19,673	32.51	
Balance 2007	**2,121,996**	**34.93**	**822,094**
Granted	549,551	53.48	
Exercised	241,425	26.31	
Forfeited	59,823	37.62	
Balance 2008	**2,370,299**	**40.05**	**951,484**

Preference shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2006	**2,090,406**	**29.21**	**855,960**
Granted	456,710	56.58	
Exercised	405,447	25.68	
Forfeited	19,673	33.10	
Balance 2007	**2,121,996**	**35.74**	**822,094**
Granted	549,551	51.78	
Exercised	241,425	27.75	
Forfeited	59,823	38.88	
Balance 2008	**2,370,299**	**40.21**	**951,484**

The following tables provide a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2008:

Options for ordinary shares

	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	129,807	4.50	13.65	129,807	4.50	13.65
15.01–20.00	122,874	3.59	19.64	122,874	3.59	19.64
20.01–25.00	191,878	4.62	22.04	191,878	4.62	22.04
25.01–30.00	312,017	6.45	28.55	190,547	6.41	28.49
30.01–35.00	176,946	2.18	30.74	176,946	2.18	30.74
35.01–40.00	431,706	7.39	39.26	135,439	7.31	38.91
40.01–45.00	50,765	6.92	41.62	0		
45.01–50.00	10,662	7.50	48.81	3,993	7.50	48.81
50.01–55.00	498,786	6.58	54.69	0		
55.01–60.00	430,706	8.50	56.43	0		
70.01–75.00	14,152	8.50	70.54	0		
	2,370,299	**6.33**	**40.05**	**951,484**	**4.77**	**26.01**

Options for preference shares

	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	141,162	4.50	12.04	141,162	4.50	12.04
15.01–20.00	158,266	5.50	19.00	158,266	5.50	19.00
20.01–25.00	111,519	3.50	21.13	111,519	3.50	21.13
25.01–30.00	345,629	5.87	28.95	224,159	5.53	28.67
30.01–35.00	110,676	2.58	34.73	110,676	2.58	34.73
35.01–40.00	45,552	6.50	38.52	25,402	6.50	38.52
40.01–45.00	452,424	6.62	40.78	176,307	5.24	41.14
45.01–50.00	50,765	6.92	45.40	0		
50.01–55.00	509,448	6.60	52.44	3,993	7.50	53.01
55.01–60.00	430,706	8.50	56.11	0		
70.01–75.00	14,152	8.50	70.14	0		
	2,370,299	**6.33**	**40.21**	**951,484**	**4.77**	**27.09**

At December 31, 2008, the aggregate intrinsic value of exercisable options for ordinary shares and preference shares was € 10 million and € 14 million, respectively.

At December 31, 2008, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were € 22 million. These costs are expected to be recognized over a weighted-average period of 2.2 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (2006 Plan) was established by resolution of FMC-AG & Co. KGaA's Annual General Meeting with a conditional capital increase up to € 15 million subject to the issue of up to 15 million no par value bearer ordinary shares with a nominal value of € 1.00 each. Under the 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to three million options designated for members of the Management Board of Fresenius Medical Care Management AG (FMC Management AG), the General Partner, up to three million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to nine million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the FMC Management AG's Management Board, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the 2006 Plan (including decisions regarding certain adjustments and forfeitures). The FMC Management AG's Management Board has such authority with respect to all other participants in the 2006 Plan.

Options under the 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets, measured over a three-year period from the grant date. For each such year, the performance target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (EPS), as calculated in accordance with the 2006 Plan, increases by at least 8 % year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the 2006 Plan excluded, among other items, the costs of the transformation of Fresenius Medical Care's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8 % target. The performance targets for 2008 and 2007 were met. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the entire three-year vesting period. Upon exercise of vested options, FMC-AG & Co. KGaA has the right to reissue treasury shares or issue new shares.

Options granted under the 2006 Plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to € 12 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 12 million non-voting preference shares. The convertible bonds have a par value of € 1.00 and bear interest at a rate of 5.5 %. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. FMC-AG & Co. KGaA has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by FMC-AG & Co. KGaA and are not reflected in the consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to FMC-AG & Co. KGaA are recognized as a liability on the Group's balance sheet.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target

corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25 %. The initial value is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15 % less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the initial value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005.

Transactions during the year 2008

During 2008, Fresenius Medical Care awarded 2,523,729 options, including 398,400 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of € 35.48, a weighted-average fair value of € 9.77 each and a total fair value of € 25 million, which will be amortized on a straight-line basis over the three-year vesting period.

During 2008, FMC-AG & Co. KGaA received cash of € 25 million from the exercise of stock options and € 5 million from a related tax benefit. The intrinsic value of options exercised in 2008 was € 18 million.

At December 31, 2008, the Management Board members of the FMC Management AG, held 2,159,720 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 9,120,123 stock options for ordinary shares and 241,776 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

The table below provides reconciliations for options outstanding at December 31, 2008 as compared to December 31, 2007:

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2007 (options for ordinary shares)	**9,973**	**26.64**
Granted	2,524	35.48
Exercised	1,145	21.27
Forfeited	72	29.82
Balance at December 31, 2008 (options for ordinary shares)	**11,280**	**29.15**
Balance at December 31, 2007 (options for preference shares)	**275**	**16.16**
Exercised	32	16.01
Forfeited	1	16.42
Balance at December 31, 2008 (options for preference shares)	**242**	**16.18**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2008:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	3,470	4.50	21.24	42
Options for preference shares	217	3.21	15.49	4

At December 31, 2008, total unrecognized compensation costs related to non-vested options granted under all plans were € 36 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

36. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is a member of the management board of Allianz SE and the chairman of the management board of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius SE, and Dr. Franceso De Meo, member of the Management Board of Fresenius SE, have been members of the supervisory board of Allianz Private Krankenversicherungs-AG in 2008. In 2008, the Fresenius Group paid € 7 million for insurance premiums to Allianz. Furthermore, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Dresdner Bank. The Dresdner Bank has been a wholly-owned subsidiary of Allianz until it was acquired by Commerzbank in January 2009. Moreover, the Fresenius Group keeps business accounts under customary conditions with Dresdner Bank.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE, is a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In 2008, the Fresenius Group paid this law firm € 1 million for services rendered.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Roland Berger Strategy Consultants. In the year 2008, the Fresenius Group paid this company € 4 million for consulting services rendered.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Commerzbank AG. In the year 2008, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Commerzbank. Furthermore, the Fresenius Group keeps business accounts with Commerzbank under customary conditions.

37. SUBSEQUENT EVENTS

Fresenius US Finance II, Inc. has successfully issued unsecured Senior Notes on January 21, 2009.

The Notes comprise separate euro and US dollar tranches. The euro tranche of € 275 million principal amount has been issued at a price of 93.024 % and has a coupon of 8.75 %, resulting in a yield to maturity of 10.25 %. The US dollar tranche of US$ 500 million principal amount has been issued at a price of 93.076 % and has a coupon of 9.00 %, resulting in a yield to maturity of 10.50 %. Both tranches will mature in 2015 and are non-callable.

Proceeds of the Senior Notes offering in an amount of approximately US$ 800 million will be used to repay the bridge credit agreement (see Note 22, Debt and liabilities from capital lease obligations), to repay other debt and for general corporate purposes.

With this transaction, the financing of the APP acquisition is completed.

Other than that, there were no significant changes in the Group position or environment sector since the end of the year of 2008. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration or legal form or in the area of personnel.

Notes in accordance with the German Commercial Code (HGB)

38. COMPENSATION REPORT

The compensation report of Fresenius SE summarizes the principles applied for the determination of the compensation of the members of the Management Board of Fresenius SE and explains the amounts and structure of the Management Board compensation. The compensation report is based on the recommendations of the German Corporate Governance Code and also includes the disclosures in accordance with the German Commercial Code extended by the German Act on the Disclosure of Management Board Compensation.

COMPENSATION OF THE MANAGEMENT BOARD OF FRESENIUS SE

The personnel committee of the Supervisory Board determines the compensation of the Management Board. The personnel committee is composed of the Supervisory Board members Dr. Gerd Krick, Dr. Karl Schneider and Wilhelm Sachs.

The objective of the compensation system is to enable the members of the Management Board to participate in the development of the business relative to their duties and performance and the successes in managing the economic and the financial position of the Company taking into account its comparable environment.

The compensation of the Management Board is, as a whole, performance oriented and consisted of three elements in the fiscal year 2008:

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

Furthermore, three members of the Management Board had pension commitments in the reporting period.

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

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2008. In addition, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2008 as a variable bonus. The amount of the bonus in each case depends on the achievement of the individual targets relating to the net income of the Fresenius Group and its segments. For the total performance-related compensation, the maximum achievable bonus is fixed.

For the fiscal years 2008 and 2007, the amount of cash payment of the Management Board of Fresenius SE consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[1]		Bonus			
in thousand €	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Dr. Ulf M. Schneider	**800**	800	**39**	41	**1,165**	952	**2,004**	1,793
Rainer Baule	**425**	425	**40**	38	**900**	801	**1,365**	1,264
Dr. Francesco De Meo (since January 1, 2008)	**425**		**18**		**490**		**933**	
Andreas Gaddum (until December 31, 2007)		325		86		501		912
Dr. Jürgen Götz (since July 1, 2007)	**325**	162	**29**	10	**360**	157	**714**	329
Dr. Ben Lipps[2]	**816**	766	**202**	230	**963**	1,647	**1,981**	2,643
Stephan Sturm	**425**	425	**84**	86	**850**	701	**1,359**	1,212
Dr. Ernst Wastler (since January 1, 2008)	**375**		**17**		**390**		**782**	
Total	**3,591**	2,903	**429**	491	**5,118**	4,759	**9,138**	8,153

[1] Includes insurance premiums, private use of company cars, contributions to pension and health insurance as well as other benefits.
[2] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE held 35.80 % of the total subscribed capital. As Dr. Ben Lipps is a member of the Management Board of Fresenius SE, his compensation has to be included in the compensation report of the Fresenius Group.

In the fiscal year 2008, stock options based on the Fresenius SE Stock Option Plan 2008 and the FMC-AG & Co. KGaA Stock Option Plan 2006 were granted as components with long-term incentive effects. The principles of both plans are described in more detail in Note 35, Stock options.

For the fiscal years 2008 and 2007, the number and value of convertible bonds and stock options issued is shown in the following table:

Long-term incentive components
Stock options and convertible bonds [1)]

	Number		Value in thousand €	
	2008	2007	**2008**	2007
Dr.Ulf M. Schneider	**51,600**	43,860	**815**	838
Rainer Baule	**25,800**	21,930	**408**	419
Dr. Francesco De Meo (since January 1, 2008)	**25,800**		**408**	
Andreas Gaddum (until December 31, 2007)		21,930		419
Dr. Jürgen Götz (since July 1, 2007)	**25,800**	21,930	**408**	419
Dr. Ben Lipps	**99,600**	99,600	**976**	967
Stephan Sturm	**25,800**	21,930	**408**	419
Dr. Ernst Wastler (since January 1, 2008)	**25,800**		**408**	
Total	**280,200**	231,180	**3,831**	3,481

[1)] Stock options and convertible bonds that were granted in 2008 and 2007 under the stock option plans of Fresenius SE, Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2008 correspond to their fair value at the time of grant, namely a value of € 15.80 (2007: € 19.11) per stock option of Fresenius SE and € 9.80 (2007: € 9.71) per stock option of FMC-AG & Co. KGaA.

As the financial targets of the year 2008 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of € 425 thousand (2007: € 910 thousand). The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three years vesting period.

At the end of the fiscal year 2008, the members of the Management Board held a total of 720,900 (2007: 540,300) stock options and convertible bonds of Fresenius SE and 818,411 (2007: 824,280) stock options and convertible bonds of FMC-AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2008 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps [1]	Stephan Sturm	Dr. Ernst Wastler	Total [2]
Options outstanding on January 1, 2008								
number	219,300	135,450	30,000	36,930	824,280	87,720	30,900	**540,300**
average exercise price in €	32.62	30.30	49.13	48.86	22.31	39.52	42.05	**35.72**
Options granted during fiscal year								
number	51,600	25,800	25,800	25,800	99,600	25,800	25,800	**180,600**
average exercise price in €	53.56	53.56	53.56	53.56	35.49	53.56	53.56	**53.56**
Options exercised during fiscal year								
number	0	0	0	0	105,469	0	0	**0**
average exercise price in €					17.25			
average stock price in €					35.60			
Options outstanding on December 31, 2008								
number	270,900	161,250	55,800	62,730	818,411	113,520	56,700	**720,900**
average exercise price in €	36.61	34.02	51.18	50.79	24.57	42.71	47.29	**40.19**
average remaining life in years	6.5	6.0	7.4	7.4	3.7	7.1	7.0	**6.7**
range of exercise prices in €	13.59 to 57.27	13.59 to 57.27	40.98 to 57.27	29.92 to 57.27	14.47 to 35.49	29.92 to 57.27	21.33 to 57.27	**13.59 to 57.27**
Exercisable options on December 31, 2008								
number	131,574	91,584	4,998	6,000	519,611	36,546	10,098	**280,800**
average exercise price in €	22.84	22.17	40.98	35.45	19.55	32.13	30.94	**24.72**

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

The following table shows the total compensation for the years 2008 and 2007:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
in thousand €	**2008**	2007	**2008**	2007	**2008**	2007
Dr. Ulf M. Schneider	**2,004**	1,793	**815**	838	**2,819**	2,631
Rainer Baule	**1,365**	1,264	**408**	419	**1,773**	1,683
Dr. Francesco De Meo (since January 1, 2008)	**933**		**408**		**1,341**	
Andreas Gaddum (until December 31, 2007)		912		419		1,331
Dr. Jürgen Götz (since July 1, 2007)	**714**	329	**408**	419	**1,122**	748
Dr. Ben Lipps	**1,981**	2,643	**1,401**	1,877	**3,382**	4,520
Stephan Sturm	**1,359**	1,212	**408**	419	**1,767**	1,631
Dr. Ernst Wastler (since January 1, 2008)	**782**		**408**		**1,190**	
Total	**9,138**	8,153	**4,256**	4,391	**13,394**	12,544

The components with long-term incentive effect can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2008 and 2007 are stated in the following table.

	Expenses for long-term incentive components	
in thousand €	**2008**	2007
Dr. Ulf M. Schneider	**714**	597
Rainer Baule	**357**	298
Dr. Francesco De Meo (since January 1, 2008)	**68**	
Andreas Gaddum (until December 31, 2007)		334
Dr. Jürgen Götz (since July 1, 2007)	**219**	75
Dr. Ben Lipps	**1,348**	837
Stephan Sturm	**383**	334
Dr. Ernst Wastler (since January 1, 2008)	**68**	
Total	**3,157**	2,475

The non-performance related compensation components and the basic structures of the performance-related compensation components are agreed in the service agreements with the individual Management Board members. The stock options are granted on an annual basis by the personnel committee of the Supervisory Board to the Management Board.

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

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule and Stephan Sturm based on their service agreements. With regard to these pension commitments, the Fresenius Group had pension obligations of € 2,787 thousand as of December 31, 2008 (2007: € 2,028 thousand). The additions to pension liability in the fiscal year 2008 amounted to € 759 thousand (2007: € 275 thousand). Each of the pension commitments provides a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 63rd year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work. The starting percentage of 30 % increases with every year of service by 1.5 percentage points, 45 % being the attainable maximum. 30 % of the gross amount of any later income from an occupation of the Management Board member is set-off against the pension.

With the Management Board member Dr. Ben Lipps, there is an individual agreement, instead of a pension provision, to the effect that, taking account of a competitive restriction after the ending of the service agreement between him and FMC Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by FMC Management AG in return would amount to approximately 33 % of the non-performance related compensation components paid to him in the fiscal year 2008.

The service agreements of the members of the Management Board contain no express provisions for the case of a change of control and for the event of the ending of their service agreement.

MISCELLANEOUS

In the fiscal year 2008, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius SE.

As far as legally permitted, Fresenius SE undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a Directors' & Officers' insurance with an appropriate excess. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

At December 31, 2007, Andreas Gaddum resigned from the Management Board of Fresenius SE. Until the expiration of his service agreement on June 30, 2008, he received his stipulated non-performance-related compensation in an amount of € 162,500 as well as related benefits and a performance-related compensation on a pro rata basis according to the service agreement. For the period from July 1, 2008 to June 30, 2009, Andreas Gaddum will obtain a waiting allowance of € 262,500 for the agreed non-competition clause.

Based on these agreements and on pension commitments, to former members of the Management Board and their surviving dependents, € 1,386 thousand and € 483 thousand were paid in the years 2008 and 2007, respectively. The benefit obligation for these persons amounted to € 10,056 thousand in 2008 (2007: € 9,870 thousand).

39. INFORMATION ON THE SUPERVISORY BOARD

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

For the years 2008 and 2007, the compensation for the members of the Supervisory Board of Fresenius SE were as follows:

	Fixed compensation		Compensation for commitee services		Variable compensation		Total compensation	
in thousand €	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Dr. Gerd Krick	**26**	26	**30**	25	**173**	162	**229**	213
Dr. Dieter Schenk	**20**	16	**0**	0	**129**	100	**149**	116
Niko Stumpfögger (since July 16, 2007)	**20**	8	**0**	0	**129**	49	**149**	57
Prof. Dr. h. c. Roland Berger (since May 21, 2008)	**8**	0	**12**	0	**53**	0	**73**	0
Gerhard Herres (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Dario Ilossi (since July 16, 2007)	**13**	6	**0**	0	**86**	38	**99**	44
Konrad Kölbl (since July 16, 2007)	**13**	6	**10**	3	**86**	38	**109**	47
Dr. Gabriele Kröner (until May 21, 2008)	**5**	13	**0**	0	**33**	81	**38**	94
Dr. Bernd Mathieu (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Klaus-Peter Müller (since May 21, 2008)	**8**	0	**0**	0	**53**	0	**61**	0
Christel Neumann (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Ilona Oesterle (until July 13, 2007)	**0**	7	**0**	0	**0**	43	**0**	50
Dr. Gerhard Rupprecht	**13**	13	**0**	0	**86**	81	**99**	94
Wilhelm Sachs	**13**	13	**10**	3	**86**	80	**109**	96
Dr. Karl Schneider	**13**	13	**20**	11	**86**	81	**119**	105
Stefan Schubert (since July 16, 2007)	**13**	6	**0**	0	**86**	38	**99**	44
Rainer Stein (since July 16, 2007)	**13**	6	**10**	3	**86**	38	**109**	47
Volker Weber (until July 13, 2007)	**0**	10	**0**	11	**0**	64	**0**	85
Dr. Bernhard Wunderlin (until May 21, 2008)	**5**	13	**8**	16	**33**	81	**46**	110
Total	**183**	177	**100**	72	**1,205**	1,103	**1,488**	1,352

40. D&O INSURANCE

Fresenius SE has concluded a consequential loss liability insurance policy (D&O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of Fresenius SE and for all representative bodies of affiliates in Germany and elsewhere. The D&O policy applies throughout the world and runs until the end of June 2009. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

41. AUDITOR'S FEES

In 2008 and 2007, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2008		2007	
in million €	**Total**	**Germany**	Total	Germany
Audit fees	**13**	**5**	11	4
Audit-related fees	**2**	**2**	1	–
Tax consulting fees	**1**	**–**	–	–
Other fees	**–**	**0**	–	–
Total auditor's fees	**16**	**7**	12	4

42. CORPORATE GOVERNANCE

The Management and Supervisory Boards of Fresenius SE have issued a Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG) and have made it available to shareholders. On May 21, 2008, the Management Board and the Supervisory Board of Fresenius SE declared in their Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act that the recommendations of the German Commission on the German Corporate Governance Code of June 14, 2007, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, have been and are being met. The Management Board and the Supervisory Board of Fresenius SE also intend to follow the recommendations of the Code in future.

43. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The Management Board of Fresenius SE proposes to the Annual General Meeting that the earnings for 2008 of Fresenius SE be distributed as follows:

in €	
Payment of a dividend of € 0.70 per bearer ordinary share on the 80,571,867 ordinary shares entitled to dividend	56,400,306.90
Payment of a dividend of € 0.71 per bearer preference share on the 80,571,867 preference shares entitled to dividend	57,206,025.57
Additions to other reserves	88,161,179.56
Balance to be carried forward	42,730.64
Retained earnings	**201,810,242.67**

44. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 26, 2009

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius Societas Europaea, Bad Homburg v. d. Höhe, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with International Financial Reporting Standards (IFRS), as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 26, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(former
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Hölzl
German Public Auditor

Hommel
German Public Auditor

Report of the Supervisory Board

In 2008, the Supervisory Board performed the duties assigned to it by law and by the Company's Articles of Association, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to the Group.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Supervisory Board was kept regularly informed by the Management Board – in a timely manner and comprehensively, both in writing and orally – about the business development, the economic and financial position, and the profitability of the Company and the Group, the corporate strategy and planning, the risk situation and compliance, and important business events. In all, the Supervisory Board of Fresenius SE convened seven times in 2008. It convened for an extraordinary meeting in January 2008. A regular meeting was held in March 2008 and a constitutive meeting of the newly elected Supervisory Board was held after the Annual General Meeting in May 2008. The Supervisory Board met for a briefing in June 2008. A further extraordinary meeting was held in July 2008. This was followed by two regular meetings of the Supervisory Board in October and December 2008. Before all the Supervisory Board meetings detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed to its members. At each of its regular meetings the Supervisory Board used the Management Board's reports as the basis for its comprehensive discussions about business development and important corporate decisions. All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and after detailed consultation with the Management Board, the Supervisory Board was able to give its approval in all matters submitted to it. The Supervisory Board was also informed about any important business events occurring between meetings and, in urgent cases, was requested to pass resolutions by written proceeding. In addition, the chairman of the Management Board informed in individual discussions the chairman of the Supervisory Board regularly about the latest business developments and forthcoming decisions. Every member of the Supervisory Board attended at least half of the Supervisory Board meetings during their term of office in 2008.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

The Supervisory Board's monitoring and advisory activities were mainly centred on overall business operations as well as on business segment investments and acquisitions, and any related financing. A focus was the acquisition of Dabur Pharma in India and APP Pharmaceuticals in the United States. The Supervisory Board discussed these strategically important acquisitions in detail with the Management Board and carefully considered the opportunities and risks. The financing of the APP acquisition through an issue of shares from approved capital, an issue of mandatory exchangeable bonds convertible into ordinary shares of Fresenius Medical Care & Co. KGaA and debt was also discussed with the Management Board and was approved by the Supervisory Board. After detailed consultations and discussions the Supervisory Board also approved the 2008 stock option plan for the Management Board and other executive officers.

The Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2009 and the Fresenius Group's medium-term planning, following a detailed review and discussions with the Management Board. At its regular meetings and within the Audit Committee, the Supervisory Board also kept itself informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

Further development of corporate governance at Fresenius was reviewed by the Supervisory Board. On May 21, 2008, the Management Board and the Supervisory Board jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code in its version as of June 14, 2007.

For more information on corporate governance at Fresenius, please see the Corporate Governance Report issued jointly by the Management and Supervisory Boards on pages 22 to 25 of this Annual Report.

WORK OF THE COMMITTEES

The Personnel Committee, which is responsible, among other things, for concluding, amending, and terminating employment contracts with the members of the Management Board, held two meetings and one conference call.

The Audit Committee held four meetings. There was also one conference call. The main focus of its activities was on the preliminary audit of the annual financial statements of Fresenius SE and the Group for 2007 and discussions with the auditors about their report and the terms of reference of the audit. The Audit Committee also reviewed the 2008 quarterly reports and the risk management system, an audit plan as well as the audit results of the internal audit department and a controlling report on the development of the acquisitions. The Audit Committee also discussed in detail the effects on the accounting resulting from the acquisition of APP Pharmaceuticals.

The Supervisory Board delegated the resolutions on the terms of the financing of the APP Pharmaceuticals acquisition, especially the exercise of the Supervisory Board's rights of consultation and approval with regard to the use of the approved capital pursuant to § 4 (5) of the Articles of Association (Approved Capital II), to the special "Transaction Financing APP Pharmaceuticals, Inc." Committee set up for this purpose. This committee held several conference calls.

The chairmen of the committees reported regularly to the next Supervisory Board meeting on the work of the committees.

The Nomination Committee convened and deliberated on the Supervisory Board's proposals to the General Meeting for the appointment of the Supervisory Board. The Nomination Committee held three meetings and several conference calls.

The Mediation Committee has ceased to exist as the German Co-determination Act (MitbestG), which provided for this committee, does not apply to Fresenius SE.

Information on the present composition of the committees can be found on pages 193 and 194 of this Annual Report.

PERSONNEL – NOMINATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The mandates of all members of the Supervisory Board of Fresenius SE ended at the close of the Annual General Meeting of Fresenius SE on May 21, 2008. We wish to thank the members who left the Supervisory Board for their valuable work.

The Annual General Meeting elected the members of the Supervisory Board of Fresenius SE anew on May 21, 2008. The shareholder representatives on the Supervisory Board are Prof. Dr. h. c. Roland Berger, Dr. Gerd Krick, Klaus-Peter Müller, Dr. Gerhard Rupprecht, Dr. Dieter Schenk and Dr. Karl Schneider. The employee representatives on the Supervisory Board are Mr. Dario Ilossi, Mr. Konrad Kölbl, Mr. Wilhelm Sachs, Mr. Stefan Schubert, Mr. Rainer Stein and Mr. Niko Stumpfögger.

At its constitutive meeting on May 21, 2008 the Supervisory Board elected Dr. Gerd Krick as chairman of the Supervisory Board of Fresenius SE. Dr. Dieter Schenck, nominated by the shareholder representatives, and Mr. Niko Stumpfögger, nominated by the employee representatives, were elected as deputy chairmen of the Supervisory Board.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB) and the Management Report of Fresenius SE for 2008 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft), Berlin. They were elected as auditors at Fresenius SE's Annual General Meeting on May 21, 2008 and were subsequently commissioned by the Supervisory Board. The auditors issued their unqualified audit opinion for these statements. The same applies to the consolidated financial statements of Fresenius SE prepared according to IFRS accounting principles and to the consolidated financial statements of Fresenius SE prepared voluntarily according to US GAAP.

Management Reports were added to the consolidated financial statements. The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Supervisory Board of Fresenius SE within the required time. The Supervisory Board noted and approved the auditors' findings. The Supervisory Board's own review found no objections to the financial statements of Fresenius SE or the consolidated financial statements. The Supervisory Board agrees with the Management Reports and the statements contained therein with respect to future development.

At its meeting on March 13, 2009, the Supervisory Board approved the financial statements of Fresenius SE for 2008 as presented by the Management Board, thereby adopting them as official. The Supervisory Board also approved the consolidated financial statements of Fresenius SE prepared according to IFRS standards and the consolidated financial statements for 2008 prepared voluntarily according to US GAAP.

The auditors delivered a detailed report on the results of the audit during this meeting. They attended all meetings of the Supervisory Board and the Audit Committee.

The Supervisory Board concurs with the proposal by the Management Board on the appropriation of the 2008 retained earnings.

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

Bad Homburg v. d. H., March 13, 2009

The Supervisory Board

Dr. Gerd Krick
Chairman

MANAGEMENT BOARD

Dr. Ulf M. Schneider

Frankfurt am Main

Chairman

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

Board of Directors
APP Pharmaceuticals, Inc., USA (since September 10, 2008)
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (since August 14, 2008; Chairman since September 8, 2008)

Rainer Baule

Ettlingen

Business Segment Fresenius Kabi

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

Administrative Board
Fresenius Kabi Groupe France S.A., France
Fresenius Kabi Italia S.p.A., Italy (since January 15, 2008)

Board of Directors
APP Pharmaceuticals, Inc., USA (since September 10, 2008)
FHC (Holdings) Ltd., Great Britain

Dr. Francesco De Meo

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman)
HELIOS Klinikum Emil von Behring GmbH (Chairman)
HELIOS Kliniken Krefeld GmbH (since February 1, 2008)
HELIOS Kliniken Schwerin GmbH (Chairman)

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG (since April 16, 2008)

Dr. Jürgen Götz

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps

Boston, Massachusetts (USA)

Business Segment Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm

Hofheim am Taunus

Chief Financial Officer

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Österreich (since March 17, 2008; Deputy Chairman since June 5, 2008)
Wittgensteiner Kliniken GmbH

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

Dr. Ernst Wastler

Linz, Austria

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH (Deputy Chairman)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria (Chairman)

SUPERVISORY BOARD

Dr. Gerd Krick

Königstein
Former Chairman of the Management Board of Fresenius SE
Chairman

Member of the Audit Committee
Chairman of the Nomination Committee
Chairman of the Personnel Committee

Offices
Supervisory Board
Allianz Private Krankenversicherungs-AG (until April 16, 2008)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Advisory Board
HDI Haftpflichtverband der deutschen Industrie V.a.G. (until December 31, 2008)

Prof. Dr. h. c. Roland Berger

(since May 21, 2008)
Munich
Management Consultant

Chairman of the Audit Committee (since May 21, 2008)

Offices
Supervisory Board
HELIOS Kliniken GmbH (until April 30, 2008)
Indatex Services for Finance and Insurance AG (until April 8, 2008)
Live Holding AG (since June 4, 2008; Deputy Chairman)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH (Chairman)
Schuler AG
Senator Entertainment AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
Fiat S.p.A., Italy
Roland Berger AG, Switzerland (Chairman)
Special Purpose Acquisition Company (SPAC) Germany 1 Acquisition Limited, Guernsey (since July 21, 2008; Co-Chairman)
Telecom Italia S.p.A., Italy (since April 14, 2008)

Dario Anselmo Ilossi

Rome, Italy
Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Konrad Kölbl

Hof am Laithagebirge, Austria
Full-time Works Council member
Member of the Manual Workers' Works Council VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.
Chairman of the Group Works Council VAMED AG
Member of the SE -Works Council of Fresenius SE

Member of the Audit Committee

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Dr. Gabriele Kröner

(until May 21, 2008)
Berg
Doctor

Klaus-Peter Müller

(since May 21, 2008)
Bad Homburg v. d. H.
Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (since May 15, 2008; Chairman)
Eurohypo AG (until November 11, 2008; Chairman)
Fraport AG (since May 28, 2008)
Linde AG
Steigenberger Hotels AG

Administrative Board
Assicurazioni Generali S.p.A., Italy
Commerzbank International S.A., Luxembourg (until April 9, 2008; President)
KfW Kreditanstalt für Wiederaufbau
Liquiditäts-Konsortialbank GmbH

Board of Directors
Parker Hannifin Corporation, USA

Dr. Gerhard Rupprecht

Gerlingen
Member of the Management Board Allianz SE
Chairman of the Management Board Allianz Deutschland AG

Offices
Supervisory Board
Allianz Beratungs- und Vertriebs-AG (Chairman)
Allianz Elementar Versicherungs-AG (since February 7, 2008; Chairman since March 3, 2008)
Allianz Elementar Lebensversicherungs-AG (since February 7, 2008; Chairman since March 3, 2008)
Allianz First Life Insurance Co. Ltd., Korea (until December 31, 2007)
Allianz Investmentbank AG (since February 7, 2008; Deputy Chairman since March 3, 2008)
Allianz Lebensversicherungs-AG (Chairman)
Allianz Private Krankenversicherungs-AG (Chairman)
Allianz Suisse Lebensversicherungs-AG, Switzerland (since January 1, 2008)
Allianz Suisse Versicherungs-AG, Switzerland (since January 1, 2008)
Allianz Versicherungs-AG (Chairman)
Heidelberger Druckmaschinen AG

Wilhelm Sachs

Friedrichsdorf
Full-time Works Council member
Deputy Chairman of the Works Council Friedberg plant
Member of the Joint Works Council Fresenius SE/Friedberg plant
Chairman of the General Works Council Fresenius SE
Member of the SE-Works Council of Fresenius SE

Member of the Personnel Committee

SUPERVISORY BOARD

Dr. Dieter Schenk

Munich

Lawyer and tax consultant

Deputy Chairman

Member of the Nomination Committee

Offices
Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
NSL Consulting AG (until September 12, 2008; Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman Südzucker AG

Member of the Audit Committee
Member of the Nomination Committee
Member of the Personnel Committee

Offices
Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Stefan Schubert

Limburg-Staffel

Hospital nurse and full-time Works Council member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach, HELIOS Klinik Idstein and Kreisalten-zentrum Bad Schwalbach

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Member of the SE-Works Council of Fresenius SE

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH

Rainer Stein

Berlin

Full-time Works Council member

Chairman of the Group Works Council HELIOS Kliniken GmbH

Chairman of the SE-Works Council of Fresenius SE

Member of the Audit Committee

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH

Niko Stumpfögger

Zeuthen

Secretary of the Trade Union ver.di, Betriebs- und Branchenpolitik im Bereich Gesundheit und Soziales

Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH

Dr. Bernhard Wunderlin

(until May 21, 2008)

Bad Homburg v. d. H.

Former Managing Director Harald Quandt Holding GmbH

Chairman of the Audit Committee (until May 21, 2008)

Offices
Supervisory Board
Equita Management GmbH

Advisory Board
Marsh & McLennan Deutschland GmbH
Von Rautenkranz Nachfolger GbR

FINANCIAL CALENDAR

Report on 1st quarter 2009	
Conference call	
Live webcast	April 30, 2009
Annual General Meeting, Frankfurt am Main, Germany	May 8, 2009
Payment of dividend*	May 11, 2009
Report on 1st half 2009	
Conference call	
Live webcast	August 4, 2009
Report on 1st–3rd quarters 2009	
Conference call	
Live webcast	November 3, 2009

* subject to the prior approval by the Annual General Meeting

Fresenius SE's Annual Report was published on March 18, 2009 at our website http://www.fresenius.com.

FRESENIUS SHARE INFORMATION

	Ordinary share	Preference share
Securities identification no.	578 560	578 563
Ticker symbol	FRE	FRE3
ISIN	DE0005785604	DE0005785638
Bloomberg symbol	FRE GR	FRE3 GR
Reuters symbol	FREG.de	FREG_p.de
Main trading location	Frankfurt/Xetra	Frankfurt/Xetra

Corporate Head Office
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
Fresenius SE
61346 Bad Homburg v. d. H.
Germany

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e-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 608-23 02
Telefax: ++49 61 72 608-22 94
e-mail: pr-fre@fresenius.com

Commercial Register: Amtsgericht Bad Homburg v. d. H.; HRB 10660
Management Board: Dr. Ulf M. Schneider (President and CEO), Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz, Dr. Ben Lipps, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Report is legally binding.

The financial statements of Fresenius SE are available on our website and may be obtained upon request at Investor Relations.
You will find further information and current news about our company on our website at: http://www.fresenius.com

Forward-looking statements:
This Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA and Fresenius Kabi Holdings, Inc. – the actual results could differ materially from the results currently expected.