EXPERTISE

Annual Report 2010

FRESENIUS
MEDICAL CARE

CORPORATE REPORT

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WHAT DOES EXPERTISE MEAN TO US?

Fresenius Medical Care is a young company. For this very reason, we attach particular importance to our expertise.

When we started to manufacture dialysis products some 30 years ago, we were among the pioneers in our field. At that time, the goal was to sustain the lives of patients with chronic kidney failure in the best way possible.

Today, in addition to offering dialysis products, we also provide dialysis care – in the largest network of clinics in the world. Thanks to advances in medicine and technology, our goal is now to continually improve the quality of life of patients with chronic kidney failure.

As the leading dialysis company, we have benefited from this remarkable progress in the treatment of patients. But we have also made a significant contribution to it – thanks to our unique expertise.

WHAT MAKES OUR EXPERTISE UNIQUE?

As a vertically integrated company, we not only provide products for dialysis and develop therapies; we also use our own products and procedures every day in our clinics.

Our expertise is therefore uniquely diverse: It ranges from procurement and complex manufacturing technologies through quality management to comprehensive patient care, also on the basis of highly sophisticated clinical quality databases.

And our expertise is uniquely networked: The communication with patients, doctor and nurses in our clinics helps us to continually improve our products and services – thereby creating value for our stakeholders.

CREATING A FUTURE WORTH LIVING.

For people. Worldwide. Every day.

More than three decades of experience in dialysis, innovative research, the global leader in dialysis services and products – that is Fresenius Medical Care.

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life.

We use the increasing demand for modern dialysis methods to our advantage and work consistently to enhance the Company's growth. Together with our employees, we focus on pursuing strategies that will enable us to uphold our technological leadership. As a vertically integrated company, we offer products and services for the entire dialysis value chain.

The highest medical standards are our benchmark. This is our commitment to our patients, our partners in the healthcare system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.

TO OUR SHAREHOLDERS

COMPETENCE

Fresenius Medical Care is a company with a unique competence in products and services for patients with chronic kidney disease.

Bad Homburg, March 1, 2011

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF OUR COMPANY

At the end of 2010, Fresenius Medical Care not only looks back at one successful business year, but a whole series:

From 2005 to 2010, we geared our corporate activities towards our growth strategy GOAL 10 – and in doing so, performed even better than we had expected. We are proud of this achievement and of the value that we have created in the past years for our patients, customers, shareholders and for the Company itself.

GOAL stands for "Growth Opportunities to Assure Leadership". In 2010, we successfully captured these opportunities by setting up and acquiring dialysis centers in attractive growth markets, primarily in Asia and Eastern Europe, thus expanding our international network of clinics. In addition, we enhanced our integrated treatment concept with new and improved products and therapies. And we pressed ahead with the horizontal expansion of our portfolio: Together with the Galenica Group based in Switzerland, we founded a new company that will start developing and selling innovative drugs for kidney patients following approval by the anti-trust authorities. We also strengthened our position in the home therapies business – the only area of dialysis in which Fresenius Medical Care is not the market leader – among other things by acquiring the peritoneal dialysis business of Gambro, a Swedish medical technology company.

We met all the targets we had set ourselves for 2010, and established new records in the process. Thanks to organic growth of 6%, we increased our revenue by 7% year-over-year to $12.05 billion – an all-time high. This means that we also achieved the revenue target defined in GOAL 10 that has been repeatedly adjusted upwards in recent years: Back in 2006, our target was $11.5 billion. At the same time, we managed to grow our net income faster than revenue, to $979 million, up 10% over the previous year. Since 2005, our net income has increased by around 17% per year on average; our GOAL 10 target specified "more than 10%". We raised our net cash flow to $861 million, 11% more than in 2009, and brought our debt / EBITDA ratio back down to below 2.4. We are delighted to be able to report such a positive performance in all our key operating figures.

The number of patients in our care has grown by a tenth year-over-year and by as much as almost two thirds since 2005: Fresenius Medical Care treated more than 214,000 patients in over 2,750 Company-owned clinics worldwide in the past year. The teams in our dialysis centers carried out in excess of 31 million treatments in 2010. We also covered half of the global demand for new dialysis machines with our product business.

Based on these results, we once again outperformed the dialysis market as a whole in the past year. We were able to consolidate our position as market leader and expand our worldwide market share. This was aided once again by the favorable conditions in an industry that is relatively unaffected by cyclical fluctuations. Thanks to our long-term corporate strategy and strong business partnerships, we were able to offset operational challenges resulting from macroeconomic developments, such as rising costs for energy and raw materials, to a large extent.

This excellent performance would not have been possible without the dedication of our employees, their exceptional sense of responsibility and pure enthusiasm. I would like to extend my heartfelt thanks to all of our staff for their commitment to the Company. My special thanks also go to my colleagues on the Management Board and the members of the Supervisory Board for their constructive work and mutual trust.

We also want you, our shareholders, to participate in this success. We will therefore be proposing a dividend increase of around 7% at the Annual General Meeting, bringing it up to €0.65 per ordinary share. This would be the fourteenth consecutive dividend rise and would mean that in every year of our Company's history, our shareholders have benefited more from our Company's growth. This proposal takes into account the profitability of our operations and the Company's future prospects.

And what will this future look like? In September 2010, we adopted our new growth strategy GOAL 13. This carries on where GOAL 10 left off, along the four strategic paths we originally defined. Fostering the organic growth of our products and services, acquiring further dialysis clinics in attractive markets, expanding our portfolio horizontally, and strengthening our position in the home dialysis market will therefore continue to be key goals to help us further consolidate our leading market position. Based on this strategy, we aim to achieve revenue of between $12.8 billion and $13.0 billion in the current business year, corresponding to a 6 to 8% increase. Net income in 2011 should be between $1.035 billion and $1.055 billion.

In pursuing this path, our aim is always to continuously improve the quality of life for people suffering from chronic kidney failure. We know that there are challenges to be met: While the number of dialysis patients worldwide is growing, the public funds available for their care are increasingly restricted – a situation that has been compounded by the financial and economic crisis. At the same time, however, we know that we are in an excellent position to master these challenges, together with our healthcare partners: As a vertically integrated dialysis company, we can offer high-quality dialysis products and services from a single source.

This means that we can provide our patients with integrated care, helping not only to improve the quality of treatment, but also to reduce costs. Global demand for integrated care concepts for dialysis patients is growing, and reimbursement is increasingly being linked to meeting defined quality targets.

The title of this annual report says a lot about why Fresenius Medical Care is the preferred partner for concepts of this kind. It is our unique "Expertise" in developing and manufacturing leading dialysis products, as an operator of the largest network of dialysis clinics in the world, and as a company that not only strives continuously to improve the quality and efficiency of its services, but can also back this performance with sophisticated clinical quality data management. And it was this expertise that enabled us to prepare ourselves so well for the new bundled reimbursement system for dialysis introduced in the U.S. at the beginning of 2011.

That's why we look to the future with great confidence and will again apply all the Company's know-how and resources to make sure that you, our shareholders, continue to share this confidence with us. Finally, I would like to thank you sincerely for your support and trust in Fresenius Medical Care in the past years. I am looking forward to another exciting year as part of this unique company.

Yours sincerely,

DR. BEN J. LIPPS
Chief Executive Officer

Chapter 1.1

MANAGEMENT BOARD

DR. BEN J. LIPPS

Chairman

Dr. Ben J. Lipps (70) was appointed Chief Executive Officer and Chairman of the Management Board of Fresenius Medical Care in 1999. Prior to that, he was CEO of Fresenius Medical Care North America from 1996 to 1999 and of Fresenius U.S. from 1985 to 1996. He has worked in the field of dialysis for about 40 years. After earning his master's degree and doctorate in Chemical Engineering at the Massachusetts Institute of Technology, he led the research team at Dow Chemical that developed the first commercial hollow-fiber artificial kidney at the end of the 1960s. *Picture 1*

RICE POWELL

Deputy Chairman and CEO for Fresenius Medical Care North America

Rice Powell (55) has been Deputy Chairman of the Management Board and Chief Executive Officer for Fresenius Medical Care North America since January 1, 2010. He joined Fresenius Medical Care in 1997 and was appointed to the Company's Management Board and Co-CEO of Fresenius Medical Care North America in January 2004. He has over 30 years of experience in the healthcare industry. From 1978 to 1996, he held various positions, among others at Baxter International Inc., Biogen Inc., and Ergo Sciences Inc. in the U.S. *Picture 2*

MICHAEL BROSNAN

Finance

Michael Brosnan (55) was appointed Chief Financial Officer on January 1, 2010. Previously, he served as Chief Financial Officer of Fresenius Medical Care North America for seven years. He joined the Company in 1998 as Vice President of Finance and Administration for Spectra Renal Management, the Company's laboratory services organization. Subsequently, he assumed several executive functions at Fresenius Medical Care North America. Prior to joining the Company, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG. *Picture 3*

ROBERTO FUSTÉ

Asia-Pacific

Roberto Fusté (58) is Chief Executive Officer for Asia-Pacific. After completing his studies in Economic Sciences at the University of Valencia, Spain, he founded the company Nephrocontrol S.A. in 1983. After Nephrocontrol was acquired by the Fresenius Group in 1991, he held several senior positions within the Company in the Latin America and Asia-Pacific regions, among others. He was appointed to the Management Board of Fresenius Medical Care in 1999. *Picture 4*

DR. EMANUELE GATTI

Europe, Middle East, Africa and Latin America, and Global Chief Strategist

Dr. Emanuele Gatti (55) is Chief Executive Officer for Europe, Middle East, Africa and Latin America (EMEALA). He is also Global Chief Strategist and responsible for research and development in EMEALA. After completing his studies in Bioengineering, he lectured at several biomedical institutions in Milan. He continues to be involved in research and development activities. He is a visiting professor at the Danube University in Krems, Austria. Emanuele Gatti has been with Fresenius Medical Care since 1989. Before being appointed to the Company's Management Board in 1997, he was responsible for its dialysis business in Southern Europe. *Picture 5*

DR. RAINER RUNTE

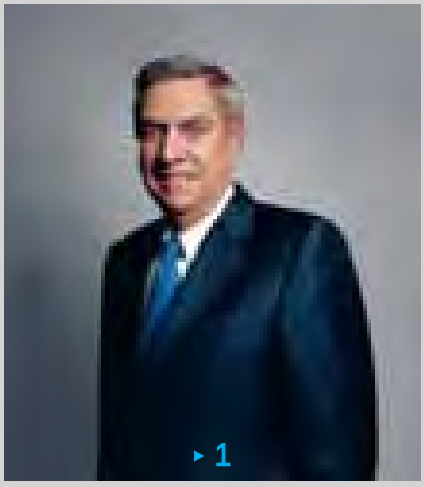
Global Law, Compliance, Intellectual Property, Corporate Business Development, and Labor Relations Director Germany

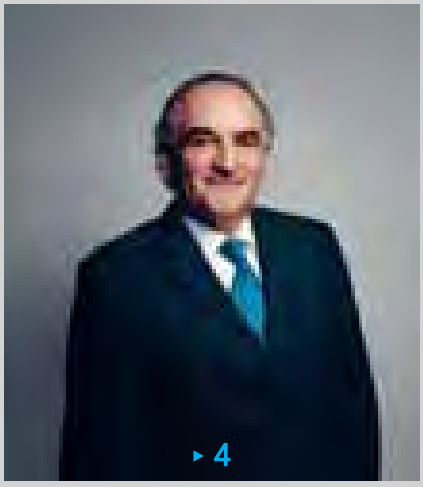
Dr. Rainer Runte (51) is Member of the Management Board responsible for Global Law, Compliance, Intellectual Property and Corporate Business Development. He has also been appointed Labor Relations Director for Germany. He has worked for the Fresenius Group for 20 years. In 1997, he assumed the position of Senior Vice President for Law at Fresenius Medical Care and was appointed to the Management Board in 2002. Before joining the Company, he worked as a scientific assistant in the law department of Goethe University in Frankfurt and as an attorney in a firm specialized in economic law. *Picture 6*

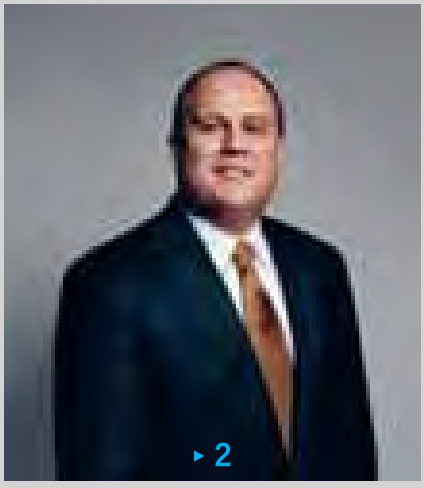
KENT WANZEK

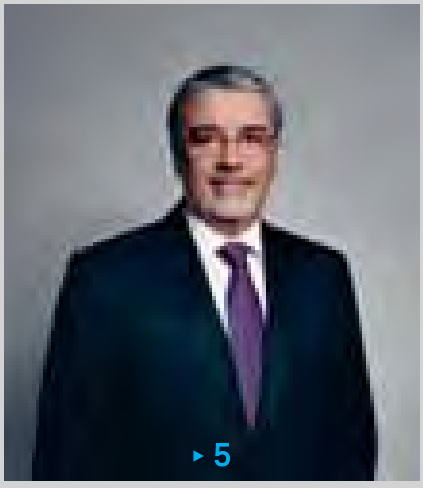
Production

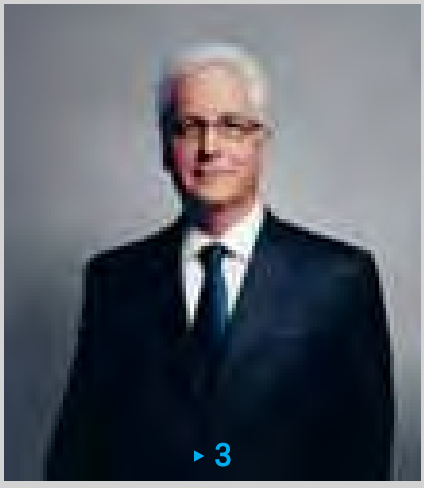
Kent Wanzek (51) was appointed Member of the Management Board responsible for Global Manufacturing Operations on January 1, 2010. From 2004 onwards, he was in charge of North American operations for the Renal Therapies Group at Fresenius Medical Care North America. Prior to joining the Company in 2003, he held several senior executive positions at Philips Medical Systems, Perkin Elmer, and Baxter Healthcare Corporation, among others. *Picture 7*

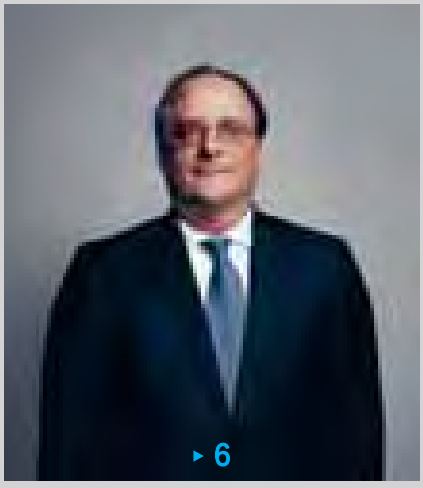










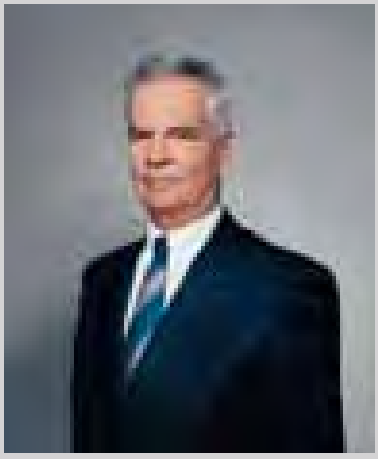


——— You can find out more about the directorships of our Management Board members from page 154 onwards. Information on the ages of the Members of the Management Board as of December 31, 2010.

Chapter 1.2

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA dealt mainly in the financial year 2010 with the situation of the Company in the worldwide economic environment, with the financing and the further development of the U.S. health reform and their effects on the Company.



——— *Dr. Gerd Krick, Chairman of the Supervisory Board*

Details

The Supervisory Board, again in the expired financial year 2010, dealt extensively with the situation and the perspectives of the Company and various special issues as well as performing the duties imposed on it by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. We regularly advised the Management Board of the General Partner, Fresenius Medical Care Management AG, on the management of the Company and supervised the management of the Company within our responsibility as the Supervisory Board of the partnership limited by shares. The management informed us in written and oral reports regularly, within a short time and comprehensively about all significant questions of Company policy and the Company planning and strategy, the progress of transactions, the profitability, the situation of the Company and the group and the risk situation and risk management. All business processes significant for the Company were discussed by us on the basis of reports of the Management Board of the General Partner in the committees and in full session comprehensively. The Management Board of the General Partner discussed with us on the strategic direction of the Company. Again, as in the previous years, we reviewed the economic development of acquisitions of the previous years and compared them with the planning and prognosis at the time of each acquisition. The Supervisory Board passed resolutions in the terms of its responsibilities under statute and under the Articles of Association.

Meetings

In the financial year 2010, four meetings of the Supervisory Board and a number of telephone conferences took place. No Supervisory Board member attended less than half of the meetings. Between the meetings, written information was distributed. The Chairman of the Supervisory Board maintained close contact with the Management Board of the General Partner between the meetings.

The Supervisory Board availed in the past year again of the opportunity of making the acquaintance of leading employees in the course of presentations on selected issues.

Focus of the discussions in the Supervisory Board

The Supervisory Board in 2010 dealt intensively and in all its meetings with the overall economic situation and its effects on the Company.

Special attention was again paid to the political discussion with regard to the reimbursement system in the U.S.A. and its effects on the Company. The Supervisory Board was regularly informed on the progress of consultations of the American legislator. The developments in reimbursement in other countries in which the Company operates were also discussed and their effects on the planning of the Company considered.

The business development, the competitive situation and the planning of the Management Board in the various regions again occupied considerable parts of the meetings.

The financing of the Company was again in the focus of the discussions. Acquisitions, for example of the

peritoneal dialysis business of Gambro and the dialysis services business of Euromedic, also formed a further subject for discussion.

The Audit and Corporate Governance Committee

In the year under report, the Audit and Corporate Governance Committee met under the chairmanship of Dr. Walter L. Weisman (independent financial expert in terms of sec. 100 (5) of the German Stock Corporation Act) on a total of four occasions in meetings and held a number of telephone conferences. It dealt with the annual and consolidated financial statements, the proposal for the application of profit and the 20-F report for the American Securities and Exchange Commission (SEC). The Audit and Corporate Governance Committee also discussed each quarterly report with the management. The Audit and Corporate Governance Committee satisfied itself as to the independence of the auditor of the annual and consolidated financial statements, instructed him to undertake the audit, concluded the fee agreement with him and discussed and determined with him the points of emphasis of the audit. Representatives of the auditor participated in all meetings of the Audit and Corporate Governance Committee and reported thereby on their auditing and the audit review of the quarterly financial statements and, in the absence of members of the Management Board of the General Partner, on the cooperation with them. They were also available for additional information.

The accountancy process, the effectiveness of the internal control system, of the risk management and of the internal audit system, and of the audit were discussed several times. KPMG AG Wirtschaftsprüfungsgesellschaft reviewed, in the course of the audit, the internal control system in relation to the accountancy process and the structure of the early warning system for the detection of risks and raised no objections thereto. The Management Board of the General Partner provided periodic reports on larger individual risks. The Management Board of the General Partner also informed the committee regularly, i.e. at all ordinary meetings of the Audit and Corporate Government Committee on the compliance situation of the Company. In addition, the head of internal audit reported in turn to the committee.

In 2010, the Audit and Corporate Governance Committee again dealt intensively with the internal control system of the Company in accordance with the Sarbanes-Oxley Act (SOX 404). The Company received on 23 February 2011 an unqualified audit certificate of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the implementation of the regulations of SOX 404 in the financial year 2010.

The legal and business relations of the Company to Fresenius SE and/or its affiliates were again subject matter of the reviews of the Audit and Corporate Governance Committee. In each case, it was possible to confirm that the relationships corresponded to those “at arms’ length“.

The Audit and Corporate Governance Committee was involved in the change of the leading audit partner in charge for Northern America at the auditing company.

The Audit and Corporate Governance Committee informed the entire Supervisory Board in each case of the results of its discussions.

Joint Committee

The joint committee, the approval of which is acquired for certain important transactions and certain transactions between the Company and Fresenius SE and/or its affiliates, did not meet in 2010 because no transactions requiring approval were undertaken.

Nomination Committee

The nomination committee of the Company which, in the year under report, consisted of Dr. Gerd Krick (Chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk, prepares personnel proposals of the Supervisory Board and proposes suitable candidates to the Supervisory Board of the Company for nomination by it for election at the General Meeting. The committee met in December 2010 regarding the Supervisory Board elections pending at the Company for 2011.

Corporate Governance

The Supervisory Board dealt with the review of its efficiency and the exchange of information between the Management Board of the General Partner and the Supervisory Board and between the Supervisory

Board and the Audit and Corporate Governance Committee. No objections arose in the course thereof. The Supervisory Board acquainted itself with the new statutory regulations and accountancy provisions. In addition, it also discussed the changes to the German Corporate Governance Code.

Mr Johnston, Dr. Krick, Mr Kringel, Dr. Schenk and Dr. Weisman are also members of the Supervisory Board of the General Partner, Fresenius Medical Care Management AG. Between Supervisory Board members and the Company consultancy or other services were provided in the year under report only by Dr. Schenk who is also a partner in a law firm Noerr LLP which provided legal advice to the Company in the year under report, in each case with the approval of the Supervisory Board, Dr. Schenk having abstained in the relevant voting. In the year under report, Fresenius Medical Care paid the law firm Noerr LLP €1,207,685. This is less than 3% of the legal and consultancy costs paid by Fresenius Medical Care worldwide. The Supervisory Board found that it and its committees have, in its opinion, an adequate number of independent members. No conflicts of interest of Supervisory Board members arose in the year under report.

At the Supervisory Board meeting of 1 December 2010, the Supervisory Board discussed the conformity declaration of the company under § 161 Stock Corporation Act to the German Corporate Governance Code and resolved on same. The version of the conformity declaration of December 2010 as it appears permanently accessible on the Internet page of the Company applies. The exceptions from the recommendations of the Code continue to refer to the absence of an age limit for members of the Management Board and the Supervisory Board and that no severance cap was introduced in the new Management Board employment agreements concluded at the beginning of 2010. The deductible in the D&O insurance for the Supervisory Board in accordance with the recommendations of the Code was amended with effect from 1 July 2010. No concrete quotas for diversity in the composition of the Supervisory Board were established. The composition of the Supervisory Board must be guided by the interests of the Company and must ensure effective monitoring of and advice to the Management Board. The knowledge, capacity and professional experience of the individuals necessary for the proper performance of these tasks are therefore the decisive priorities. Fixed diversity quotas and age limits would, on the other hand, generally restrict the selection of suitable candidates. The present Articles of Association do not provide variable remuneration for the Supervisory Board; however, a resolution to introduce a remuneration component based on the long-term performance of the enterprise shall be proposed to the ordinary General Meeting 2011.

The Corporate Governance Report of the General Partner and of the Supervisory Board is contained together with the declaration of the management according to § 289a Commercial Code *starting on page 128* of the annual report. As in the case of the declaration of the management for the year under report, the declaration of the management for the financial year 2009 was also the subject of discussion by the Supervisory Board which approved the latter at its meeting on 22 February 2010.

Annual and consolidated financial statements

The annual financial statements of Fresenius Medical Care AG & Co. KGaA and the management report were prepared in accordance with the regulations of the German Commercial Code, the consolidated financial statements and consolidated management report under § 315a Commercial Code in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The accountancy, the annual financial statements and the management report of Fresenius Medical Care AG & Co. KGaA and the consolidated financial statements and consolidated management report of Fresenius Medical Care AG & Co. KGaA, in each case for the financial year 2010, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin which was elected as auditor by resolution of the General Meeting of 11 May 2010 and instructed by the Audit and Corporate Governance Committee. The said documents each carry an unqualified certificate. The audit report of the auditor was presented to the Audit and Corporate Governance Committee and to the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual and consolidated financial statements and the management reports taking account of the audit reports of

the auditor, and reported to the Supervisory Board thereon.

The Supervisory Board also reviewed the annual financial statements, the management report and the proposal for the application of profit as well as the consolidated financial statements and consolidated management report in each case for the financial year 2010. The documents were provided to it in good time. The Supervisory Board declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor who signed the audit reports participated in the discussions of the Supervisory Board of the annual and consolidated financial statements, reported on the significant results of the audit and were available for additional information. No objections were raised by the Supervisory Board to the annual financial statements and the management report of the Company or to the consolidated financial statements and the consolidated management report even after the final results of its own review.

At its meeting on 22 February 2011, the Supervisory Board approved the annual financial statements and management report of Fresenius Medical Care AG & Co. KGaA for 2010 presented to it by the General Partner. The declaration of the management for the reporting year 2010 was also a subject at that meeting. At that meeting also the draft of the report according to form 20-F for filing with the Securities and Exchange Commission (SEC) which contains, inter alia, the consolidated financial statements and the consolidated management report in accordance with the U.S. Generally Accepted Accounting Principles, (U.S. GAAP) with the US-Dollar as the reporting currency, was discussed. The consolidated financial statements and the consolidated management report were approved by the Supervisory Board at its meeting on 10 March 2011. The Supervisory Board approved the General Partner's proposal for the application of profit which provides for a dividend of € 0.65 for ordinary shares and € 0.67 for preference shares.

Dependency report

The General Partner, Fresenius Medical Care Management AG, prepared a report on the relationships to affiliates in accordance with § 312 Stock Corporation Act for the financial year 2010. The report contains the final declaration of the General Partner that the Company, in accordance with the circumstances known to the General Partner at the time at which the transactions were undertaken or the measures taken or omitted, received reasonable consideration for each transaction and was not disadvantaged by the conduct of the measures or their omission.

The Supervisory Board and the Audit and Corporate Governance Committee received the report in good time and reviewed it. The auditor participated in the relevant discussions, reported on the main results of his review and was available for additional information. The Supervisory Board and the Audit and Corporate Governance Committee share the view of the auditor who added the following certificate to that report on 11 February 2011:

"In accordance with our conscientious audit and assessment, we confirm that (1) the statements of fact in the report are correct, (2) the consideration of the Company in the course of the transactions listed in the report was not unreasonably high, (3) the measures listed in the report are not the occasion for an assessment substantially different from that of the general partner".

According to the final result of the review by the Supervisory Board, no objections to the declaration of the General Partner at the foot of the report on the relationships to affiliates are to be raised.

The Supervisory Board thanks the members of the Management Board of the General Partner as well as all employees for their commitment and for the diligent work performed in 2010.

Bad Homburg v.d.H., March 10, 2011
The Supervisory Board

DR. GERD KRICK
Chairman

Chapter 1.3

CAPITAL MARKET AND SHARES

STOCK MARKET

Following sharp price increases of in some cases more than 20% in 2009, the global stock markets, particularly the major indices such as the DAX and the Dow Jones, made an extremely slow start in 2010, recording significant losses in the first two months of the year. This was due to continuing uncertainty regarding the general shape of the financial sector, and a restrained forecast of the overall economic situation. Boosted by positive economic signals, the month of March started with a short-lived rally on the equity markets. This was followed by a sideways trend in the second and third quarter, mainly caused by uncertainties on the international capital markets, particularly the downgrades by rating agencies for Greece, Ireland and Portugal. In addition, market participants were unsettled by the further development of the U.S. economy. Towards the end of the year, share prices rose, triggered by positive quarterly results and improved profit forecasts by many companies, as well as the surprising strength of the economic recovery in the EU. This brought the year on the stock markets to a positive close.

The world's leading stock indices recorded heterogeneous growth rates in 2010: the American Dow Jones index closed 2010 at 11,578 points, 11% higher than at the beginning of the year. Following a 24% rise in 2009, the German stock index DAX, rose by 16% in the year under review – placing it among the indices that fared best in 2010. After starting the year at the 5,957 point mark, it initially fell to a year low of 5,434 points at the start of February but closed the year at 6,914 points.

The general trend in other European stock markets was also very positive; however they were not able to keep pace with the high level of growth of the Dow Jones and the DAX. The Asian markets reported predominantly restrained growth: The Singapore Straits Times and Hong Kong Hang Seng indices gained 2% and 3% respectively in 2010. The Japanese Nikkei index closed the year down 3%. Further information about the performance of these stock indices can be found in table 1.3.1.

Individual industries developed very differently in 2010. On the back of improving economic prospects, shares that are generally considered cyclical, such as those of companies in export-driven industries, recorded the strongest growth. In contrast, shares from the financial sector mainly showed weak performance, while shares from the healthcare sector recorded average growth in the environment outlined above.

STOCK INDICES/SHARES

Table 1.3.1

	Country/ region	*Jan. 1, 2010*	*Dec. 31, 2010*	*Change*	*High*	*Low*
DAX	*GER*	5,957	6,914	16 %	7,078	5,434
Dow Jones	*U.S.*	10,428	11,578	11 %	11,585	9,686
Nikkei	*JP*	10,546	10,229	– 3 %	11,339	8,824
CAC	*FR*	3,936	3,805	– 3 %	4,066	3,331
FTSE	*GB*	5,413	5,900	– 9 %	6,009	4,806
DJ EURO STOXX 50	*EU*	2,965	2,807	– 5 %	3,018	2,489
DJ EURO STOXX Healthcare	*EU*	366	389	6 %	397	347
Fresenius Medical Care ordinary share *in €*	*GER*	36.94	43.23	17 %	45.79	36.10
Fresenius Medical Care ADR *in $*	*U.S.*	53.01	57.69	9 %	64.01	47.41

Source: Reuters data, own calculations.

PRICE DEVELOPMENT OF FRESENIUS MEDICAL CARE SHARES

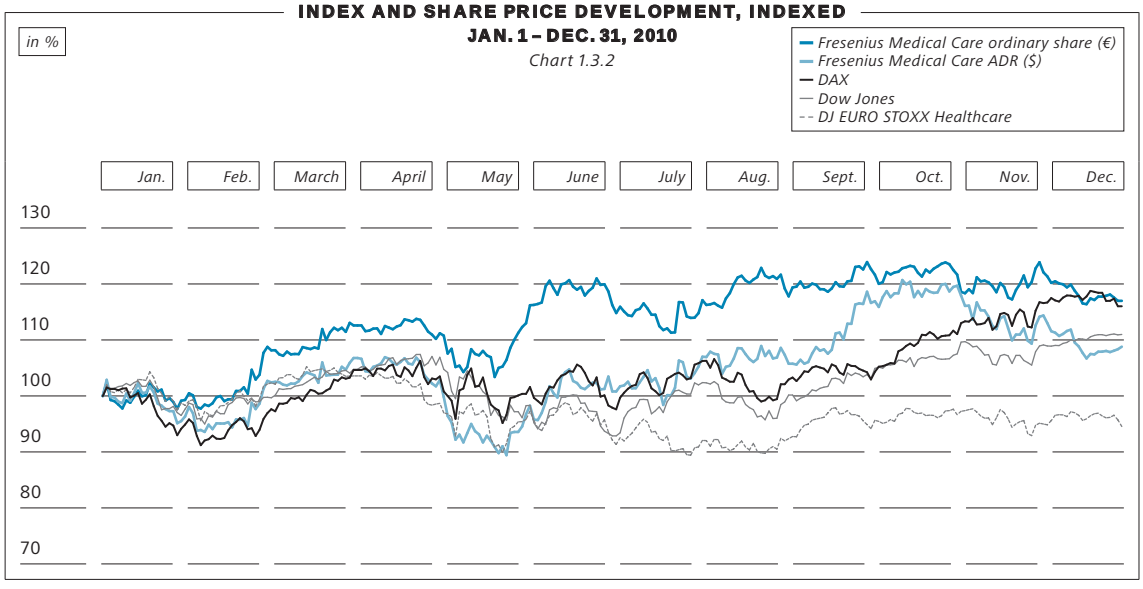
The Fresenius Medical Care share performed well again in 2010. The price of the ordinary share rose by 17%, closing the year at €43.23. This put it in the upper middle range of shares included in the DAX. Following a sustained upward trend in the first few months of the year under review, it moved sideways during long periods of the second half of the year, but was unable to keep pace with the DAX in the fourth quarter. The biggest factors influencing our share price were the discussions about the U.S. healthcare reform and the final definition of the bundled reimbursement rates for Medicare and Medicaid patients from January 1, 2011 together with the effects that this will have on businesses in the healthcare industry. Our share price performance was supported by the Company's positive sales and earnings development: We once again posted record revenue and profit figures in 2010; see also "Results of Operations" chapter —— *starting on page 55*.

Fresenius Medical Care's ordinary share recorded its year-high on October 1, 2010 and its year-low on January 28, 2010. It is classified as a defensive share – an assumption reflected by its low volatility. The range in which the share was traded last year remained extremely narrow, with a difference between the lowest and highest price of just 21%. Its day-to-day fluctuations were also lower in percentage terms than those of the DAX average.

The exchange rate of the euro against the U.S. dollar continued to play an important role in the development of our share price in 2010. An appreciation of local currencies (especially the euro) to the U.S. dollar is advantageous for Fresenius Medical Care in reporting terms, as we maintain our financial accounting in U.S. dollars so that when our balance sheet items and earnings (in local currencies) are translated, this results in higher U.S. dollar values. On the other hand, the appreciation of the euro also means that several conventional valuations, which are usually calculated in U.S. dollars, are less favorable when translated into euros. This is significant as many investors base their decisions on the euro share price first and foremost.

In 2010, the price of Fresenius Medical Care shares traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR) increased by 9%. Each ordinary or preference ADR corresponds to one Fresenius Medical Care ordinary or preference

INDEX AND SHARE PRICE DEVELOPMENT, INDEXED
JAN. 1 – DEC. 31, 2010
Chart 1.3.2



Source: Reuters data.

share. The development of the ADR is generally tied to that of the ordinary and preference shares, taking into account changes in the euro/U.S. dollar exchange rate. The currency devaluation of the U.S. dollar against the euro of approximately 5% in 2010 therefore had a slightly negative effect on the notation of our ADR; further information on currency rates can be found in the "Economic environment" section —— *starting on page 39*.

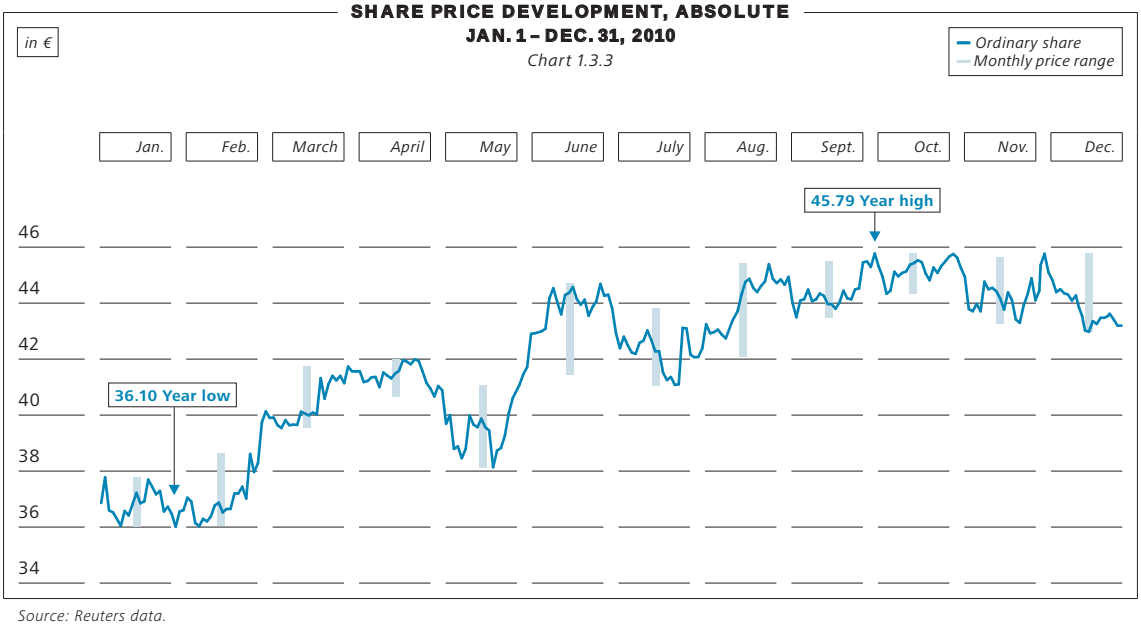
However, Fresenius Medical Care's shares performed significantly better than securities in its peer group, the healthcare sector. The value of the Dow Jones Euro Stoxx Healthcare index, for instance, comprising Europe's leading and largest companies in the industry, grew by only 6% last year.

The price of Fresenius Medical Care's preference shares normally develops in line with that of the Company's ordinary shares. However, as the vast majority of preference shareholders took advantage of the opportunity to convert their preference shares into ordinary shares in February 2006, the number of outstanding preference shares, and therefore the volume of shares traded, is now extremely low. As a result, any further statements on the price development of our preference shares would be speculative.

On December 31, 2010, Fresenius Medical Care's market capitalization totalled €13.14 BN, an increase of more than €2 BN compared to the previous year's value of €11.05 BN. The average trading volume of our shares was 0.83 M per trading day (2009: 1.04 M). The trading volumes of our preference shares remained at a very low rate of just 1,200 per trading day (2009: 1,144), as expected. Due to the extremely small number of outstanding preference shares, their daily fluctuation range is much more pronounced than that of ordinary shares.

In 2010, our ordinary shares further consolidated its position in the rankings published by Deutsche Börse. Our weighting in the DAX increased compared to the previous year, up from 1.31 to 1.36%. These rankings serve as a basis for decisions regarding the composition of the DAX. They are drawn up on a monthly basis according to the trading volume and market capitalization relating to the free float. In terms of market capitalization, we gained two ranks in 2010, and are now ranked 20th. With regard to the trading volume, however, we fell three ranks from 26th to 29th. The Fresenius Medical Care share is included in a number of other important international stock indices, for example, the Dow Jones, MSCI and FTSE. For the second consecutive year, our

SHARE PRICE DEVELOPMENT, ABSOLUTE
JAN. 1 – DEC. 31, 2010
Chart 1.3.3



Source: Reuters data.

ordinary share was represented in the Dow Jones Euro Stoxx Sustainability index, which considers economic as well as ecological and social criteria.

DIVIDEND

Since its foundation in 1996, Fresenius Medical Care has pursued a long-term profit-oriented dividend policy. The dividend has increased fourteen times consecutively (subject to the approval of the Annual General Meeting on May 12, 2011). Over this period, the dividend has risen from €0.17 (on a comparable basis) to €0.65 in 2010. This corresponds to an average increase of 10% per annum. Compared to last year's dividend of €0.61 per ordinary share, it rose by 7% in the year under review. Based on the proposed dividend and the closing prices of our shares at the end of 2010, the dividend yield for our ordinary shares would be around 1.5% (2009: 1.7%).

Assuming that the Annual General Meeting accepts the proposal, the total dividend payout for 2010 will be around €197 M. Given an exchange rate of $1.3362 to the euro at the end of the year under review, the total dividend works out at approximately $263 M. Based on our net income of $979 M, this represents a payout ratio of about 27%.

SHAREHOLDER STRUCTURE

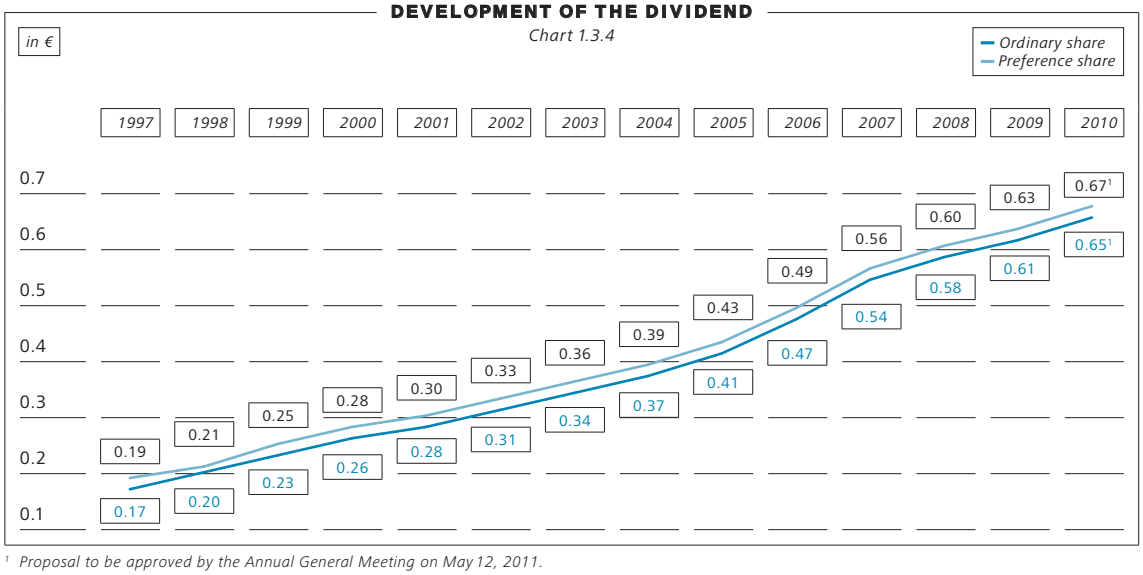
Fresenius Medical Care's subscribed capital amounted to about € 302.2 M as at December 31, 2010. There were approximately 298.28 M ordinary shares and about 3.96 M preference shares outstanding.

At the beginning of 2011, we again had our shareholder structure analyzed. We were able to identify the owners of a total of around 296.7 M shares, representing again a very high proportion of 98.2% of all 302.2 M outstanding shares (cut-off date December 31, 2010). With regard to the 195.6 M shares in free float, we were able to allocate 97.2% (previous year: 98.0%) of shares to individual investors. The share of total stock held by Fresenius SE & Co. KGaA (previously Fresenius SE) dropped from 35.6% to 35.3% the previous year. The absolute number of Company shares owned by Fresenius SE & Co. KGaA on the cut-off date remained unchanged at 106,603,026 shares.

Overall, we identified 793 institutional investors (previous year: 836). The top 20 institutional investors in our Company held about 41% of identified shares on a free float basis (previous year: 37%). Three of them are based in Germany, nine are in Great Britain, five in the United States, two in France and one investor ist located in Norway. At the time of the survey,

DEVELOPMENT OF THE DIVIDEND

Chart 1.3.4



¹ *Proposal to be approved by the Annual General Meeting on May 12, 2011.*

retail investors accounted for 12.4% of identified shares, while owners of ADR held 2.2% of shares. The proportion of institutional investors in the total indentified share capital on the basis of the free float was about 84%.

In terms of geographical distribution, 35.3% of shares were held by institutions in North America (including Canada). A total of 51.1% of identified shares, were located in Europe, excluding Germany. The majority of these (33.5% of shares) were found in Great Britain. Around 10.1% of our Company's shares are held in Germany.

The survey carried out at the beginning of 2011 reveals a shareholder structure that is well-balanced in our opinion, both from a geographical point of view and in terms of private and institutional investors. For 2011 and 2012, we see the regional focus of our investor relations activities in North America and Europe as well as in selected countries in Asia and the Middle East.

In July 2008, Fresenius SE & Co. KGaA issued an offering of €554 M in mandatory exchangeable bonds, which are exchangeable into ordinary shares of Fresenius Medical Care upon redemption. The bonds issued have a maturity of three years and are callable on August 14, 2011. Upon maturity, Fresenius SE & Co. KGaA as issuer must deliver a maximum of 16.8 M or a minimum of 14.24 M Fresenius Medical Care ordinary shares to the bond holders, representing approximately 5.6% or 4.7% of Fresenius Medical Care's total subscribed capital. As a result, Fresenius SE & Co. KGaA's share in Fresenius Medical Care will drop by at least 4.7% at the maturity date.

In 2010 we received six voting rights announcements pursuant to Section 21 (1) of the German Securities Trading Act. In its latest accouncements from September 14, 2010, BlackRock Inc. informed us that it had exceeded the reporting threshold of 3%, holding 3.58% of Fresenius Medical Care ordinary shares via its subsidiaries. On June 2, 2010, Thornburg Investment Management informed us that it also

NUMBER OF IDENTIFIED SHARES

Table 1.3.5

	Number of shares	*in %*	*in % of free float*
Number of shares, *December 31, 2010*	302,236,169	100.0	–
of which ordinary shares	298,279,001	98.7	–
of which preference shares	3,957,168	1.3	–
Identified shares including Fresenius SE & Co. KGaA[1]	296,741,429	98.2	–
Unidentified shares	5,494,740	1.9	2.8
Fresenius SE & Co. KGaA[1]	106,603,026	35.3	–
Free float	195,633,143	64.7	–
IDENTIFIED SHARES BASED ON FREE FLOAT	**190,138,403**	**–**	**97.2**

[1] *Formerly Fresenius SE.*

had exceeded the reporting threshold of 3%, holding 3.76% of Fresenius Medical Care ordinary shares. All voting rights announcements can be found on the Investor Relations section of our web site at www.fmc-ag.com.

INVESTOR RELATIONS ACTIVITIES

Our investor relations work in 2010 again focused on ensuring the comprehensive, transparent and timely provision of information to capital markets. This includes disclosing of information about strategy and management principles of Fresenius Medical Care, its operating and financial business development, as well as its future prospects to a wide audience. This encompasses its shareholders, other capital market participants and analysts as well as employees, journalists and the general public. Our aim in doing this is to communicate our Company's business performance in an appropriate and precise way to allow existing and potential investors to make informed investment decisions and to provide other target groups with a balanced overview of the Company, its activities, and its plans for the future. We want to make a significant contribution to increasing the value of Fresenius Medical Care in the long-term by means of effective financial communications.

Fresenius Medical Care is committed to ensuring that all shareholders have equal and timely access to important information that could have a bearing on our share price. All channels of communication are designed to avoid selectively distributing this sort of information. Depending on the information and recipient, the Company selects the communication

GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES

Table 1.3.6

	2011		*2010*	
	Number of shares	*in %*	*Number of shares*	*in %*
North America (incl. Canada)	58,564,166	35.3	59,460,127	36.0
Germany	16,694,460	10.1	19,155,193	11.6
Great Britain	55,552,514	33.5	50,043,733	30.3
France	10,525,656	6.3	9,738,403	5.9
Norway	4,149,440	2.5	3,804,976	2.3
Rest of Europe	14,659,394	8.8	16,505,299	10.0
Rest of the World	5,813,879	3.5	6,441,687	3.9
SHARES ATTRIBUTABLE TO REGIONS	**165,959,509**	**100.0**	**165,149,418**	**100.0**
Retail investors	24,178,894	–	23,970,477	–
TOTAL IDENTIFIED SHARES BASED ON FREE FLOAT	**190,138,403**	**–**	**189,119,895**	**–**

channel that is most suitable at that point in time for communicating effectively. In doing so, we fulfil the requirements of the applicable laws and relevant guidelines we are held to observe in both the U.S. and Germany. These include the regulations of Deutsche Börse and the New York Stock Exchange as well as the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the German Corporate Governance Code and the Sarbanes-Oxley Act. More on this and other corporate governance issues can be found —— *starting on page 128*.

Fresenius Medical Care does not generally respond to rumors concerning the Company unless these contain material information about the Company or are expected to have an significant impact on the Company's share price or corresponding trading activities.

In 2010, we again intensified our communication with financial analysts as well as with institutional and retail investors worldwide. Financial analysts continue to express great interest in our Company. This is reflected in the fact that we are covered by around 35 equity analysts, so-called sell-side analysts.

In the year under review, we presented Fresenius Medical Care in more than 800 one-on-ones with analysts and investors and answered questions about our business performance and the Company's future. In addition, we showcased the Company and its perspectives at 22 road shows and 25 investment conferences around the globe. Retail investors also play an important role. For this reason, we attended several retail investment events including those

BASIC SHARE DATA

Table 1.3.7

	Ordinary share	*Preference share*
Share type	No par value bearer share	No par value bearer share
Stock exchange/Ticker symbol		
Germany: Frankfurt Stock Exchange/Prime Standard	FME	FME3
U.S.: New York Stock Exchange (NYSE)	FMS	FMS/P
German security identification codes		
Securities No. (WKN)	578580	578583
ISIN	DE0005785802	DE0005785836
CUSIP No. (NYSE)	358029106	358029205
Reuters		
Xetra	FMEG.DE	FMEG_p.DE
Frankfurt Stock Exchange	FMEG.F	FMEG_p.F
ADR NYSE	FMS.N	FMS_p.N
Bloomberg		
Xetra	FME GY	FME3 GY
Frankfurt Stock Exchange	FME GR	FME3 GR
ADR NYSE	FMS US	FMS/P US

organized by Germany's leading association of retail investors, Deutsche Schutzvereinigung für Wertpapierbesitz (DSW), and Schutzgemeinschaft der Kapitalanleger (SDK). We also held a Capital Market Day in London to provide detailed information about our Company to investors and analysts. During the two-day event, participants were updated on the latest important business developments: the new products and processes that Fresenius Medical Care is working on, how business and the dialysis market as a whole have performed in each region, and the targets the Company has set for the next few years. One of the main points of interest for participants was Fresenius Medical Care assesses the new bundled reimbursement system for dialysis in the U.S. and the opportunities that this new system will offer the Company.

2010 was another successful year for the Investor Relations department at Fresenius Medical Care. Our Company received a number of awards for its outstanding investor relations work. "Capital" magazine and the DVFA (Society of Investment Professionals in Germany) recognized Fresenius Medical Care as having the second best IR work in the DAX. A survey carried out by the U.S. magazine "Institutional Investor" ranked our Company highest in the "healthcare" category in Europe for the third year in succession. Our annual report for 2009 also won seventh place in the DAX in a competition held by "manager magazin" and came top in the "Design" category.

On our web site www.fmc-ag.com we disclose the following information, among others:

- Price information for our shares listed at the Frankfurt and the New York stock exchanges
- Publications, e.g. quarterly reports, annual reports, investor news, and ad hoc news
- Full-year and quarterly earnings releases, e.g. live webcasts of analyst meetings and conference calls, corresponding information and presentation material
- Live webcasts of the CEO's speech at the Annual General Meeting
- Financial calendar with information on reporting, the Annual General Meeting and further events
- Direct communication with us via e-mail with the possibility of automatic updates regarding Company developments.

KEY FIGURES OF FRESENIUS MEDICAL CARE'S ORDINARY SHARE

Table 1.3.8

		2010	2009	2008	2007	2006
Share capital	in $ THOUS	369,002	365,672	363,076	361,384	359,527
Number of shares	in M	298.28	295.75	293.93	292.79	291.45
Closing prices (Xetra trading)						
Year-high	in €	45.79	37.71	39.10	38.67	36.29
Year-low	in €	36.10	26.07	29.73	33.05	27.49
Year-end price	in €	43.23	36.94	33.31	36.69	33.66
Average daily trading volume	Shares	824,535	1,040,200	1,498,696	1,676,946	1,311,126
Closing prices (ADR NYSE)						
Year-high	in $	64.01	54.96	59.01	56.70	47.60
Year-low	in $	47.41	47.57	39.84	43.69	34.49
Year-end price	in $	57.69	53.01	47.18	52.75	44.43
Market capitalization						
Year-end	in € M	13,143	11,045	9,919	10,876	9,928
Year-end	in $ M	17,270	15,911	13,787	16,010	13,075
Exchange rate	$ to €	1.3141	1.4406	1.3900	1.4720	1.3170
Index weight						
DAX	in %	1.36	1.31	1.41	0.86	0.9
Dividend						
per share[1]	in €	0.65	0.61	0.58	0.54	0.47
Dividend yield	in %	1.5	1.7	1.7	1.5	1.4
Total dividend amount	in € M	197	183	173	160	139
Earnings per share (EPS)						
Number of shares[2]	in M	296.81	294.42	293.23	291.93	290.62
Earnings per share (EPS)	in $	3.25	2.99	2.75	2.43	1.82

[1] *2010: Proposal to be approved by the Annual General Meeting on May 12, 2011.*
[2] *Weighted average of outstanding shares.*

For a more detailed version, please refer to the five-year summary starting on page 280.

OUR FISCAL YEAR

INNOVATION

Our aim is to continuously improve kidney patients' quality of life with innovative technologies and therapy concepts.

Chapter 2.1

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

Fresenius Medical Care is the world's leading provider of dialysis products and services. Dialysis is a vital blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. Dialysis treatment removes toxins and surplus water from the body, which are normally discarded through urination in healthy individuals, as the patient's kidneys can no longer fulfil this task.

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. In the year under review, we cared for 214,648 dialysis patients in 2,757 proprietary dialysis clinics. We are continuously developing this network of clinics – the largest and most international in the world – to accommodate the ever growing number of dialysis patients. At the same time, we operate more than 40 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The Company's largest plants in terms of production output are in the U.S. (Ogden, Utah and Walnut Creek, California), Germany (Schweinfurt and St. Wendel), and Japan (Buzen). We also maintain manufacturing facilities in European and Asian countries as well as in Latin America. As a rule, these sites cover the local demand for dialysis products and are therefore relatively small in comparison to the major sites mentioned above. Further information on our production activities can be found in the "Our production sites" section —— *starting on page 77*; a list of our major subsidiaries can be found in the financial report —— *starting on page 278*.

Fresenius Medical Care's activities are organized on a regional level and divided into three operating segments: North America, International und Asia-Pacific. For reporting purposes, the International and Asia-Pacific segments are grouped into the International segment as they are subject to similar economic conditions. This applies not only to the products sold, patient structures, and methods of distributing products and services, but also to the economic environment. Fresenius Medical Care's headquarters and the administration of the International operating segment are based in Bad Homburg v.d.H., Germany, not far from Frankfurt/Main. Our North American headquarters are located in Waltham, Massachusetts, U.S., while the regional headquarters for Asia-Pacific are in Hong Kong. An overview of Fresenius Medical Care's locations can be found in chart 2.1.1. —— *on page 32*.

Management and control

Since February 2006, Fresenius Medical Care has had the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the Company's management and supervisory structure are discussed in the corporate governance report —— *starting on page 128*. In December 2009, Fresenius Medical Care restructured its Management Board. Additional information on this can be found in the section "Events Significant for Business Development" —— *starting on page 50*. The members of the Management Board are presented —— *on page 14*; information on the directorships of the Management Board and the Supervisory Board can be found —— *starting on page 153*.

Key products, services and business processes

At the end of 2010, about 2.029 M patients regularly underwent dialysis worldwide. There are basically two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient through a special filter, the dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business comprises both therapy methods.

As a globally leading company, Fresenius Medical Care offers dialysis services and products in more than 115 countries around the world, mainly in the following areas:

Hemodialysis

Through its network of dialysis clinics, Fresenius Medical Care provides dialysis services in more than 35 countries worldwide. Most patients undergo hemodialysis (HD), by far the most common type of renal replacement therapy, accounting for more than 89% of all cases worldwide. HD requires the use of special products, primarily hemodialysis machines and dialyzers – filters that act as "artificial kidneys",

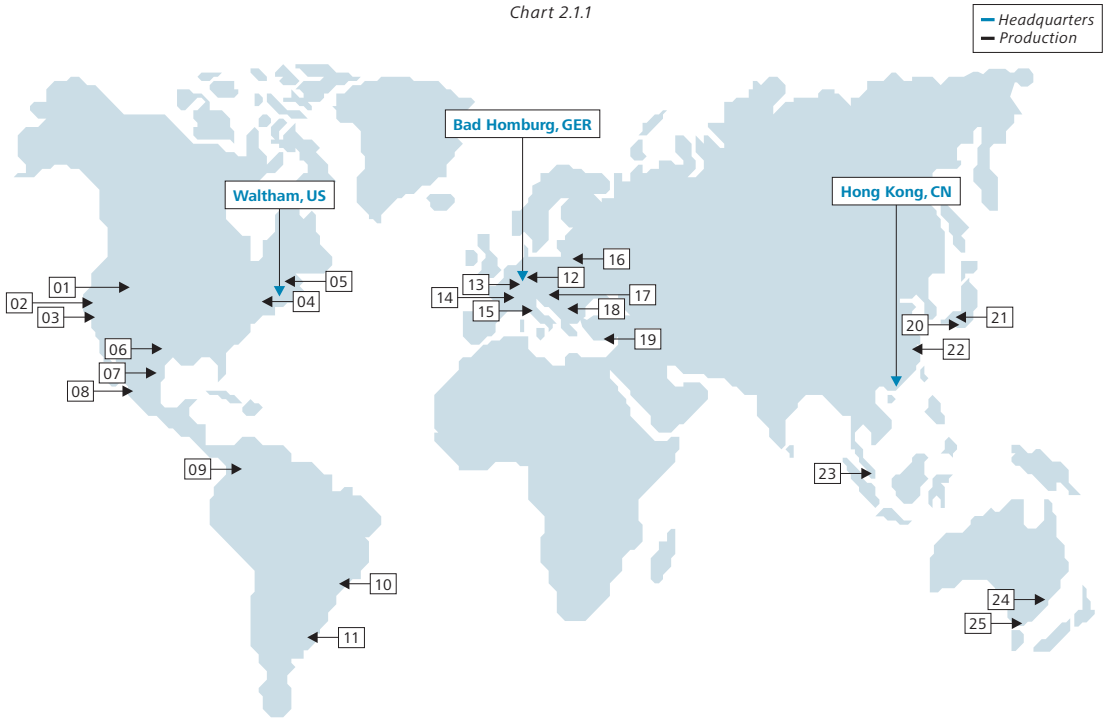
filtering toxic substances from the patient's blood. Fresenius Medical Care is the world's leading manufacturer of these and other dialysis products for use both in our own clinics and outside. Further information can be found in the chapter "Dialysis market" —— *starting on page 42 and in the glossary on page 159.*

Home Dialysis

The two types of home dialysis are peritoneal dialysis —— *see page 31 and see glossary on page 160*, and home hemodialysis. In the year under review, about 11% of all dialysis patients worldwide underwent peritoneal dialysis. Home hemodialysis continues to be a niche market: By the end of 2010, only around 0.5%

MAJOR LOCATIONS

Chart 2.1.1



America	*Europe*	*Asia-Pacific*
Waltham, US Regional headquarters North America	**Bad Homburg, GER** Company headquarters	**Hong Kong, CN** Regional headquarters Asia-Pacific
01 Ogden, US Dialyzers	**12 Schweinfurt, GER** Dialysis machines	**20 Inukai, JP** Dialyzers
02 Walnut Creek, US Dialysis machines	**13 St. Wendel, GER** Dialyzers	**21 Buzen, JP** Dialyzers
03 Toledo, US Hemodialysis concentrate	**14 L'Arbresle, FR** Dialyzers & dialysis solutions	**22 Jiangsu, CN** Tubing systems
04 Livingston, US Hemodialysis concentrate	**15 Cremona, IT** Tubing systems	**23 Coremed, MY** Dialyzers
05 Montreal, CA Hemodialysis concentrate	**16 Borisov, BY** Dialyzers & tubing systems	**24 Smithfield, AU** Hemodialysis concentrate
06 Irving, US Hemodialysis concentrate	**17 Krems, AT** Adsorber	**25 Victoria, AU** Dialysis chairs
07 Reynosa, MX Tubing systems	**18 Vrsac, SRB** Dialyzers & dialysis solutions	
08 Guadalajara, MX Dialysis solutions	**19 Antalia, TR** Adsorber	
09 Santafé de Bogotá, CO Dialysis solutions		
10 Jaguariúna, BR Dialysis machines		
11 Pilar, AR Hemodialysis concentrate		

of all patients received this treatment. We provided products to approximately 39,000 peritoneal dialysis patients and about 3,000 home hemodialysis patients by the end of the year under review; around 18% of all PD patients and around 28% of all home hemodialysis patients use our dialysis products.

Acute dialysis

Generally, dialysis patients suffer from chronic kidney failure – a disorder which in most cases develops gradually over many years. But in acute medical emergencies, patients may also be in need of dialysis because of rapid kidney failure, for instance after a serious accident. Fresenius Medical Care offers products and services for so-called acute dialysis as well.

Dialysis drugs

Dialysis drugs expand our product portfolio horizontally beyond providing dialysis products and services, fitting in perfectly with our strategic focus. Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism. This includes agents to stimulate red blood cell production (Erythropoietin, EPO), iron compounds, phosphate binders, vitamin D preparations and so-called calcimimetics, see the Glossary —— *on page 157*. In the year under review, we expanded our established activities in the area of dialysis drugs and founded Vifor Fresenius Medical Care Renal Pharma Ltd. together with the Swiss company Galenica Ltd. to develop drugs for kidney patients and distribute them worldwide. The products supplied by this newly formed company are used to counteract iron deficiency anemia and control the bone mineral metabolism of dialysis patients and people with chronic kidney failure who do not yet require dialysis treatment. Fresenius Medical Care holds a 45% share in the new company.

Laboratory services

Laboratory services round off Fresenius Medical Care's service portfolio. Nephrologists rely on extensive laboratory tests to tailor dialysis to each patient. The laboratory results have a significant impact on the quality of the patients' treatment as well as their quality of life. In 2010, our Spectra Laboratories subsidiary in the U.S. provided more than 60 M laboratory services for some 171,000 patients (2009: around 158,000 patients).

Holiday Dialysis International (HDI)

Usually, patients requiring regular dialysis are constrained in their mobility. Vacations or business trips to other countries seem all but impossible. For patients on hemodialysis or peritoneal dialysis who travel, Fresenius Medical Care offers a complimentary reservation service for dialysis treatment outside their usual environment. We use not only our own global network of clinics for this, but also certified third-party dialysis providers, enabling dialysis patients to receive their vital treatment almost anywhere in the world.

FRESENIUS MEDICAL CARE – WORLDWIDE

Table 2.1.2

	Fresenius Medical Care		
Reporting segments	North America	International	
Operating segments	North America	International	Asia-Pacific
	U.S.	Europe	Asia
	Canada	Latin America	Australia
	Mexico	Middle East	
		Africa	

Major markets and competitive position

Dialysis services

Fresenius Medical Care is the world's leading provider of dialysis services, with a market share of about 11% based on the number of treated patients. We provide services to a larger number of dialysis patients and operate more dialysis clinics than any of our competitors: In 2010, we treated over 214,648 patients in 2,757 clinics worldwide. 64% of our patients are located in North America, 18% in Europe, 10% in Latin America and 8% in the Asia-Pacific region.

Dialysis products

The importance of the Asia-Pacific region increased in the area of dialysis products: there, Fresenius Medical Care already generates 17% of its products revenues. However, Europe remains our key market for dialysis products with a revenue share of almost 50%; in North America we generate 28% of our product revenues, in Latin America 7%. Our dialysis products accounted for a worldwide market share of around 33% in 2010, which means that we are still the market leader in this area. The market share of our key products – dialyzers and dialysis machines – was even higher at over 45% and 55%, respectively.

Further information on the major dialysis markets and the position of Fresenius Medical Care can be found in the "Dialysis market" section —— *starting on page 42*.

Legal and economic conditions

Fresenius Medical Care provides life-saving products and therapies for patients suffering from chronic kidney failure and is therefore only exposed to economic cycles to a relatively small extent. In this respect, we are different from manufacturers of consumer goods, for instance, that are subject to a more cyclical demand for their products. The fact that we are relatively independent of the general economic climate has become apparent in the course of the financial and economic crisis: Although the number of dialysis machines replaced with new-generation models has dropped slightly, the dialysis market as a whole has not been noticeably affected up to this point.

Fresenius Medical Care's business is impacted more by government reimbursement rates and systems. Dialysis reimbursement schemes differ from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 35 countries with different healthcare systems and reimbursement schemes. Our international experience puts us in a position to support national healthcare systems in their endeavors to customize structures, adapt our business to local needs and regulations, and at the same time act profitably. Further information can be found in the "Dialysis market" section —— *starting on page 42*.

As a life-saving treatment, dialysis is subject to the highest safety and quality standards. These requirements are stipulated in numerous national and international legal provisions, standards and norms, with which our Company is obliged to comply.

Finally, demographic factors contribute to the continued growth of the dialysis market, including the aging population and the rising incidence of diabetes and hypertension – two diseases that often precede chronic kidney failure. In recent years, forecasts on the occurrence of these two diseases have continuously been adjusted upwards. For instance, the International Diabetes Federation expects the number of people with diabetes to grow from 300 M in 2011 to 438 M in 2030. According to a study conducted by the University of Chicago, the number of diabetes patients in the U.S. alone will rise to 44 M by 2034, almost double the figure for 2010. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

Accounting

Fresenius Medical Care reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) and in U.S. dollars. Furthermore, reports in accordance with International Financial Reporting Standards (IFRS) are prepared.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

Our long-term strategy aims at sustainably increasing shareholder value. We focus our business activities on our patients' health with the objective of improving their quality of life and raising their life expectancy. The Management Board uses a number of different tools and indicators to evaluate the Company's business performance, develop its strategy, and make investment decisions. Overall, we are still in an excellent position to achieve our growth targets.

Key performance indicators

The Management Board uses various financial indicators when operating the Company. In 2010, it also based its decisions on the growth strategies GOAL 10 and GOAL 13. Since GOAL 10 came to a close in 2010, we specified new targets in September last year (GOAL 13). They will help us to maintain our excellent market position and to explore new paths into the future of dialysis. Fresenius Medical Care pursues four parallel approaches to assure its success in the worldwide dialysis market and achieve its growth targets. More information on this can be found in the "Growth strategy" section —— *on page 36*.

We also manage the activities of our segments based on their operational results, defined as EBIT (Earnings before Interest and Taxes). EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is specifically used as an indicator to determine the debt/EBITDA ratio allowing us to assess the Company's creditworthiness.

The Management Board evaluates each segment based on target figures that reflect those revenues and expenses that the segments are actually able to control. For instance, financing is a corporate function and therefore an area over which the individual segments have no control. Therefore, interest expenses for financing are not included in the segments' target figures. Moreover, corporate costs – mainly expenses for research and development, legal cost, corporate expenses for accounting and finance, taxes as well as professional services – are not included.

The operating cash flow is used to assess whether a business can itself generate the cash required to maintain the assets reported in its balance sheet and make expansion investments.

KEY PERFORMANCE INDICATORS

Table 2.1.3

	2010	*2009*
EBIT *in $ M*	1,924	1,756
EBITDA *in $ M*	2,427	2,213
Debt EBITDA ratio	2.38	2.46
Return on invested capital (ROIC)	8.8 %	8.5 %
Return on operating assets (ROOA)	12.5 %	12.2 %
Return on equity (ROE)	13.3 %	13.3 %

To determine the debt/EBITDA ratio, financial liabilities are compared to EBITDA plus other non-cash expenses. The debt/EBITDA ratio is an indicator of the amount of debt and the length of time needed to service it. It provides more reliable information about the extent to which a company is able to meet its payment obligations than simply taking the absolute amount of financial liability into account. Fresenius Medical Care holds a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of the Company's customers have a high credit rating as the industry is characterized by stable and sustained cash flows that can be planned. This means that we can work with a relatively large share of debt capital compared with companies in other industries. For the current year, we have defined our target debt/EBITDA ratio at under 2.8; see "Outlook" section —— *starting on page 116*.

We also gear our corporate management towards operating indicators based on the following yield calculations:

▸ ROIC (Return on invested capital) is relevant as it expresses how efficiently a company allocates the capital under its control or how well it employs its capital with regard to a specific investment project. Fresenius Medical Care's ROIC in 2010 of 8.8% was higher than in the previous year (2009: 8.5%).

▸ ROOA (Return on operating assets) expresses how efficiently employed capital is managed throughout the Company by calculating profit in relation to total capital. Fresenius Medical Care's ROOA in 2010 of 12.5% was also higher than in the prior year (2009: 12.2%).

▸ ROE (Return on equity) provides an insight into the Company's profitability. To calculate it, corporate net income (net income attributable to Fresenius Medical Care AG & Co. KGaA) is placed in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA). In the past business year, ROE (after tax) remained constant at 13.3%, mainly due to the strong increase in shareholder capital.

▸ When calculating our cost of capital, we use the WACC (Weighted average cost of capital) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. Fresenius Medical Care's WACC in 2010 remained unchanged compared to the previous year at 6.8% (2009: 6.9%). Comparing the Company's WACC with its ROIC of 8.8% reveals that in 2010, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

We manage our investments using a detailed coordination and evaluation process. The Management Board sets the complete investment budget for the group as well as the investment targets. Before concrete investment projects or acquisitions are realized, our internal Acquisition Investment Committee (AIC) examines the individual projects and measures taking into account the return on investment and potential yield. The investment projects are evaluated based on commonly used methods such as the net present value and internal interest rate methods; payback periods are also included in the assessment. In this way, we try to ensure that we only make and implement investments and acquisitions that actually increase shareholder value.

Details on the development of these indicators as well as other financial figures can also be found in the chapters "Results of operations" —— *starting on page 55*, "Financial situation" —— *starting on page 61*, and in the "Financial report" —— *starting on page 165*.

Growth strategy

Back in spring 2005, we presented a long-term strategy with defined targets in the form of GOAL 10. GOAL 10 stands for "Growth Opportunities to Assure Leadership in 2010" and describes four paths —— *see chart 2.1.6 on page 38* that Fresenius Medical Care follows with the aim of boosting its success across the broadest possible spectrum of the global dialysis market and achieving its long-term growth targets. Since we met our GOAL 10 targets in the reporting year, Fresenius Medical Care defined new targets in September 2010 as GOAL 13 —— *see table 2.1.5*. Our plan is to continue pursuing the four paths in a financially responsible way to consolidate our position as the world's market leader in dialysis.

In 2010, our revenue amounted to $12.05 BN. This is more than the over $12 BN we had expected at the start of the year. The figure was also clearly above

the original GOAL10 target of $10 BN mark from 2005 and the revised GOAL10 target of $11.5 BN from 2006. With a net income of $979 M, we also achieved our goal adviced at the beginning of the year of between $950 M and $980 M for 2010. This corresponds to an average annual increase of approximately 17% since 2005, again by far exceeding our GOAL10 objective of more than 10%.

Path 1: Organic growth

We intend to achieve annual organic growth of approximately 5 to 6% per year until 2013 by introducing dialysis services and innovative dialysis products such as the newly developed 5008 and 5008S as well as 2008T and 2008K series dialysis machines. In the product business, we expect an annual organic growth of 4 to 5%. We are planning to expand our clinic network in all important markets and growth regions worldwide to maintain and even improve our leading market position. At the same time, we aim to advance our comprehensive, innovative treatment concepts UltraCare and NephroCare (see "Our dialysis service business" chapter *starting on page 82*) and combine them with dialysis drugs, for example. This strategy makes us stand out significantly against our competitors.

GOAL 10 TARGETS AND DEVELOPMENT IN THE PAST

Table 2.1.4

	Goal 10	***2010***	*2009*	*2008*	*2007*	*2006*	*2005*
Revenue *in $ M*	> 11,500	12,053	11,247	10,612	9,720	8,499	6,772
Revenue growth per year	~ 6 – 9 %	7 %	9 %	8 %	14 %	25 %	8 %
Share of the dialysis market[1]	~ 18 %	17.5 %	17.3 %	16.3 %	15.7 %	15.5 %	12.9 %
Market volume[1] *in $ BN*	~ 67	~ 69	~ 65	~ 65	~ 62	~ 55	~ 52.5
Growth in net income[2] per year[3]	> 10 %	10 %	9 %	14 %	25 %	24 %	17 %

[1] *Internal estimates.*
[2] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[3] *2005 excluding one-time and special expenditure.*
2006 excluding one-time and special expenditure as well as the effects of the balance sheet amendment for share options (SFAS 123R).

GOAL 13 TARGETS

Table 2.1.5

	*Results **2010***	*Goal 13*
Revenue	$ 12.053 BN	+ 6 – 8 %[1]
EBIT margin	16.0 %	10 – 20 basis points improvement
Tax rate	35.2 %	35 – 36 %
Net income[2]	$ 979 M	High single-digit or low double-digit growth rate
Operating cash flow	11 % of revenue	> 10 % of revenue
Investments and acquisitions	~ 9 % of revenue	~ 7 % of revenue

[1] *Increase per year at constant currency.*
[2] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*

Path 2: Acquisitions

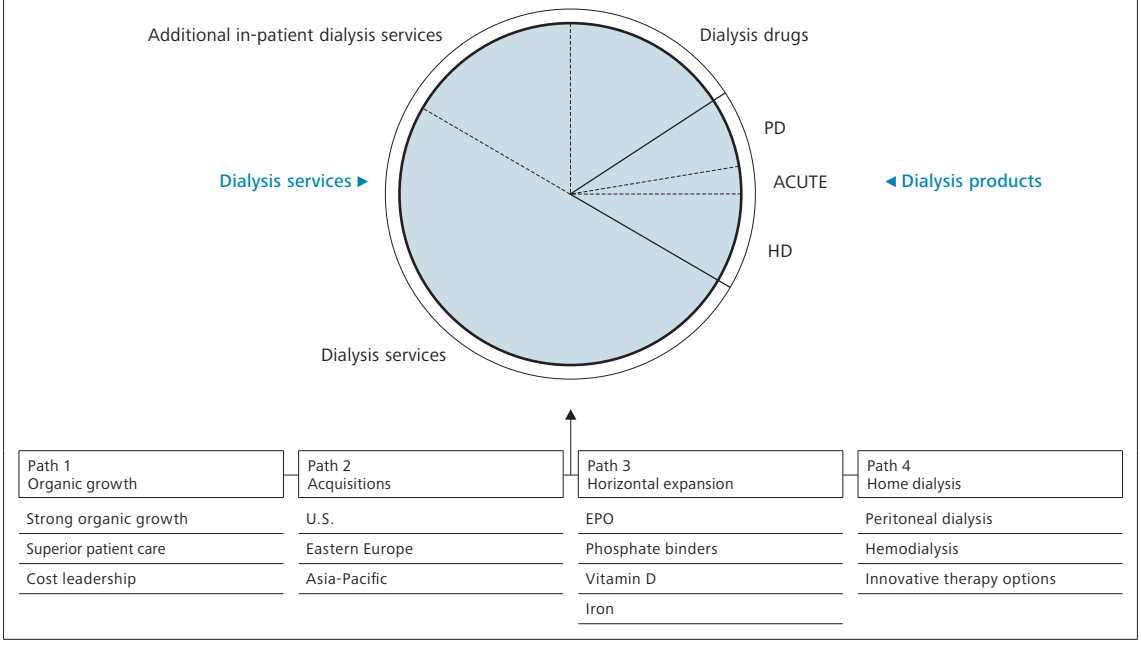
With our long-term growth objectives and our aim to boost profitability in mind, we regularly investigate possible acquisitions to selectively expand our dialysis clinic network. To this end, we focus on particularly attractive regions. However, our future investments in North America will be on a smaller scale than in the past as the U.S. has the most consolidated dialysis market. Nonetheless, we assume that most of our future growth will be generated organically. Acquisitions should help us achieve our long-term objectives. Further information on acquisitions can be found in the "Capital expenditures and acquisitions" section *starting on page 63*.

Path 3: Horizontal expansion

In the business year 2010, we expanded our range of dialysis drugs reasonably and in accordance with our strategy *see chart 2.1.6*. Together with the Swiss company Galenica Ltd. we founded a joint company in 2010 with the aim of developing and distributing drugs for kidney patients worldwide. The products are used to counteract anemia and to regulate the bone metabolism of dialysis patients as well as patients with chronic kidney failure who do not yet need dialysis treatment. The company registered in Switzerland is named Vifor Fresenius Medical Care Renal Pharma Ltd. and extends the existing cooperation between Fresenius Medical Care and Galenica. Fresenius Medical Care holds a 45% share in the new company.

DIALYSIS MARKET VOLUME IN 2010: $69 BN

Chart 2.1.6



Path 4: Home dialysis

As in the past, only a relatively small number of dialysis patients, approximately 11%, perform dialysis at home. Most patients receive their treatment in specialized dialysis clinics. In the long term, we want to assume an important role in the home therapies market, which includes peritoneal dialysis as well as home hemodialysis. To achieve this goal, we intend to combine our comprehensive and innovative product portfolio with our expertise in the area of dialysis services. More information can be found in the "Home dialysis" section —— *starting on page 32*.

Our strategy takes account of concrete, measurable growth targets as well as long-term trends forecast by us in the dialysis market. We not only expect the number of patients to increase but also the quality of services provided and of the products available to become even more important in future. The ability to fulfill certain quality criteria will determine to what extend dialysis services are reimbursed. More information on this can be found in the "Quality management" section —— *starting on page 83* as well as in the "Dialysis market" section —— *starting on page 42*.

Integrated care for kidney patients is another area that we are convinced will continue to grow in the future. In response to this, we will not only focus our business on individual services or dialysis products, but also on combining the different areas of application related to dialysis.

Our detailed forecast is discussed in detail in the "Outlook" section —— *starting on page 116*.

ECONOMIC ENVIRONMENT

The global economy experienced a strong upturn in the first half of 2010, but lost momentum in the following months. However, the dialysis market remains largely unaffected by macroeconomic influences: It is a growth market that is subject to the rising demand for medical care for an ever aging population, regardless of economic trends. Fresenius Medical Care is only exposed to economic cycles to a relatively small extent, as we provide life-saving products and therapies for patients with chronic kidney failure.

General economic development

The gross domestic product (GDP) rose by 4.8% globally in 2010, following a 0.9% decline in the previous year. Dynamic growth in the first half of 2010 was triggered by the expansive monetary and fiscal policies of some countries and the increase in global trade, primarily due to the contribution of emerging countries

REAL GROSS DOMESTIC PRODUCT AND CONSUMER PRICES

Table 2.1.7

Change from the previous year in %

	Gross domestic product		*Consumer price index*	
	2010	*2009*	***2010***	*2009*
U.S.	2.8	−2.6	1.6	−0.3
Germany	3.7	−4.7	1.1	0.2
Euro zone	1.7	−4.1	1.5	0.3
UK	1.7	−4.9	3.2	2.1
New EU member states	1.8	−4.0	1.7	3.3
EU 27	1.8	−4.0	1.8	0.7
Russia	3.8	−7.9	6.9	11.7
Japan	3.3	−5.2	−0.8	−1.4
China	10.7	8.6	3.4	−0.7
East Asia and Hong Kong	7.4	0.0	3.0	1.8
Latin America	5.9	−2.1	6.6	6.5
WORLDWIDE	**4.8**	**−0.9**	**4.4**	**3.1**

Source: Monthly reports of the Deutsche Bundesbank, Institute for the World Economy at Kiel University: "Weltkonjunktur im Winter 2010", December 15, 2010.

whose national economies experienced the strongest growth. The main reasons for the slowdown in the second half of the year were structural problems highlighted by the financial crisis – for example in the GIPS countries of Greece, Ireland, Portugal and Spain. These led to a tense situation on the financial markets and increasingly volatile exchange rates.

U.S.

After a good start in 2010, economic expansion in the U.S. slowed down in the second half of the year. The main reasons for this sluggish growth were the persistent high level of unemployment and the low real estate prices: Falling household budgets caused a drop in private consumption and thus in foreign trade. This effect was heightened further by the low real estate prices.

Europe

Throughout the euro zone as a whole, economic recovery remained rather slow in 2010. Exports, investments and consumption developed positively. Economic performance varied strongly in the individual regions: In Germany, GDP grew above-average compared with other European countries. Countries with a high national deficit, which were also affected by the real estate bubble bursting, posted the lowest growth; these were mainly the GIPS countries.

Asia

Asia showed the strongest economic recovery of all global regions in 2010, due to a sharp rise in exports and especially construction investment together with an increase in private consumption. Countries like China, India and emerging East Asian markets such as Taiwan and Singapore in particular posted strong growth. In Japan, economic development started to flag slightly during the year.

Latin America

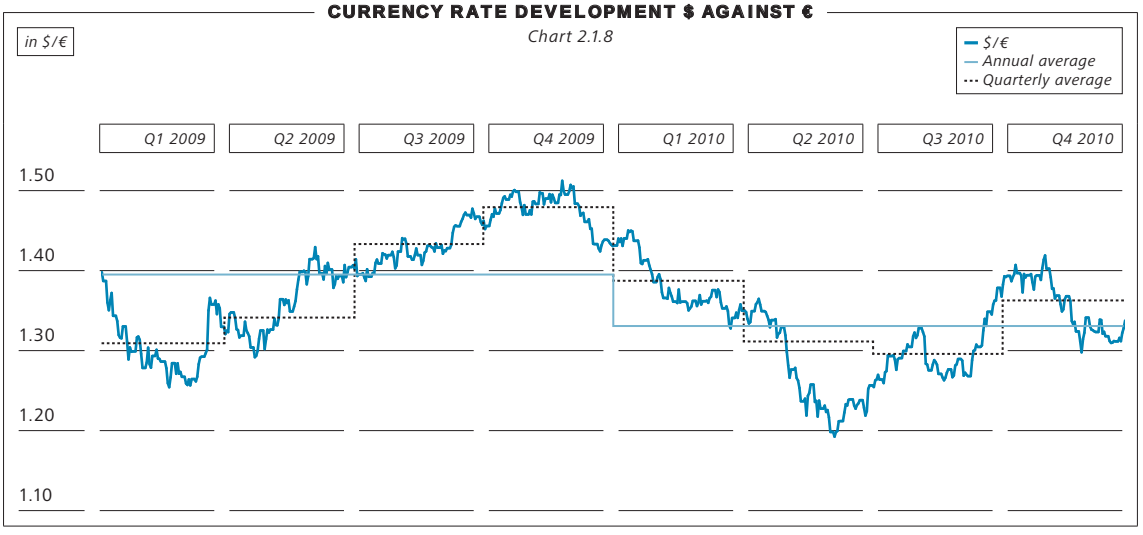
In the first half of the year, Latin America experienced a sharp upswing, which continued at a more moderate pace in the second half of the year. The main reasons for this were the global economic slowdown, specifically lower demand from the U.S. and China, and the end of the government's economic stimulus programs.

Development of energy and raw material prices

The cost of energy and raw materials rose again significantly in 2010. As a result, many companies saw their production costs increase and their profits decline, although to a lesser extent. For Fresenius Medical Care, in general, a rise in transport and energy costs of 1% reduces the result after tax by approximately 0.3%. Fresenius Medical Care concludes long-term supply contracts to cushion the impact of high price rises on the Company's results.

CURRENCY RATE DEVELOPMENT $ AGAINST €

Chart 2.1.8



Source: Reuters data, own calculations.

Exchange rate development

In the previous year, exchange rates were subject to major fluctuations, and this high volatility continued in 2010. Although the U.S. dollar bounced back in the first half of the year after depreciating against other major currencies, the rate fell again in the second half of the year. On December 31, 2010, the U.S. dollar/euro exchange rate was 1.3377, approximately 7% below the previous year's value of 1.4347; overall for the year, the rate averaged at 1.3270, approximately 5% down on the previous year's average of 1.3940.

The development of the U.S. dollar and the euro in relation to each other is crucial for Fresenius Medical Care as we generate the majority of our sales in the U.S. and in the euro zone. In reporting terms, an appreciation of the euro is advantageous for us, as our base currency is the U.S. dollar, meaning the balance sheet values achieved in euros are higher (translation effect).

A global network of production sites enables us to meet the demand in our dialysis product business. They are mainly located in the markets they serve, so that costs and revenues are generated in the same currency. We are therefore less affected by long-term currency fluctuations, enabling us to keep our transaction risks, i.e. risks due to foreign currency items or exchange rate fluctuations, to a minimum. In the care business the risk is much lower, because we provide our services at the customer level and therefore in the respective local currency. As this concerns Fresenius Medical Care's largest area of operations, the currency risk can be classified as minimal overall.

Fresenius Medical Care's business is affected by the volatility of exchange rates – particularly the euro against the U.S. dollar and the other currencies in our various locations worldwide against the euro generally in the short term. The depreciation of the euro against the U.S. dollar in the financial year 2010 was mainly due to two reasons: the expectation of market players concerning future monetary and financial policy in the U.S. and short-term economic developments in the euro zone compared to local currencies. The positive currency effects from the purchase of goods in euros compared to the U.S. dollar were diminished by the adverse impact of the euro depreciating against the U.S. dollar on the one hand and by negative effects in individual countries, especially the classification of Venezuela as a hyper-inflationary country, on the other. The sensitivity analysis in table 2.1.9 shows to what extent a 10% appreciation of various currencies against the U.S. dollar affects our sales.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section *starting on page 52* and in the "Outlook" section *starting on page 116*.

SENSITIVITY ANALYSIS

Table 2.1.9

Currency appreciating 10% against the $

	*Impact on sales of Fresenius Medical Care in **2010***
Euro	~1.5%
Other European currencies	~0.05%
Renminbi and Hong Kong dollar	~0.02%
Other Asian currencies	~0.02%

DIALYSIS MARKET

The dialysis market is growing worldwide and Fresenius Medical Care remained the market leader in the reporting year. As a vertically integrated provider with decades of experience, Fresenius Medical Care can supply patients with both high-quality dialysis products and services and is therefore ideally placed to consolidate its excellent position and expand its business in the future.

Experts estimate the value of the global dialysis market at around $69 BN for 2010, which equates to 4% growth in constant currency terms compared to the previous year. We assume that the market volume can be broken down as follows: dialysis products with sales of around $11.7 BN and dialysis services (including dialysis drugs) with sales of approximately $57 BN. Detailed information on the data basis can be found in the section "Collection and analysis of market data" —— on page 46.

Dialysis products

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with peritoneal dialysis products; also see glossary —— starting on page 156. The three largest manufacturers of dialysis products together accounted for approximately 67% of the worldwide market in 2010 measured by sales. With a market share of approximately 33%, Fresenius Medical Care was the market leader in this segment, followed by Baxter and Gambro. The remaining, mainly Japanese, dialysis product providers all held market shares in the single-figure percentage range.

Dialyzers form the largest product group in the dialysis market with a worldwide sales volume of around 203 M units in 2010. Around 92 M, or almost half, were made by Fresenius Medical Care, meaning we comfortably held the largest market share in that area. Dialyzers can generally be categorized as cellulose-based or synthetic-based (plastic-based), depending on the material used for the production of the dialysis membrane. Approximately 90% of dialyzers used around the world have a synthetic membrane. Fresenius Medical Care developed the high-performance Polysulfone fiber (see glossary —— on page 161), pioneering the development and production of dialyzers while setting new standards in the field of dialysis.

Dialysis machines constitute another key segment of Fresenius Medical Care's product business. Here, too, we are the clear market leader. Of the roughly 69,000 dialysis machines sold in 2010, about 55% were produced by Fresenius Medical Care.

In the U.S., which is our largest business region, our market share in these two product groups, dialyzers and dialysis machines, exceeded 80% of the so-called independent market in 2010. We define the independent market as all dialysis clinics that do not belong to the major dialysis care provider Fresenius Medical Care or DaVita. In 2010, at least 85% of all dialysis machines installed in dialysis clinics and centers in the United States and more than 90% of all new machines purchased were manufactured by Fresenius Medical Care. The 2008K machine from Fresenius Medical Care is the leading dialysis system in the United States. More than 100,000 units

MARKET POSITION IN MAJOR PRODUCT GROUPS 2010

Table 2.1.10

	Rank 1	Rank 2	Rank 3
Dialyzers	Fresenius Medical Care	Gambro	Nipro
Dialysis machines	Fresenius Medical Care	Gambro	Nikkiso
Concentrates for hemodialysis	Fresenius Medical Care	Fuso	Gambro
Bloodline systems	Fresenius Medical Care	Gambro	Kawasumi
Products for peritoneal dialysis	Baxter	Fresenius Medical Care	Gambro

Source: Based on company statements and estimates.

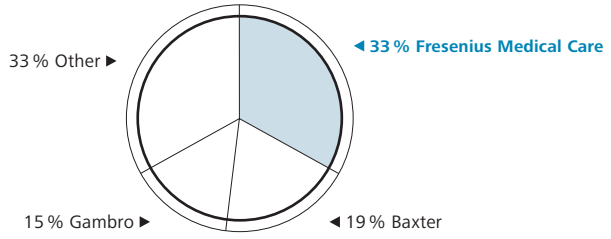
are currently in use there. Dialyzer sales also developed very positively last year: We achieved record figures in the U.S., selling more than 35 M units.

In the year under review, China was our second-largest sales market for newly sold hemodialysis machines after the U.S.; in 2010, we supplied more than 3,800 units here. Almost half (over 48%) of all hemodialysis machines currently used in China were produced by Fresenius Medical Care. With a recent growth rate of more than 30% in the product business, China will continue to gain importance as a sales market for Fresenius Medical Care. The country's government is making efforts to develop a modern healthcare system with corresponding reimbursement structures – an important prerequisite for

DIALYSIS PRODUCTS 2010

Chart 2.1.11

Market shares

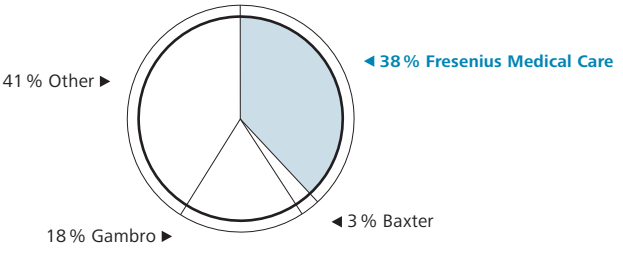


Source: Based on company statements and estimates, based on sales.

HEMODIALYSIS PRODUCTS 2010

Chart 2.1.12

Market shares

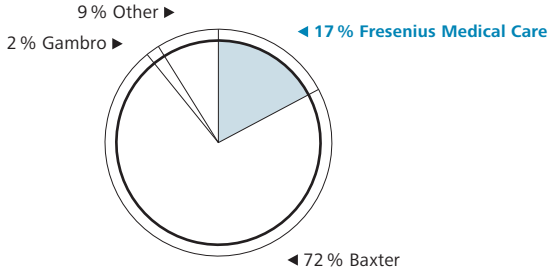


Source: Based on company statements and estimates, based on sales.

PERITONEAL DIALYSIS PRODUCTS 2010

Chart 2.1.13

Market shares



Source: Based on company statements and estimates, based on sales.

opening the market for dialysis services to international providers.

In peritoneal dialysis we account for 17% of this market worldwide measured by sales. Our market share in the U.S. was 26%. The current market leader for peritoneal dialysis is the U.S. company Baxter. Further information on our position in the home dialysis market, which comprises home hemodialysis and peritoneal dialysis, can be found in the "Home dialysis" section —— *starting on page 32*.

In August 2010, Fresenius Medical Care concluded a binding framework agreement to acquire the global peritoneal dialysis business from Gambro and finalized the acquisition at the end of the year under review. Through this acquisition, we hope to expand our activities in the area of home dialysis, particularly in Europe and the Asia-Pacific region. Consequently by considering Gambro's entire revenue, Fresenius Medical Care's market share in peritoneal dialysis products improved from 17% in 2009 to 19% in 2010 —— *also see chart 2.1.13 on page 43*.

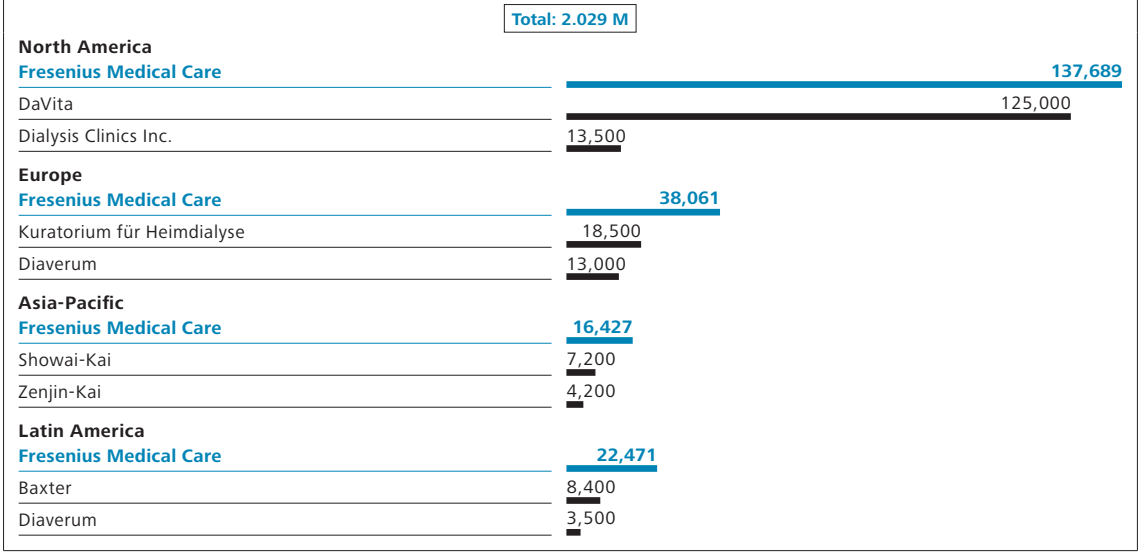
Dialysis services

Dialysis services are dialysis treatments that are carried out by specialized physicians and care personnel. Renal patients generally receive this type of treatment in clinics or dialysis centers, which they visit several times a week for several hours. They are treated either during the day or overnight while they are asleep. Further treatment options include home dialysis, which patients generally carry out themselves at home under expert guidance and with the necessary accessories, or dialysis on vacation, for example on a cruise ship or at a resort; Fresenius Medical Care also offers services for these cases. The vast majority of dialysis services, however, involve classical treatment in clinics or centers.

Last year, most dialysis patients were cared for in one of around 29,000 dialysis centers worldwide, resulting in an average of some 70 patients per center. The organization of the centers varies significantly depending on whether the health systems in the individual countries are state-run or private: The United States and the EU have more than 5,000

DIALYSIS SERVICES WORLDWIDE, NUMBER OF PATIENTS TREATED 2010

Chart 2.1.14



Source: Based on company statements and estimates.

dialysis centers each; whereas in the U.S. only around 1% of patients are treated in these publicly operated clinics, in the EU this number is about 60%. In Japan, private nephrologists (doctors specializing in renal treatments) play a key role, treating about 80% of dialysis patients in their facilities.

Fresenius Medical Care can operate its own therapy centers in countries where the healthcare system allows private sector companies to provide medical services and an appropriate reimbursement system is in place. For some years now, healthcare systems in many countries have been under pressure to improve the quality of treatment while at the same time keeping healthcare costs as low as possible. They have therefore started to turn to specialized private companies for help. Other countries are currently developing their healthcare systems and are looking to interact with healthcare companies with a good reputation for high quality in their business activities to develop modern treatment standards. In both cases, Fresenius Medical Care, as an experienced, vertically integrated provider, is the right partner: With our high-quality and innovative products and services, we have the ideal prerequisites to continually improve our position on the dialysis market.

In the U.S., Fresenius Medical Care and the second largest provider, DaVita, together serve around 65% of all dialysis patients; this means that the concentration of dialysis clinics is relatively high. In the year under review, Fresenius Medical Care retained its position as market leader and treated more than 134,000 patients, approximately 33% of all dialysis patients in the U.S. Outside the U.S., the dialysis service segment is much more fragmented: With 955 dialysis clinics and more than 80,500 patients in 36 countries, Fresenius Medical Care operates the largest and most international network of clinics by far.

Overall Fresenius Medical Care further expanded its clear position as market leader in the reporting period and treated 214,648 patients worldwide (2009: 195,651) in 2,757 clinics (2009: 2,553). In order to strengthen its market position in dialysis services in the Asia-Pacific region, Fresenius Medical Care

OPERATORS OF DIALYSIS CLINICS 2010

Table 2.1.15

Number of patients treated

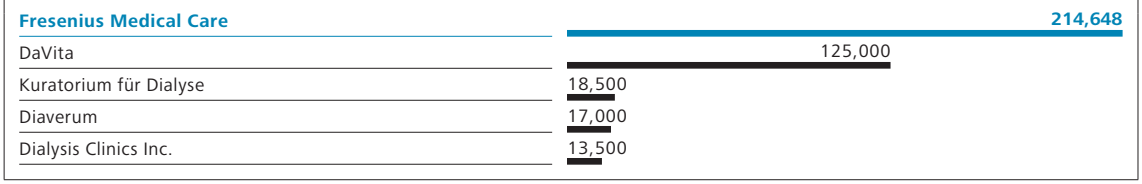
	Public	*Private companies*	*Private individuals*
North America	16%	66%	18%
U.S.	1%	78%	21%
Europe/Middle East/Africa	63%	15%	22%
EU	59%	19%	22%
Asia-Pacific	45%	3%	52%
Japan	20%		80%
Latin America	17%	21%	62%
WORLDWIDE	41%	24%	35%

Source: Based on company statements and estimates.

TOP 5 DIALYSIS PROVIDERS WORLDWIDE 2010

Chart 2.1.16

Number of patients treated



Source: Based on company statements and estimates.

acquired Asia Renal Care Ltd. This company was the second largest dialysis provider in this region after Fresenius Medical Care, and treated around 5,300 patients in some 80 clinics at the end of the reporting year.

Sector-specific conditions

Collection and analysis of market data

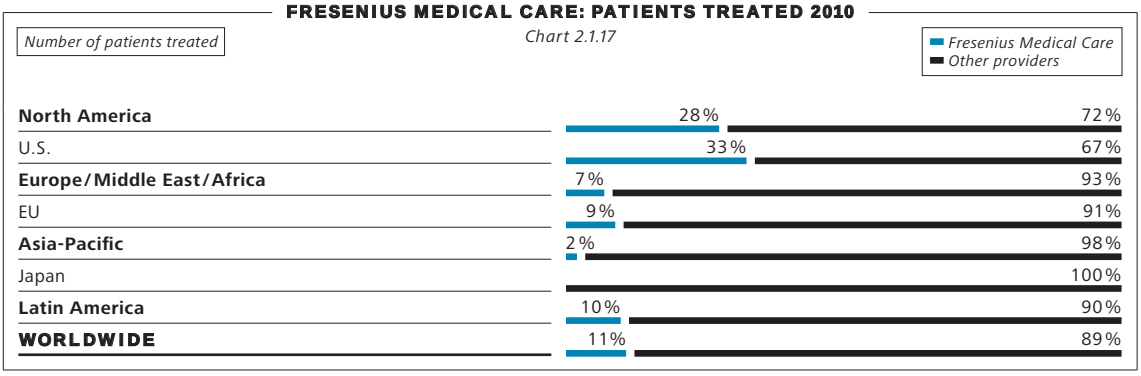
Reliable information on the development of the dialysis market and its general conditions both globally as well as on a national and regional level is an important prerequisite for the success of our business. This includes current and future patient numbers, social and medical trends, as well as the position of our competitors. To obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market & Competitor Survey (MCS). The American journal "Nature Reviews Nephrology" recognized the MCS as the industry standard in 2010. The MCS is used to collect and analyze relevant dialysis market and competitor data, distribute it globally throughout the Company and evaluate it. For this purpose we request data in the individual countries on the number of dialysis patients, the chosen treatment method, the products used, the location of treatment and the structure of service providers. After that, the data is reviewed by comparing it with official figures from national associations and with results of previous surveys to draw conclusions on patient numbers and market values, globally as well as regionally. Finally, we use the information together with publicly available data on our competitors as a basis for strategic decisions of our management, research and development and marketing on the one hand, and for our external reporting, such as the annual report, on the other. Unless otherwise stated, the data in this chapter is based on internal estimates provided by the MCS. Through regular updates we account for new trends such as changes in the use of certain treatments or to the structure of our competitive environment, e.g. caused by the entry of new providers.

Fresenius Medical Care uses its own system to collect market data with good reason: Although renowned organizations in many countries publish information on chronic kidney failure (also called end-stage renal disease or ESRD), demographic patient structures and relevant trends, there is either a time lapse between collection and availability or the data is not reliable or detailed enough to give a complete and up-to-date picture of patient numbers worldwide. Furthermore, unlike the MCS, these generally do not track the number of renal products used for dialysis, such as dialyzers or peritoneal dialysis solution.

The results of the MCS are also part of a model that enables us to measure developments in the dialysis market worldwide. The overall market is represented via the reimbursement structures of the individual countries. We take into account which products and services are included in the reimbursement rates.

FRESENIUS MEDICAL CARE: PATIENTS TREATED 2010

Chart 2.1.17



Source: Based on company statements and estimates.

Services that are reimbursed separately are added. As well as information on the product market, this model allows us to acquire and analyze data for dialysis services and the pharmaceutical market. Further information on our MCS can be found in the Annual Report 2009 —— *starting on page 46*.

Patients

Chronic kidney failure is a global problem: At the end of 2010, approx. 2.621 M patients were treated. Around 2.029 M of these in more than 145 countries received renal replacement therapy in the form of dialysis. Some 592,000 renal patients live with a transplanted kidney. Of the 2.029 M patients worldwide who underwent regular dialysis treatment at the end of 2010, approximately 20% were treated in the U.S., 16% in the EU, and 15% in Japan. The remaining 49% of all dialysis patients are spread across 120 countries in various regions around the world. In 2010, the number of dialysis patients rose by approximately 7%, although significant regional variations remained.

The patient numbers in individual countries can be compared based on prevalence, which expresses the relative number of people in treatment for chronic kidney failure. Prevalence varies widely from country to country, from well under 100 to over 2,000 patients per million population (p.m.p). Prevalence is highest in Taiwan with around 2,700 p.m.p., followed by Japan with around 2,490 p.m.p. and the U.S. with around 1,890 p.m.p. It averages at about 1,030 p.m.p. in the 27 countries that make up the EU. In the past 10 years, prevalence increased steadily. The average prevalence worldwide is around 380 p.m.p, much lower than in the countries mentioned above. There are several reasons for this:

- The countries differ demographically, because age structures in the population vary worldwide.
- The incidence of risk factors for kidney disease such as diabetes and high blood pressure also diverges.
- The genetic predisposition for kidney disease differs across the world.
- Cultural factors such as nutrition also play a role.
- Access to dialysis is limited in many countries so that many kidney failure sufferers are not treated and thus do not appear in prevalence statistics.

A comparison of the economic strength of countries – based on their gross domestic product (GDP) – and their prevalence values suggests that economic factors affect not only demographic development, but also treatment options for renal patients. Particularly in countries with an annual GDP per capita of less than $10,000, not all sufferers have access to treatment. In countries with a higher GDP, there is no

DIALYSIS PATIENTS – REGIONAL DEVELOPMENT

Table 2.1.18

	2010	*Change*
North America	**492,000**	**~5%**
U.S.	402,000	~4%
Europe/Middle East/Africa	**573,000**	**~5%**
EU	322,000	~3%
Asia-Pacific	**750,000**	**~10%**
Japan	301,000	~3%
Latin America	**215,000**	**~7%**
WORLDWIDE	**2,029,000**	**~7%**

Source: Based on company statements and estimates.

noticeable correlation between economic strength and prevalence. However, rising global prevalence indicates that, based on the total population, more and more people are receiving renal replacement therapy over the years.

In the U.S., Japan and Western and Central Europe, we recorded a below-average growth in the number of patients in 2010. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average and in some cases reached double-digit figures – an indication that access to dialysis treatment in these countries is still limited but is gradually improving. In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors contribute to a rise in global prevalence, for example the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the general aging of the population due to medical advances.

Treatment methods

There are basically two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient through synthetic bloodlines into a special filter, the dialyzer, where it is cleansed and returned to the patient's body. With PD, the patient's peritoneum is used as a dialyzing membrane. Please refer to the glossary —— *on pages 159 and 160* for a detailed description of HD and PD. Not every patient is equally suited to these two methods. As PD is usually carried out by patients themselves, it requires a high degree of personal responsibility. In addition, the human peritoneum can only be used as a dialyzer for a limited period of time, ideally if the kidneys are still functioning to some extent.

Of the 2.029 M patients who underwent dialysis treatment at the end of 2010, 1.810 M – more than 89% – were treated with HD and around 219,000 with PD. In a global comparison of treatment methods, HD is clearly the most commonly used. Within the group of the 15 countries which account for more than three quarters of the world dialysis population, HD is the predominant treatment method in all countries, except Mexico.

A third alternative method for treating patients with end-stage renal disease is kidney transplantation. Approximately 592,000 patients were living with a transplanted kidney at the end of 2010. However, for many years now, the number of donated organs worldwide has been significantly lower than the number of patients on transplant waiting lists. Consequently, less than one quarter of patients with chronic kidney failure lives with a donor organ. Despite ongoing and extensive efforts by regional

PATIENTS WITH END-STAGE RENAL DISEASE

Table 2.1.19

in M

Patients with end-stage renal disease (ESRD)	**2.621**
of which dialysis	2.029
Hemodialysis (HD)	1.810
Peritoneal dialysis (PD)	0.219
of which patients with transplants	0.592

Source: Based on company statements and estimates.

initiatives to increase awareness of kidney donation and willingness to donate, the share of patients receiving kidney transplantation compared to other treatment modes has remained relatively unchanged over the past ten years.

Customers

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. The largest private customer, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care, is the U.S. company DaVita.

Health and reimbursement systems

As renal replacement therapy is a life-saving medical service, patients do not usually have to pay for it themselves, but the costs are carried by the responsible healthcare system. The reimbursement systems for dialysis treatment – in other words the scheme used by a healthcare system to pay for dialysis services – differ from country to country and often vary even within countries. The factors determining reimbursement include regional conditions, the kind of treatment provided, regulatory issues and the type of care provider (public or private). As a provider of dialysis services, Fresenius Medical Care offers dialysis in more than 35 countries with different healthcare systems and reimbursement schemes. Our international experience puts us in a position to support national healthcare systems in their endeavors to customize structures, adapt our business to local needs and regulations and at the same time act profitably.

The healthcare debate in some countries is currently focused on establishing reimbursement structures based on treatment quality. The goal of a reimbursement system of this kind is to improve the quality of treatment for a dialysis patient at a lower overall cost. The example of Portugal shows the opportunities that a reimbursement system aimed at maintaining the highest possible quality offers Fresenius Medical Care as a vertically integrated company. Fresenius Medical Care treats more than 4,300 patients in 34 dialysis centers in Portugal. At the beginning of 2008, The Ministry of Health and the national association of privately run dialysis centers agreed on a new, quality-oriented flat-rate reimbursement plan for the ambulatory care of hemodialysis patients. Instead of reimbursing the costs of individual dialysis services and products, some of them were bundled to achieve more comprehensive patient care, improve quality, and boost the efficiency of the healthcare system in the field of dialysis. This new model provides a fixed reimbursement per patient per week, covering all necessary services and the use of dialysis products. The requirement is that certain treatment results are achieved and quality parameters maintained. Our experience in the past year confirms that, with our high quality standards and proven methods for monitoring therapy results, Fresenius Medical Care is in an ideal position to meet the requirements of the new system. For Fresenius Medical Care, the reform not only means that the reimbursement rate (including the new additional services) went up by around 50%. We see the successful launch of the flat-rate reimbursement system in Portugal as further confirmation of our integrated, quality-oriented approach.

Spain now introduced a reimbursement structure similar to the system in Portugal: Fresenius Medical Care signed a cooperation agreement with the public health authorities in the Murcia region for the country's first comprehensive dialysis care and performance-oriented reimbursement model. The contract will be effective from mid-2011 and allows us to provide dialysis therapy to approximately 200 renal patients in the region. Currently, we provide dialysis treatment and related products to patients in the region of Murcia on a "fee-for-service" basis. In Spain, we treat more than 5,500 patients in 64 dialysis clinics.

In January 2011, the United States, our largest sales market, also introduced a new bundled reimbursement system for the dialysis treatment of public healthcare patients (Medicare patients). The corresponding draft law had been passed in July 2008; in July 2010, the Centers for Medicare and Medicaid Services (CMS), which represent the governmental healthcare program, published its final report with corresponding guidelines for the implementation of the new reimbursement system. All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients' characteristics such as age and weight considering adjustments for patients who require exceptional medical care that results in higher costs. In addition to inflationary adjustments starting in 2012, other special features of this new reimbursement system include adherence to certain quality parameters. For example, the reimbursement rate is reduced starting in 2012 for dialysis clinics that do not meet certain criteria. Quality standards comprise, among other things, patient satisfaction, regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones. In preparation for the new reimbursement system, the composite rate was increased by 1% in both 2009 and 2010.

End-stage renal disease is one of the few chronic illnesses whose treatment is covered by public health insurance in the U.S. The care of more than 85% of all U.S. dialysis patients is mainly financed by Medicare and Medicaid, the two American healthcare programs that manage the medical care of the elderly and people on low incomes who do not have private health insurance. Changes to the reimbursement rates and methods of Medicare and Medicaid therefore have a significant effect on our business in North America. At Fresenius Medical Care, we feel that our vertical business model puts us in an good position to work with the new system. For additional information on the latest changes to the reimbursement system in the U.S., please see our magazine 2010 —— *starting on page 4*.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Acquisitions and divestitures

Our investment strategy remained unchanged in 2010. We stepped up investments in our future growth by continually extending our network of clinics and product business and by expanding our production capacities. In the year under review, we spent a total of $618 M on acquisitions net of divestitures, with capital expenditures (net) coming in at $507 M.

In order to strengthen our market position in the area of dialysis services in the Asia-Pacific region, we acquired Asia Renal Care Ltd. in the year under

review. The company was the second largest dialysis provider in the region after Fresenius Medical Care, treating around 5,300 patients in some 80 clinics at the end of the reporting year. The takeover will contribute around $80 M annually to Fresenius Medical Care's revenue and will already have a positive impact on results in 2011.

We also expanded our dominant position in the dialysis product business in the Republic of Korea with the takeover of Nikkiso Medical Korea Co. Ltd. The acquisition will contribute around $15 M annually to revenue and will also affect results in 2011 positively.

In the Russian region of Krasnodar, we acquired KNC (Kraevoy Nefrologicheskiy Centr), a private operator of dialysis clinics. As a result, Fresenius Medical Care is now responsible for the care of around 1,000 patients in five clinics. The acquisition will contribute around $25 M annually to revenue and positively influence results as of 2011.

During the period under review, we also acquired the international peritoneal dialysis business of the Swedish company Gambro. This should enable us to expand our activities in the area of home dialysis, particularly in Europe and the Asia-Pacific region. The contribution to revenue will be around $60 M annually with positive effects for results as of 2011. Fresenius Medical Care completed the takeover at the end of December 2010.

For further information see the "Financial situation" section —— *starting on page 61*.

Cooperation agreements

We continued our existing cooperations in the previous year, including the licensing and sales agreements concluded in 2008 to market and distribute intravenous iron compounds. We reported on this in detail in the 2008 annual report —— *on pages 60 and 100*.

In the year under review, we also concluded an exclusive 10-year sales agreement with the Japanese company Nikkiso Co. Ltd. for hemodialysis and peritoneal dialysis products in Japan. By combining Fresenius Medical Care's efficient production methods and Nikkiso's strong sales, both companies want to further increase their market share in Japan, particularly in dialyzers and products for peritoneal dialysis.

Moreover, in 2010 we founded Vifor Fresenius Medical Care Renal Pharma Ltd., a joint company with Galenica Ltd. to develop drugs for kidney patients and distribute them worldwide. Further information can be found in the "Growth strategy" section —— *starting on page 36*.

Business environment

The Company's business environment remained largely unchanged in 2010, as did the legal frameworks relevant for our business.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public healthcare patients (Medicare patients). Specific products and services are now reimbursed one flat fee instead of being paid individually as was previously the case. In addition to an inflationary adjustment starting in 2012, a particular feature of this new reimbursement system is the focus on certain quality parameters such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones. For further information see the "Health and reimbursement systems" section —— *starting on page 49*.

Corporate management

In December 2009, Fresenius Medical Care announced changes to its Management Board of the General Partner: The contract of Dr. Ben J. Lipps, Chairman and Chief Executive Officer, was extended by a further year to December 31, 2012. At the same time, Rice Powell as designated successor to Dr. Lipps was appointed as Deputy Chairman of the Management Board of Fresenius Medical Care and CEO of Fresenius Medical Care North America effective January 1, 2010. Rice Powell joined us in 1997 and has been on the Management Board since 2004.

On January 1, 2010, Fresenius Medical Care also appointed Michael Brosnan as the new Chief Financial Officer. He has been with the Company since 1998, acting as Chief Financial Officer of Fresenius Medical Care North America for the previous seven years.

In addition, as of January 1, 2010, Kent Wanzek assumed the newly created position of Member of the Board responsible for Manufacturing Operations. In this role, he monitors Fresenius Medical Care's worldwide production activities. Kent Wanzek has been with our Company since 1996.

In addition to his existing function as Member of the Management Board responsible for the regions Europe, Middle East, Africa and Latin America, Dr. Emanuele Gatti is now also in charge of strategy development at Fresenius Medical Care. His contract has been extended.

Board Member Roberto Fusté will continue to be responsible for the continued successful development in the Asia-Pacific region in future.

The divisions Law, Compliance, Corporate Governance and Intellectual Property will remain the responsibility of Dr. Rainer Runte, whose mandate has also been extended. Since the year under review, he has also been responsible for human resources in Germany as Labor Relations Director and has monitored the projects in the Business Development division.

You can read more about the Management Board of Fresenius Medical Care —— *starting on page 14*.

Conclusion

No other significant events took place in 2010 that had a significant influence on the operating business or legal structure of Fresenius Medical Care. Fresenius Medical Care carried on its outstanding development in the previous fiscal year, achieving record revenue and earnings figures in the year under review. All regions and segments contributed to this success.

In the financial year 2011, a new bundled reimbursement system for dialysis was introduced in our largest market, the U.S. This concerns the dialysis treatment of public healthcare patients. The care of more than 80% of all U.S. dialysis patients is financed by the state, which means that changes to the reimbursement system are of particular significance for our North America business. We can only partly compensate for the effects of this new remuneration structure in 2011. However, as a vertically integrated provider, we are confident that we will be able to respond to the changed situation.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

Fresenius Medical Care can look back on another successful business year. We were again able to achieve new records both in terms of revenue and earnings and meet our ambitious targets for 2010.

We forecast revenue of more than $12 BN for the year under review. In fact, it grew by 7% to $12.05 BN. In constant currency terms, too, revenue increased by 7%, in line with our expectations. Our mid-term targets envisage an average yearly revenue growth at constant currency of 6 to 8%; see also "Growth strategy" section —— *starting on page 36*. Both the North America and the International segment contributed in equal measure to the boost in revenue in 2010; information on the development of revenue in the individual regions and company segments can be found in the "Results of operations" chapter —— *starting on page 55*.

At the beginning of the past financial year, we predicted a net income of between $950 M and $980 M

for 2010. In November we increased our target to between $960 M and $980 M. Ultimately, the net income in the previous financial year amounted to $979 M (+ 10%) and was therefore at the upper end of the target range. The Company's business developed especially well in North America, raising the operating margin to 16% in the year under review. Initially, we expected the operating margin to be at the previous year's level of 15.6%.

In the year under review, the effective tax rate amounted to 35.2%, in line with our forecast of between 34.5 and 35.5% at the beginning of the financial year.

The continued growth of the dividend as expected is reflected in our dividend proposal: Pending approval by the General Meeting, the dividend per ordinary share will increase by 7% to €0.65 (2009: €0.61). More information on this can be found in the "Dividend" section —— *on page 23*.

At the beginning of the year, we set aside between $550 M and $650 M for investments and up to $400 M for acquisitions. In August, we increased our budget for acquisitions to $500 M. We remained almost completely within our target and utilized $507 M for investments (net) and $618 M for acquisitions net of divestitures. Further information can be found in the "Financial situation" chapter —— *starting on page 61*.

The operating cash flow, driven by earnings performance and ongoing good management of accounts receivable, was within the target range of 10% of revenue. In 2010, the operating cash flow totaled $1.368 BN, corresponding to 11% of revenue.

According to our forecast, the debt/EBITDA ratio should have dropped to below 2.5 by the end of 2010. The actual debt/EBITDA ratio as of the reporting date was 2.38, and therefore in line with our expectations.

The number of employees at Fresenius Medical Care (full-time equivalents) increased from 67,988 at the end of 2009 to 73,452 at the end of 2010, reaching our forecast figure of more than 70,000. The Company's continued strong organic growth and acquisitions in all regions were key contributing factors.

Research and development expenditures – aimed at boosting and enhancing Fresenius Medical Care's ability to adapt to future requirements – were around $97 M and therefore within our target of $95 M. The focus is on further developing existing product groups. Details can be found —— *starting on page 68* in the "Research and development" section.

TARGETS AND RESULTS FOR 2010

Table 2.1.20

	*Results **2010***	*Targets 2010 after increase in November*	*Target achieved*
Revenue	+7% to $ 12.05 BN	> $ 12 BN	✓
Net income[1]	+10% to $ 979 M	$ 960 – $ 980 M	✓
Dividend[2]	+7% per ordinary share to € 0.65	continuous rise	✓
Investments, net	$ 507 M	$ 550 – $ 650 M	
Acquisitions, net	$ 618 M	up to $ 500 M	
Tax rate	35.2%	34.5 – 35.5%	✓
Debt/EBITDA ratio	2.38	< 2.5	✓
Number of employees	73,452	> 70,000	✓
Research and development expenses	$ 97 M	~ $ 95 M	✓
Product innovations	e.g. dialysis machine 2008T	further expansion of product and service range	✓

[1] *Net income attributable to Fresenius Medical Care AG&Co. KGaA.*
[2] *Proposal to be approved by the Annual General Meeting on May 12, 2011.*

The general economic development was marked by a sharp upswing in the period under review. On balance, all important regions posted increases in their gross domestic product in 2010 compared to the previous year, as we had expected. The economies of some emerging markets grew faster than that of the U.S. and Europe, our most important markets in terms of their contribution to revenues. However, Fresenius Medical Care's dialysis business is less dependent on economic cycles than other industries. For further information on economic development see the "Economic environment" section *starting on page 39*.

The dialysis market developed positively as we had predicted: Market volume was up by approximately 4%, and the number of patients worldwide grew by around 7%. Concerning the allocation of dialysis patients to different treatment methods, there were no significant changes over the previous year. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2010.

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

2010 was an exceptionally successful year for our Company: Revenue and earnings climbed to record levels. We achieved, and in some cases even exceeded, all the targets we set ourselves at the beginning of the year.

Fresenius Medical Care experienced stronger growth than the dialysis industry as a whole. As a result, we managed to increase our share of the global market. We also clearly maintained our position as market leader in North America, by far our biggest market, and recorded significant revenue growth in some of the markets outside of North America (Europe, Latin America and Asia), reinforcing our market position in these regions.

In addition, Fresenius Medical Care continued to boost its profitability in the year under review. Once again, there were improvements in all relevant key figures. This is partly due to our ongoing high level of investments in maintaining existing clinics, equipping new facilities, and expanding production capacities.

Chapter 2.2

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

2010 was again a very successful financial year for Fresenius Medical Care. We reached our goals for the year, and achieved record revenues and earnings. All regions and areas contributed to our growth, and thus to improving our market position.

Revenue

In 2010, Fresenius Medical Care again increased its revenue significantly by 7% to $12.05 BN. This figure was the same in constant currency terms. The Company's organic growth was 6%, while acquisitions after deducting divestitures accounted for 1% of revenue growth. Both the North American and International segments contributed to boosting our revenue in 2010. North America remains our most important market: We generated 67% of our total revenue in this segment in the year under review, similar to the previous year.

Revenue in North America rose by 7% to $8.13 BN in the past fiscal year. Organic revenue growth was 6%, while acquisitions were up slightly by 1%. As in previous years, dialysis services accounted for by far the largest proportion of revenue in North America, at 90%.

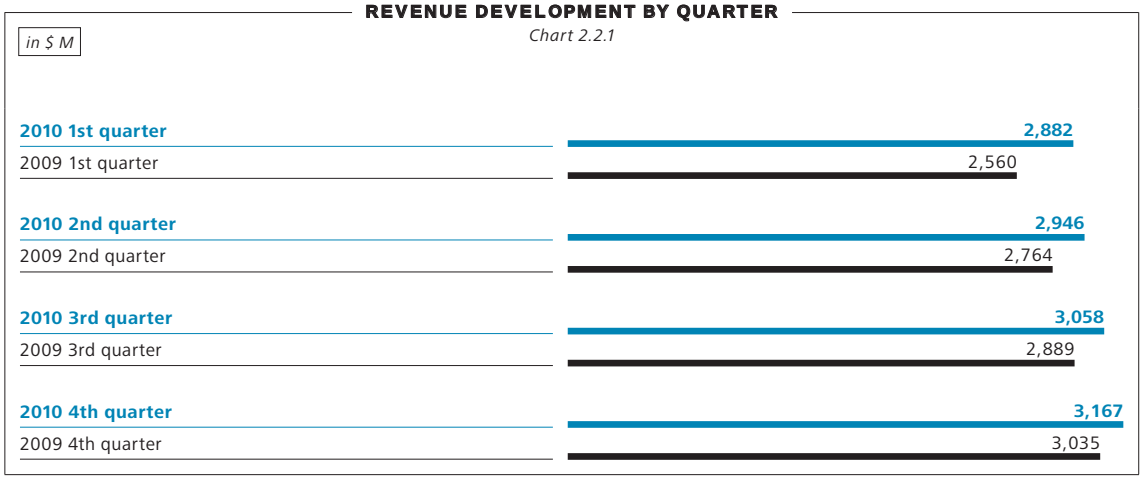
Revenue from dialysis services in North America was up 7% to $7.30 BN. Organic revenue growth also amounted to 7%. The average revenue per treatment in the U.S., our largest market, rose by 3% in the year under review, from $347 to $356. This was due primarily to an increase in the reimbursement rates, especially among private insurers.

The 1% growth in revenue from dialysis products in North America to $827 M can mainly be attributed to improved sales of bloodline systems, solutions, concentrates, and dialysis machines. This was partially offset by lower revenues from pharmaceuticals.

Operations in the International segment, which includes all regions outside North America, also developed very positively. Revenues in 2010 rose by 8% to $3.92 BN. Organic growth was 5%, while acquisitions after deducting divestitures were up by 3%. As a result of the strong expansion of our clinic network, the emphasis has also shifted towards services in the International segment. Still, business with dialysis products continues to dominate here, generating 55% of revenue. One reason why services in the International segment account for a lower share of revenue than in North America is the different structures and stages of development of

REVENUE DEVELOPMENT BY QUARTER

Chart 2.2.1



healthcare systems in this region. In some countries, we have not been able to operate our own dialysis clinics to date because the necessary economic and legal structures, such as appropriate reimbursement structures or functioning healthcare systems, are not yet in place.

Revenue from dialysis services in the International segment grew by 14% over the previous year to $1.77 BN. In constant currency terms, this represents an increase of 13%. Acquisitions accounted for 8% of revenue growth, while organic growth was 6%. Revenue from dialysis products in the year under review rose by 4% to $2.16 BN. Adjusted for currency effects, it was also 4%. Improved sales in many areas of the product portfolio (such as dialyzers, solutions, and concentrates) were in part offset by lower revenues from pharmaceuticals.

At the end of 2010, we operated 2,757 dialysis clinics, 8% more than in 2009. We treated 214,648 dialysis patients in the year under review, an increase of 10%. The number of treatments rose by 8% to around 31.67 M.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Revenue in this region rose by 3% to $2.55 BN in 2010. Currency adjusted revenue growth was 6%, helping us to further consolidate our market position. The region's share of total revenue was 21% (2009: 22%). By the end of the year under review, we had treated over 38,000 patients in 499 dialysis facilities, 5,600 patients (or 17%) more than in the previous year. In 2010, we generated revenue of $1.08 M from dialysis services in this region, up 11% over the preceding year. In constant currency terms, this represents a 13% increase. Revenue from dialysis products amounted to $1.47 BN, a 2% drop; adjusted for currency, however, it represented an 1% increase.

Business also developed very favorably in Latin America. We grew our revenue here by 16% to $597 M, a 9% increase adjusted for currency effects. The share of total revenues remained constant as in the previous year. Revenue from dialysis services grew by 15% (9% after currency adjustment) to $400 M. We generated revenue from dialysis products of $197 M, up 18% over the previous year (9% in

REVENUE BY SEGMENT

Table 2.2.2

in $ M

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

constant currency terms). By the end of 2010, over 22,000 patients had received dialysis treatment in the 193 clinics in this business region.

The Asia-Pacific region recorded revenue growth of 22% to $777 M. Adjusted for currency fluctuations, this corresponded to a 15% increase. The region accounted for 7% of total revenue in 2010, compared to 5% in the previous year. Revenue from dialysis services soared by 25% (20% after currency adjustment) to $284 M. Revenue from dialysis products grew by 20% (12% in constant currency terms) to $493 M.

Earnings

Operating income (EBIT)

Earnings before interest and taxes (EBIT) rose in 2010 by 10% to $1.92 BN. The operating margin was 16.0%, higher than the preceding year's figure of 15.6%, primarily due to the Company's improved operating margin in North America.

Operating income in the North America segment rose by 11% in 2010 to $1.39 BN. The operating margin was 17.0%, compared to 16.4% in 2009. This increase was largely a result of higher reimbursement rates and the rise in prices for pharmaceuticals.

In the International segment, we recorded a 6% increase in operating income to $678 M. The operating margin decreased from 17.5 to 17.3%. The reasons for this were the lower gross profit margins for newly acquired dialysis clinics, and the impact of high inflation in Venezuela. In addition, a valuation adjustment for inventories was carried out in 2009, which had a positive effect on earnings in that year. Economies of scale resulting from revenue growth as well as favorable currency effects had a positive effect.

In the year under review, corporate costs rose as expected driven by higher costs in connection with acquisitions and higher research and development expenditures. The total corporate operating expenditure in 2010 amounted to $140 M, compared to $131 M in the year before.

Earnings before taxes

Pre-tax earnings rose to $1.64 BN, an increase of 13% over the previous year's figure of $1.46 BN.

REVENUE DEVELOPMENT BY SEGMENT

Table 2.2.3

in $ M

	2010	2009	Change	Organic growth	Acquisitions/ divestitures	Percentage of total revenue
North America	8,130	7,612	7 %	6 %	1 %	67 %
International	3,923	3,635	8 %	5 %	3 % (net)	33 %
TOTAL	**12,053**	**11,247**	**7 %**	**6 %**	**1 % (net)**	**100 %**
Dialysis services	9,070	8,350	9 %	7 %	2 % (net)	75 %
Dialysis products	2,983	2,897	3 %	3 %	0 %	25 %
TOTAL	**12,053**	**11,247**	**7 %**	**6 %**	**1 % (net)**	**100 %**

REVENUE BY REGION

Table 2.2.4

in $ M

	2010	2009	Change	Percentage of total revenue
North America	8,130	7,612	7 %	67 %
Europe/Middle East/Africa	2,549	2,479	3 %	21 %
Latin America	597	517	16 %	5 %
Asia-Pacific	777	639	22 %	7 %
TOTAL	**12,053**	**11,247**	**7 %**	**100 %**

Net income

Net income (net income attributable to Fresenius Medical Care AG & Co. KGaA) increased in 2010 by 10% to $979 M, compared to $891 M in 2009.

Development of other major items in the income statement

Gross profit

Gross profit in 2010 amounted to $4.14 BN, up 8% over the previous year. The gross profit margin was 34.4%, slightly higher than the previous year's figure of 34.1%. The increase in the margin is largely the result of the improved gross profit margin in North America, and is partly offset by a decline in the International segment.

Selling, general and administrative expenses rose by 7% to $2.12 BN (2009: $1.98 BN). These costs corresponded to 17.6% of revenue, as in the previous year.

PATIENTS

Table 2.2.5

	2010	2009	Change
North America	137,689	132,262	4 %
Europe/Middle East/Africa	38,061	32,409	17 %
Latin America	22,471	20,937	7 %
Asia-Pacific	16,427	10,007	64 %
TOTAL	**214,648**	**195,651**	**10 %**

TREATMENTS

Table 2.2.6

in M

	2010	2009	Change
North America	20.85	19.87	5 %
Europe/Middle East/Africa	5.45	4.83	13 %
Latin America	3.39	3.22	5 %
Asia-Pacific	1.97	1.51	30 %
TOTAL	**31.67**	**29.43**	**8 %**

CLINICS

Table 2.2.7

	2010	2009	Change
North America	1,823	1,784	2 %
Europe/Middle East/Africa	499	435	15 %
Latin America	193	191	1 %
Asia-Pacific	242	143	69 %
TOTAL	**2,757**	**2,553**	**8 %**

Depreciation and amortization in 2010 increased to $503 M compared to $457 M in 2009. This rise is a result of higher investment activity in both North America and the International segment.

Research and development costs rose from $94 M in the previous year to $97 M, mostly due to additional research and development programs in the area of hemodialysis equipment and extracorporeal critical care therapies.

Net interest

Net interest expenses in 2010 amounted to $280 M, compared to $300 M in 2009. This positive outcome is largely due to lower average short-term interest rates. Detailed information on our financial situation can be found *starting on page 61* and in note 9 of the financial report *starting on page 227*.

Tax rate

Income tax in 2010 amounted to $578 M, compared to $491 M in 2009. This corresponds to an effective tax rate of 35.2% (2009: 33.7%). This increase was mainly due to higher unrealized tax advantages, lower tax effects from internal financing, and the effect of the non-deductible losses in Venezuela as a result of inflation-adjusted accounting. These effects were partly offset by the reversal of valuation allowances for deferred taxes on the assets side for tax losses carried forward.

Earnings per share

The earnings per share (EPS) rose by 9% in 2010 to $3.25 per ordinary share, compared with $2.99 year-on-year. These figures also apply to ordinary ADR (American Depository Receipt). The average weighted number of shares outstanding in 2010 was around 300.7 M (2009: 298.3 M), of which 296.8 M were ordinary shares (2009: 294.4 M ordinary shares). The increase in the number of shares outstanding resulted from stock options being exercised. Details on how earnings per share are derived can be found *on page 244* of the financial report.

OPERATING INCOME (EBIT)

Table 2.2.8

in $ M

	2010	2009	Change
North America	1,386	1,250	11 %
International	678	637	6 %
Corporate	(140)	(131)	7 %
TOTAL	**1,924**	**1,756**	**10 %**

CONDENSED STATEMENT OF INCOME

Table 2.2.9

in $ M

	2010	2009	Change
Net revenue	12,053	11,247	7 %
Cost of revenue	7,908	7,415	7 %
GROSS PROFIT	**4,145**	**3,832**	**8 %**
in % of revenues	34.4	34.1	–
OPERATING INCOME (EBIT)	**1,924**	**1,756**	**10 %**
Interest expense, net	280	300	– 7 %
EARNINGS BEFORE TAXES	**1,644**	**1,456**	**13 %**
NET INCOME[1]	**979**	**891**	**10 %**

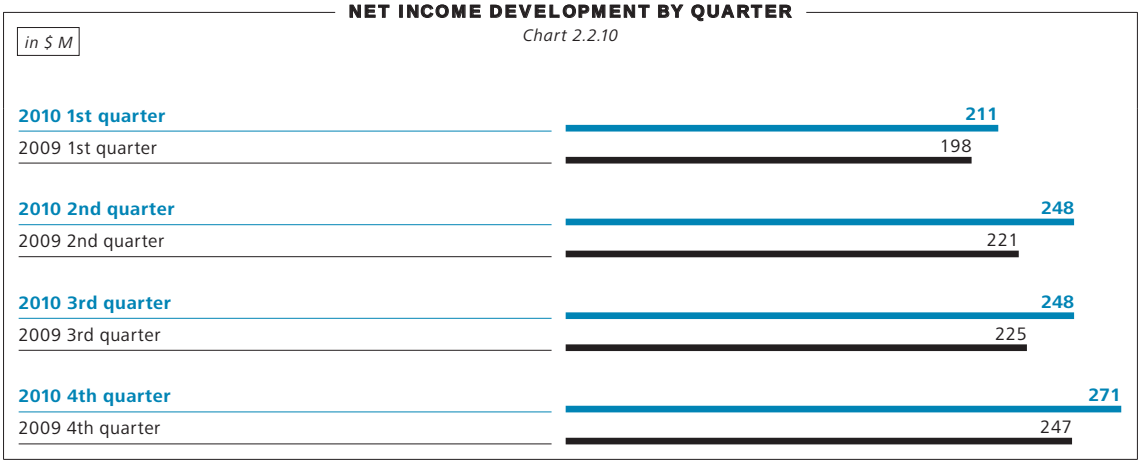
[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2010. All outlays, such as the consumption by value of purchased goods and services as well as depreciation and amortization, have been deducted from the Company's performance. The value added of Fresenius Medical Care in 2010 was $5.9 BN, up 7.94% over the previous year's $5.5 BN. The bulk of this, 67% or $4 BN, was paid to staff, while 10% went to the public sector. Lenders received around 5%, or $305 M, while some 6%, or $348 M, went to shareholders and other partners. This left $718 M of the value added which was reinvested in the Company.

NET INCOME DEVELOPMENT BY QUARTER

Chart 2.2.10



VALUE ADDED STATEMENT

Table 2.2.11

in $ M

	2010		*2009*	
Creation				
Company output	12,032	100 %	11,325	100 %
Outlays	(5,612)	–47 %	(5,382)	–48 %
Gross value added	6,420	53 %	5,943	52 %
Depreciation/amortization	(503)	–4 %	(457)	–4 %
NET VALUE ADDED	**5,917**	**49 %**	**5,486**	**48 %**
Distribution[1]				
Employees	3,968	67 %	3,709	68 %
Public sector	578	10 %	491	9 %
Lenders	305	5 %	321	6 %
Shareholders and other partners	348	6 %	329	6 %
Company	718	12 %	636	11 %
NET VALUE ADDED	**5,917**	**100 %**	**5,486**	**100 %**

[1] *Assuming the distribution of 2010 profits is approved.*

Order situation

Order volume is not a significant indicator for Fresenius Medical Care as three-quarters of our business model are related to services that are performed regularly. Our product business mainly comprises single-use products and is not defined by project-related orders that could lead to significant changes in order volumes in the reporting period. As a result, Fresenius Medical Care does not report on the basis of this financial indicator. The stability of our order situation in general can be seen from the growth in patient and treatment figures described above. Our 8% increase in treatments and 10% growth in patient numbers is approximately in line with the dialysis market. Another factor contributing to the stability of our order volume is the fact that the majority of treatment costs are paid by public institutions and healthcare systems.

FINANCIAL SITUATION

Our investment and financing strategy has not changed substantially in the past fiscal year despite the continuing uncertainty in the financial markets. The reason for this is our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of borrowing than may be the case in other industries. We still regard our refinancing options as being stable and flexible, and intend to continue our scheduled investments in 2011. Our financing activities aim at further reducing subordinated financing instruments. We will center our investment activities on expanding our dialysis clinic network. This puts a stronger focus on our service business, particularly as we extended our manufacturing capacities for major product groups in previous years.

Financial management policies and goals

Besides optimizing our financial costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. We ensure this flexibility by using a wide range of financial instruments as well as securing a high level of diversification with regard to our investors and banks. Our financing profile is also characterized by a wide spread of maturities, ranging from our short-term accounts receivable facility, which is extended annually, to senior notes which mature in 2021. In addition, financial leverage can be extended in the form of differently structured credit lines, if required. In addition to this combination of short, medium, and long-term financial instruments, financing needs are essentially covered by operating cash flow.

Our main financing instrument is the syndicated credit agreement with two long-term loans (Term Loan A, Term Loan B). On September 29, 2010, we amended and extended the 2006 credit agreement for two years.

In addition, we use several other mid and long-term financing instruments, including:

- subordinated bonds (trust preferred securities), which will expire mid-2011;
- on a small scale, senior, unsecured euro notes with fixed-rate and floating-rate tranches; and
- senior, unsecured notes in euros and U.S. dollars.

Our financing activities are focused on reducing subordinated financing instruments and replacing them by senior notes, wherever possible. We have sufficient financial resources consisting of only partly drawn credit facilities and our accounts receivable facility, which was renewed and increased from $650 M to $700 M in September 2010. Our target for committed and unutilized credit facilities is between $300 M and $500 M. Our short-term refinancing requirements are limited to paying €485 M for our acquisition of International Dialysis Centers, paying dividends to the amount of approximately €197 M in May 2011, repaying the trust preferred securities of $225 M and €300 M in June 2011, and extending the accounts receivable facility in October 2011. We

intend to refinance in accordance with our described financing strategy.

As a guideline for our long-term financial planning, we primarily use the debt/EBITDA ratio. This compares financial liabilities (debt) with earnings before interest, taxes, depreciation and amortization (EBITDA) and other non-cash items. Fresenius Medical Care holds a strong position in the growing dialysis sector, which is considered non-cyclical. The industry is characterized by relatively stable cash flows and our market position is further bolstered by the high creditworthiness of most of our customers. This allows us to have a more consistent and higher level of borrowing than may be the case for companies in other industries. At the end of 2010, the debt/EBITDA ratio was 2.38 compared to 2.46 in the previous year. Further information on this can be found in the "Strategy, objectives, and corporate management" section —— *starting on page 35*. For detailed information on financing, please see the financial report section "Liquidity and capital resources" —— *starting on page 184,* notes 8 and 9 of the financial report —— *starting on page 226*, and the "Outlook" section —— *starting on page 116*.

Rating

Over the course of the past year, the rating agencies Standard & Poor's (in the second quarter of 2010) and Fitch (in the third quarter of 2010) upgraded Fresenius Medical Care's outlook from "stable" to "positive". All ratings were confirmed in the year under review. Moody's rating remained at "Ba1" (stable outlook), while Fitch and Standard & Poor's gave Fresenius Medical Care a "BB" rating.

MAJOR FINANCING INSTRUMENTS OF FRESENIUS MEDICAL CARE

Table 2.2.12

	Year issued	*Amount in M*	*Coupon*	*Maturity*
Credit agreement term loan A	2006	$1,850[1]	–	March 31, 2013
Credit agreement term loan B	2006	$1,750[1]	–	March 31, 2013
Trust preferred securities IV	2001	$225	7.875%	June 15, 2011
Trust preferred securities V	2001	€300	7.375%	June 15, 2011
Euro note	2009	€155	–	Oct. 27, 2012
Euro note	2009	€45	–	Oct. 27, 2014
Senior note 2010–2016	2010	€250	5.500%	July 15, 2016
Senior note 2007–2017	2007	$500	6.875%	July 15, 2017
Senior note 2011–2021	2011	$650	5.750%	Feb. 15, 2021
Senior note 2011–2021	2011	€300	5.250%	Feb. 15, 2021

[1] *Original amount before repayments.*

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

Fresenius Medical Care is not involved in any off-balance-sheet transactions that could have a significant effect on the Company's financial situation, expenses or earnings, profit and loss position, liquidity, investments, assets or capitalization.

Liquidity analysis

Our main sources of liquidity are our operative cash flow and credits granted by third parties, as well as other financing instruments as required. We need these resources primarily to finance working capital, to fund acquisitions, to build, expand and equip our own dialysis centers and production facilities, and to repay debt and pay out dividends. For detailed information on liquidity, please see the "Liquidity and capital resources" section of the financial report —— *starting on page 184*.

Dividends

Fresenius Medical Care will propose the 14th consecutive dividend increase at the Annual General Meeting. The recommended dividend for 2010 will be €0.65 per ordinary share (2009: €0.61) and €0.67 per preference share (2009: €0.63). This represents an increase on the previous year of 7 and 6%, respectively. The total dividend payout is expected to be approximately €197 M (2009: €183 M). For further information on dividends, please refer to the "Dividend" section —— *on page 23*.

Capital expenditures and acquisitions

Important areas in terms of capital expenditures are maintaining existing clinics and supplying equipment

RATING

Table 2.2.13

	Standard & Poor's	*Moody's*	*Fitch*
Corporate credit rating	BB	Ba1	BB
Outlook	Positive	Stable	Positive
Senior secured debt	BBB–	Baa3	BBB–
Senior unsecured debt	BB	Ba2	BB
Subordinated debt	BB	Ba3	B+

NET INVESTMENTS AND ACQUISITIONS BY SEGMENT

Table 2.2.14

in $ M

	2010	*2009*	*Of which property, plant and equipment*	*Of which acquisitions/ intangible assets and other investments*	*Of which divestures*	*Change*	*Percentage of total volume*
North America	513	418	286	237	10	95	46 %
International	590	330	221	373	4	260	52 %
Corporate	22	(50)	–	154	132	72	2 %
TOTAL	**1,125**	**698**	**507**	**764**	**146**	**427**	**100 %**

to new clinics. We also invested in the upkeep and expansion of production sites in the past year. Additionally, the capitalization of dialysis machines, which were mainly delivered to customers of the International segment, also contributed to capital expenditures. These investments are financed using operating cash flow or existing or new loans.

In 2010, Fresenius Medical Care spent $1,446 M on capital expenditures, acquisitions and purchasing intangible assets. Of that amount, $1,288 M were cash items in 2010. $524 M of this was allocated to the North America segment, $608 M to the International segment and $156 M to corporate costs.

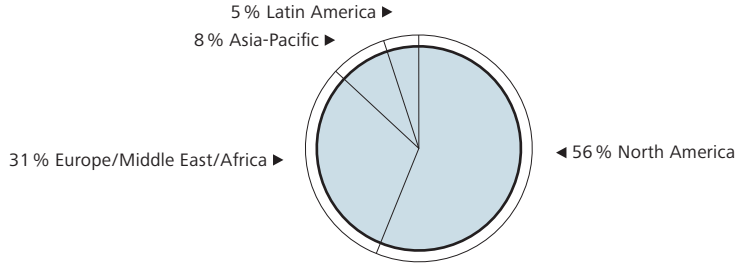
Total net investment in property, plant and equipment was $507 M, down from $562 M the year before. A large portion of capital expenditures – $306 M – went towards maintaining existing clinics and equipping new ones. In addition, $124 M was invested in the maintenance and expansion of production capacity, primarily in Germany and North America. $93 M was spent on capitalizing dialysis machines provided to customers by our distribution companies, mainly in the International segment. A relatively small amount of $16 M accrued through divestments. Capital expenditures in property, plant and equipment amounted to some 4% of overall revenue, slightly under the previous year's figure of 5%.

About 44% of net investments were used for expansion activities, while 56% were spent on maintaining existing production sites and dialysis clinics.

Approximately 56% of our net investments were made in North America, followed by Europe with 31%, Asia-Pacific with 8% and Latin America with 5%.

NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGIONS

Chart 2.2.15



DAYS SALES OUTSTANDING

Table 2.2.16

in days

	2010	2009	Change
North America	54	52	2
International	116	110	6
TOTAL	**76**	**72**	**4**

In 2010, around $632 M was spent on acquisitions, primarily for purchasing dialysis clinics and the international peritoneal dialysis business of Gambro, but also for founding the new renal pharmaceutical company with Galenica and purchasing licenses. $237 M of this sum went to the North America segment, $373 M to the International segment and $22 M to corporate costs.

All in all, $1,125 M was spent on capital expenditures and acquisitions in 2010, taking into account divestments. This represents an increase of $427 M compared to the previous year ($698 M).

Cash flow analysis

Our operating cash flow in 2010 was $1.37 BN, up over the previous year ($1.34 BN). This rise of about 2 % is primarily attributable to improved working capital, including the reduction of stocks, as well as an improved income, partially offset by higher income tax payments. The cash inflow was used for investments (property, plant and equipment as well as acquisitions). A detailed description of additional factors is presented in the financial report in the "Liquidity and capital resources" section —— *starting on page 184*.

In 2010, we observed some regional differences in the payment patterns of our customers worldwide. The days sales outstanding, in other words the number of days required to settle outstanding invoices, slightly increased in the year under review. The days sales outstanding in the North America segment continued to be on a low level in 2010. The days sales outstanding in the International segment increased as we anticipated. This mainly reflects payment delays by government and private entities, particularly in Europe, due to the worldwide financial

ABBREVIATED STATEMENT OF CASH FLOW

Table 2.2.17

in $ M

	2010	*2009*	*Change*
Cash at the beginning of the year	301	222	36 %
Cash flow from operating activities	1,368	1,339	2 %
Cash flow from investing activities	(1,125)	(698)	–
Cash flow from financing activities	(15)	(559)	–
Effect of exchange rate changes on cash and cash equivalents	(6)	(3)	139 %
Cash at the end of the year	523	301	74 %
Free cash flow	861	777	11 %

A detailed representation can be found in the financial report on page 204.

OPERATING CASH FLOW

Chart 2.2.18

in $ M

crisis. As the majority of our reimbursement comes from public healthcare organizations and private insurers, we expect to recover most of our outstanding accounts receivable. As in the previous year, we anticipate a slight rise in days sales outstanding in the countries affected most severely by the current global financial crisis. Further information can be found in the "Assets and liabilities" section of this chapter.

In 2010, our free cash flow, excluding acquisitions and dividends, was $861 M compared to $777 M in 2009. Taking account of payments for acquisitions (less disposals) of $618 M (2009: $136 M) and dividends of $263 M (2009: $232 M), we achieved a free cash flow of $11 M compared to $409 M in the previous year. For further information, please see the "Capital expenditures and acquisitions" section —— *starting on page 63*.

ASSETS AND LIABILITIES

In 2010, we recorded an increase in total assets and once again improved our asset situation. The key balance sheet indicators reflect our Company's sustained growth and successful performance.

Balance sheet and asset situation

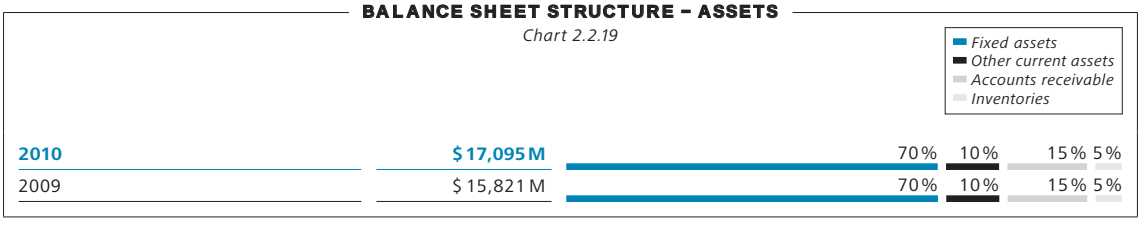
The Company's total assets grew by 8% year-on-year from $15.821 BN to $17.095 BN. Fixed assets rose by 8% to $11.94 BN at the end of 2010. This corresponds to approximately 70% of the Company's total assets, as in the previous year. The increase in our assets in absolute terms is mainly attributable to investments in property, plant and equipment as well as acquisitions.

Fixed assets include goodwill of $8.14 BN, mainly from the acquisition of Renal Care Group in 2005 as well as the founding of Fresenius Medical Care in 1996. The increase in goodwill compared to the previous year ($7.51 BN) was primarily the result of acquisitions undertaken in the year under review. Property, plant and equipment went up 4% to $2.53 BN in 2010, mainly due to capital expenditures ($516 M) and acquisitions ($70 M), less depreciation ($433 M) and divestitures ($26 M). Further information on this can be found in the "Capital expenditures and acquisitions" section —— *starting on page 63*.

Current assets rose by 9% to $5.15 BN (11% in constant currency). Key drivers were the increase in cash and cash equivalents, in trade accounts receiv-

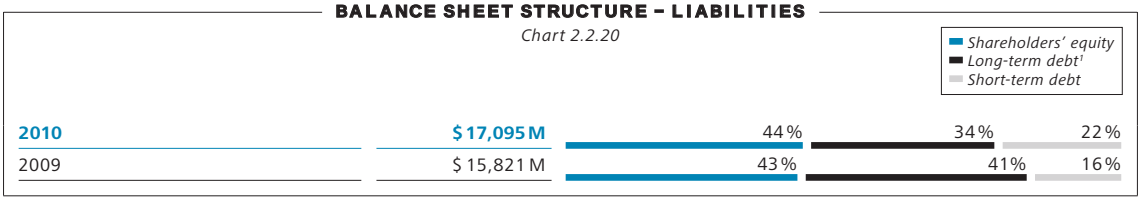
BALANCE SHEET STRUCTURE – ASSETS

Chart 2.2.19



BALANCE SHEET STRUCTURE – LIABILITIES

Chart 2.2.20



[1] *Including minorities of other shareholders with put-options.*

able and in other assets. By the end of 2010, the Group's inventories were down 2% to $809 M. In constant currency terms, the inventories remained virtually unchanged. This positive development is mainly due to the decrease in days of inventory outstanding.

Trade accounts receivable went up by 13% to $2.57 BN in 2010, corresponding to a 15% rise in constant currency terms. This was more than the revenue growth of 7% in 2010 and reflects the increase in days sales outstanding. For further information, please see the "Financial situation" section —— *starting on page 61*.

Shareholders' equity

The liabilities side of the balance sheet saw an 11% increase in shareholders' equity to $7.52 BN compared to $6.80 BN in 2009. This rise was mainly driven by Group earnings (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) of $979 M and changes in exercising stock options of $102 M. Shareholders' equity was reduced by dividend payouts for 2009 amounting to $232 M and by currency translation effects of $111 M. In the period under review, the equity ratio rose by one percentage point to 44%.

Debt including minorities of other shareholders with put-options increased to $9.57 BN compared to $9.02 BN in the previous year. Financial liabilities amounted to $5.88 BN (2009: $5.57 BN), $1,570 M of which were attributable to short-term borrowings (2009: $484 M). Medium to long-term financial liabilities amounted to $4.31 BN compared to $5.08 BN in 2009. 75% of financial liabilities are U.S. dollar denominated, compared to 77% in the previous year.

The Group has no significant accruals. The largest single accrual of $115 M covers a special charge for the final settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 resulting from the bankruptcy of W.R. Grace. Please see note 18 of the financial report —— *starting on page 254*.

Chapter 2.3

RESEARCH AND DEVELOPMENT

With our unique experience in providing high-quality dialysis products and services, we aim to be the preferred provider for our patients and customers worldwide. The purpose of our research and development (R&D) is to significantly contribute toward this goal with market-oriented product improvements and innovations. Our R&D teams closely align their work to our various stakeholders' needs, carefully observing any changes to these in the course of social, scientific and health policy developments. They are aided by the expertise and assessments of the physicians, nurses and patients in our own network of clinics. In addition, our R&D employees regularly exchange information with international experts and research facilities and work with them directly to further improve the quality of life of kidney patients. The objective is to strengthen Fresenius Medical Care's leading position in the dialysis market and to position the Company as an innovative provider in technologically related areas of therapy.

FOCUS OF OUR RESEARCH AND DEVELOPMENT

In our core business, the care of patients with chronic kidney failure, our R&D work is defined in particular by the following requirements and trends:

▸ Advances in medicine and technology:
Dialysis is still a relatively young discipline. It has only been available as a standardized treatment, i.e. with reliable, repeatable results, for about 50 years. More and more research is being carried out on the complex interactions and concomitant effects that occur when the kidney stops functioning. Parallel to new medical findings, the technological possibilities for treating patients have improved. For Fresenius Medical Care's research and development, this means quickly translating new insights into market-ready advances and innovations, thereby significantly contributing to gentler, safer and more individual patient treatment. Relevant technological trends include new developments in information technology, technologies that help to make products gradually smaller and simplify their use, the integration of various treatment elements into holistic therapy systems, and the application of promising procedures such as sorbent technology. How we can make patient treatment even safer with the use of technological innovations is illustrated by the example —— *starting on page 69*.

▸ The increase in concomitant diseases:
Patients with chronic kidney failure are growing older – on the one hand, because society is aging overall and the risk of chronic kidney failure increases with age, and on the other, because advances in medicine are also raising the life expectancy of kidney patients. The older patients get, however, the greater the likelihood of concomitant diseases occurring, for example severe cardiac and vascular conditions. They typically appear when the body is permanently overhydrated as a consequence of kidney failure. Due to their increasing prevalence and new scientific insights, we have extended the focus of our research and development activities to include the side effects of chronic kidney failure such as these, and are developing diagnostic and therapeutic systems that go beyond dialysis itself. An example of such a diagnostic instrument can be found —— *starting on page 70*.

▸ The sustained growth in the number of patients:
More people than ever are suffering from chronic kidney failure. It is estimated that by 2020, there may be almost 4 M kidney patients worldwide. This trend is accelerated by the increase in the number of people suffering from high blood pressure and diabetes – typical precursors of kidney failure that are becoming more and more common around the globe due to "diseases of affluence", such as a lack of exercise, an unhealthy diet, or obesity. For this reason, one key focus of our research and development is on home therapies – peritoneal dialysis, home hemodialysis and, in the long term, the wearable artificial kidney – along with the related technology and products. After all, treatment at home not only provides suitable patients —— *see page 48* with greater freedom in their daily lives; it also helps to solve the problem of limited capacity in dialysis clinics and gives people

who live in areas with a weak healthcare infrastructure access to treatment that may not have been available otherwise. An example of our work in the home therapy sector can be found —— *on page 71*.

▸ The rising pressure of healthcare costs:
An aging population, the spread of chronic illnesses and the commitment to new or improved technology in patient care – these trends all present financial challenges to healthcare systems, as emphasized in the 2010 WHO (World Health Organization) World Health Report. In recent years, this situation has been aggravated by the financial and economic crisis. Even more reason for Fresenius Medical Care to abide by a principle that is also specified in our internal research guidelines: Innovations must not only be of high quality, but they must also be affordable so that patients can actually benefit from them. Based on our long-term experience in operating our own dialysis clinics, these are not incompatible demands. High-quality treatment is also cost effective because it minimizes risks and complications and thereby avoids additional expenses, for example due to hospitalization. Our research and development is working to develop products and services that help our customers to provide high-quality care to their patients at an affordable price. Examples can be found —— *starting on page 72*.

R&D PROJECTS IN THE REPORTING YEAR

In 2010, Fresenius Medical Care spent around $97 M on research and development (2009: $94 M). Similar to previous years, R&D expenditure corresponded to approximately 3% of our dialysis product revenue. At the end of 2010, our patent portfolio comprised around 3,600 property rights in approximately 660 patent families – meaning groups of patents linked to an invention. Our developments in the reporting year created 85 additional patent families, which will protect future innovations in important dialysis products and therapies. In the following, we present several important projects that our research and development teams worked on in 2010.

Even greater safety during treatment: Venous Needle Disconnect

As with all extracorporeal blood-purification procedures (meaning that they take place outside the human body), dialysis is associated with certain risks for the patient that in the worst case can even lead to death. National as well as international standards and laws therefore stipulate binding safety standards for dialysis products. Beyond that, we have created our own quality guidelines for research and development that partly exceed the legal requirements. It is also important to train the nursing staff as well as the patients themselves to ensure that

EXPENDITURES FOR RESEARCH AND DEVELOPMENT

Table 2.3.1

in $ M	*2010*	*2009*	*2008*	*2007*	*2006*
TOTAL	**97**	**94**	**80**	**67**	**51**

NUMBER OF PATENTS AND PATENT APPLICATIONS

Table 2.3.2

	2010	*2009*	*2008*	*2007*	*2006*
TOTAL	**3,601**	**2,850**	**2,402**	**1,932**	**1,752**

every treatment is as safe and gentle as possible. In addition, Fresenius Medical Care develops procedures and devices as part of a continuous product improvement process to minimize as far as possible the risk that patients may suffer harm due to a technical error or human failure.

A rare but particularly dangerous incident is the loss of blood during dialysis – for example due to a leak in the bloodline system or the fixture of the venous needle, which connects the patient's vascular access with the bloodline system, coming loose. Blood loss can then occur immediately and lead to death within a very short time. This risk is particularly high when dialysis is unsupervised, for example during treatment at home or overnight – both methods that in principle are particularly compatible for many patients and that produce very good results. Dialysis machines do have an integrated alarm function – they continuously measure the pressure in the extracorporeal system, i.e. the cycle outside of the patient's body, and respond with an alarm if the pressure drops sharply, causing the blood pump to stop and the venous clamp to close so that no more blood can leave the patient's body. However, so far the measurement technology in standard dialysis machines is not capable of reliably recognizing all the potential causes of blood loss and reacting quickly enough. After all, the difference in pressure can be minimal, comparable to the drop in pressure caused by the patient coughing or slightly changing the position of his arm. If the standard measurement technology of the device was sensitive to this distinction, the result would be constant false alarms, which would prevent effective treatment, make the patient very anxious, and possibly even result in the nursing staff stopping to pay attention after a while.

For this reason, the dialysis industry has been working for many years on developing systems to protect patients better from blood loss. One example is the wetness detector, a sensor that reacts to moisture, which we also use in our own dialysis clinics. However, in order to react, the device must be positioned directly where the blood is leaking. Fresenius Medical Care is therefore currently working on a new safety system based on innovative software: Venous Needle Disconnect (VND). The system is capable of intelligently analyzing extracorporeal pressure signals: It is able to recognize common disturbances as such and reacts to potentially dangerous, subtle pressure irregularities – for example caused by a needle slipping, or by leaking or bent bloodline sections – and responds with an alarm that activates the necessary safety reactions of the dialysis machine. We intensively tested the VND system in 2010 and intend to integrate it into the monitor of our dialysis devices of the 4008 and 5008 series, for both home as well as clinical use, as of the current business year. Although the risk of a blood loss cannot be completely avoided even with VND, we are convinced that the new system offers a particularly reliable technology for which there is no comparable alternative in the dialysis market to date.

Focus on the concomitant diseases of kidney failure: The Body Composition Monitor

For many years, cardiac and vascular diseases have been one of the most frequent causes of death for dialysis patients in all age groups. The primary trigger was generally thought to be permanent fluid overload. This is typical for chronic kidney failure, because the body is no longer able to naturally excrete excess fluid. However, it used to be difficult to precisely determine to what extent a patient was overhydrated – until Fresenius Medical Care developed the Body Composition Monitor (BCM). This device is capable of precisely measuring the composition of the human body and its fluid status. Thanks to the BCM – together with the analysis procedure developed by Fresenius Medical Care – it is finally possible to conclusively and methodically demonstrate that once it reaches a certain level, fluid overload represents a significant mortality risk, and that correcting this condition can significantly increase the patient's life expectancy.

Since we first launched the BCM in 2007, both our own and external research on and with this diagnostic tool have advanced significantly. Confirming general expectations, studies carried out in the meantime have demonstrated that a significant number of hemodialysis patients (around 25%) have permanent fluid overload at a critical level. With the help of the BCM, it is now possible to identify at-risk patients, who would otherwise be completely

unremarkable from a clinical aspect. A new finding presented by both our own and external researchers at expert symposiums and in scientific publications in the reporting year concerns peritoneal dialysis (PD) patients. Previously, it was assumed that PD patients suffer from fluid overload less often, but without the evidence of clinical data that would have held up under scrutiny. Thanks to the BCM, it has now been proven that there are even more "hidden", in other words clinically unremarkable at-risk patients in the PD population than there are with hemodialysis.

A study published last year by an international team of Fresenius Medical Care researchers confirms that the BCM provides medical staff with an objective benchmark for a patient's fluid levels, and that the fluid overload, and thus hypertension, can be reduced by means of a corresponding therapy. In turn, for patients with a low fluid volume, the BCM diagnosis helped to reduce specific complications during dialysis. Another connection that is becoming increasingly obvious in our work with the BCM: Fluid overload can diminish the efficacy of medication administered to combat the concomitant diseases of kidney failure – a critical insight for attending physicians.

Based on these clear results, the BCM is gaining significance at Fresenius Medical Care as an instrument for controlling the fluid levels in patients with chronic and acute kidney failure, and therefore also for detecting and treating concomitant symptoms. For example, in the year under review we integrated this diagnostic device into PatientOnline, our data management system for PD patients. This means that BCM data can be imported directly into the data management system for PD treatment and directly influence the calculation of the correct dialysis dose.

Technologies for the growing number of patients: The urea membrane

As we mentioned in the 2009 annual report, an interregional team of experts at Fresenius Medical Care has been working for several years on the development of a wearable artificial kidney – a dialysis device that is so small and light that patients can wear it directly on their body. It is particularly similar to a real kidney and its natural function as it is continuously in operation. We see great potential in the long term for such a device, not only because a wearable kidney would grant the patient much more freedom and mobility: Since the blood is continuously being cleansed, this procedure also promises to deliver good results. In addition, in light of the steadily growing number of patients, it can help to solve the problem of limited capacity in clinics in the long term and allow more patients to be treated in a cost effective manner.

The idea of a wearable device for dialysis is not new: Scientists have been working on it for almost 40 years, but so far without marketable success. We believe that the system we are currently working on is the first real chance in many years to achieve a true breakthrough in the treatment of patients with chronic kidney failure. Our many years of technological experience and expertise give us a clear advantage in developing this device and are in our opinion crucial for finding a marketable solution. We have consolidated our expertise through acquisitions: After purchasing the U.S. company Renal Solutions Inc. in 2007 – a specialist in the recycling of used dialysate through sorbents, which plays a crucial role in decreasing the size of dialysis machines —— *see following paragraph* – we acquired the California-based medical technology company Xcorporeal in the reporting year; this company is working on promising sorbent-based solutions for mobile and wearable dialysis machines for clinical and home use.

A wearable system must work with far less dialysis solution than standard peritoneal or hemodialysis procedures. The challenge is therefore to reduce the quantity of dialysis solution from 175 to 360 liters per week at present (depending on the procedure), to approximately 150 to 500 milliliters of solution that circulate inside the device and can be reprocessed repeatedly. This recycling is performed by the sorbent substances mentioned above that effectively bind the toxic agents and waste product in the solution (adsorption). However, one notable exception is urea: Up to now, no sorbent has been able to bind it with satisfactory results. To effectively remove urea from used dialysis solution, Fresenius Medical

Care has developed an innovative hollow fiber membrane. It consists of two layers with a structure and composition that actively help to transport substances: The membrane's functional coating enables urea to be transported out of the dialysis solution, while retaining the electrolytes that are crucial for survival. The urea is chemically split by an enzyme in the outer part of the hollow fiber. The ammonium released by this process is bound by sorbents; any residual toxic ammonium is unable to reinfiltrate the dialysis solution.

The development of the multi-layered functional membrane was made possible by our decades of experience in the production of polysulfone membranes. Fresenius Medical Care developed this particularly high-performing and blood-compatible type of membrane and has used it as a core element in its dialyzers since the 1980s in a continuously improved form. The material has since become established as a valuable worldwide therapy standard in blood purification procedures. The new, multi-layered membrane is based on an innovative micromechanical silicon-based technology. This technology is used to produce the microscopic spinning nozzles required for processing several membrane materials, including polysulfone, in several layers at the same time. We have already filed a number of patent applications for the complex design of these nozzles.

The first practical result of the new spinning process is a dual-layered urea membrane that we now intend to further optimize for use in a wearable artificial kidney. But in principle, the technology is interesting for all sorbent-based dialysis devices that rely on the dialysis solution being recycled, so that ultimately patients outside of clinics can be treated more flexibly.

Holistic quality and resource efficiency: Integrated solutions for dialysis clinics

We want to offer patients in our own clinics and our customers' patients top quality at an affordable price. One approach we are pursuing more and more to increase quality and cost efficiency in equal measure is to offer integrated therapy systems and software solutions. By bundling products in this way, it is possible to improve therapeutic performance on the one hand and to record and monitor it better on the other. This should not only result in higher treatment quality, but also a more efficient use of personnel as well as medical and financial resources. More information about the growing demand for integrated services can be found in the "Opportunities" section —— *starting on page 123*.

One example of such a therapy system is our new 2008T hemodialysis machine, which we developed for the U.S. market in close collaboration with the Renal Research Institute (RRI) —— *see page 75*. Following approval by the FDA (American Food and Drug Administration), we launched the device in November 2010, on the occasion of the ASN Renal Week (American Society of Nephrology), the most important industry sector conference in the U.S. The 2008T has already proven a success: We received numerous orders even prior to introducing it on the market.

The 2008T is the first approved hemodialysis machine on the U.S. market with an integrated software platform for entering and managing clinical treatment data directly at the treatment couch. The new module is designed to assist physicians and clinic staff in efficiently and promptly recording the data required by the authorities for billing services pursuant to the new reimbursement system; see "Health and reimbursement systems" section —— *starting on page 49*. In addition, it is supposed to generally help simplify the daily clinic routines and further improve clinical data and quality management. The 2008T can be connected to various data management systems used in U.S. dialysis clinics, making it particularly flexible. Several providers of dialysis-related software have already had their software certified for use with the new device. In addition, we are currently testing an integrated infusion pump for intravenously administered iron compounds developed specifically by us for the 2008T and already approved by the FDA. This pump is designed to make it easier for clinic staff to dose and administer the iron exactly, thereby further increasing patient safety. We intend to start marketing the new module this year.

In the International segment, we worked on further developing our software and service offer for clinical

data management, the TDMS (Therapy Data Management System), in the year under review. Here, too, the trend is toward integrated system solutions that can capture all routine clinical procedures, from the treatment data of individual dialysis or diagnostic devices up to the central medical data management system. In this way, the system solutions help to make processes more efficient, increase data quality and continuously improve the quality of treatment. In 2010, we coordinated the various products in the TDMS even more closely to better support the nursing staff in dialysis clinics.

One example is the dataXchange panel (dXp), a software platform for managing treatment data. It is integrated into the monitor of our 5008 series hemodialysis machine and was introduced to the market in 2007. We significantly enhanced the functions of the dXp in 2010 so that it now captures all the steps required for dialysis treatment and displays them on the 5008 dialysis system monitor. This includes calculating excess fluid in the patient's body based on his weight; this data is required to individually adjust the dialysis dosage. Apart from the patient's weight prior to treatment, the calculation includes the amount of fluids the patient will consume in the form of beverages during several hours of treatment. In addition, the dXp captures the patient's individual treatment settings, i.e. clinical quality goals such as target Kt/V values —— *see page 83*, the duration of each dialysis session as well as the treatment parameters prescribed by the patient's physician, for example the blood flow in milliliters per minute or the composition of the dialysis solution. The new dXp stores not only the patient's drug regimen, but also the exact specifications of the consumables used during the patient's dialysis, for example the type of dialyzer or the selected dialysis concentrate. Last but not least, the panel now also indicates if the dialyzer was disinfected after treatment – providing the nursing staff with valuable assistance and an additional tool to increase patient safety. These improvements significantly strengthen the role of the dXp as an efficient data interface between the treatment couch and the clinic's central quality management data system.

In the year under review, we also enhanced the medical data management system PatientOnline as an integrated solution in the peritoneal dialysis sector. For the first time, it is now available not only for individual users – usually the attending physician – but for several trained users, as a joint data base. The new version of PatientOnline is currently undergoing field testing; we plan to introduce it in 2011.

Clinical research

In addition to developing innovative products and procedures as well as enhancing existing ones, known as sustaining engineering, our employees also carry out clinical research on chronic kidney failure, dialysis and technologically related blood-purification procedures. For example, in 2010 we presented the results of a study that was one of only a few scientific publications to deliver first meaningful data on blood purification treatment for patients with liver cirrhosis and a rapid drop in their liver function. The study examined the effectiveness of treating this serious illness with the Fresenius Medical Care Prometheus system compared to purely standard therapy, with the following results: Although Prometheus did not lead to a higher patient survival rate overall, for certain patient groups – namely patients with a particularly severe limitation of liver function as well as patients who also suffered from kidney failure – Prometheus increased the survival rate by 36% compared to standard treatment.

Even though the difference compared to standard treatment was not considerable for all groups, the results of the study are important for Fresenius Medical Care: The study shows that with certain symptoms, detoxification with Prometheus can significantly contribute to stabilizing patients long enough for their liver to regenerate or to perform a life-saving liver transplant. Considering that this discipline is still at an early stage, this is an important signal that our research and development is on the right track. We will continue to pursue this path over the next few years, internally as well as with external partners, to gradually improve the situation for patients with what continues to be an almost untreatable, life-threatening illness.

EMPLOYEES

In 2010, a total of 503 employees (full-time equivalents) worked for Fresenius Medical Care in research and development worldwide (2009: 477). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers. With close to 335 employees, our largest R&D unit is in the International segment; charts 2.3.4 and 2.3.5 provide an overview of their level of education and their professional background. Most of our R&D employees work in our German Schweinfurt and Bad Homburg facilities, with smaller teams in St. Wendel (Germany) and in Bucharest (Romania), where an R&D competency center specializing in software development has been set up. In addition, we have R&D teams in North America and the Asia-Pacific region.

In September 2010, a new R&D department for sorbent technology —— *see glossary on page 161* with six employees started working in Krems in Austria. Fresenius Medical Care has been manufacturing products for various sorbent therapies in Krems since 2003 – for the Prometheus system for removing toxins from patients with liver failure, for procedures to remove antibodies from the blood stream of patients with severe autoimmune disorders, and most recently for the DALI procedure to treat familial hypercholesterolemia, a hereditary metabolic disorder. Over the next few years, we intend to expand our facility in Krems into a competency center for sorbent technology, as we consider this technology to have great potential for new blood purification applications and therapies.

NUMBER OF EMPLOYEES IN R&D

Table 2.3.3

Full-time equivalents

	2010	*2009*	*2008*	*2007*
TOTAL	**503**	**477**	**415**	**372**

COOPERATION IN RESEARCH

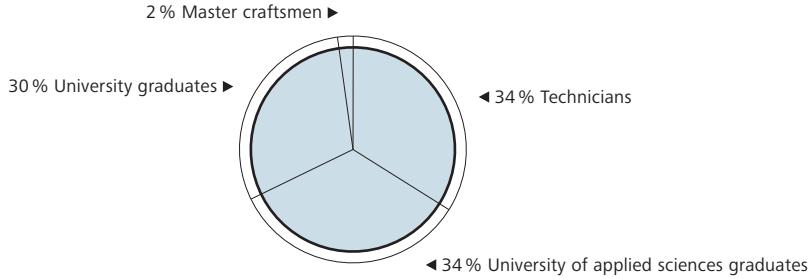
We work with universities and research institutes around the world that operate in our specialist field. One example is the Danube University Krems in Austria, whose research into extracorporeal blood purification processes with sorbents we have been funding for almost twenty years. This long-standing partnership with an excellent team of specialists was ultimately one of the reasons why we decided to invest further in our Krems facility —— *see page 74*.

We also maintain close contact with research institutes in the U.S., such as the Renal Research Institute (RRI). The RRI was founded in 1997 as a joint venture between Fresenius Medical Care North America and the Beth Israel Medical Center, a hospital in New York. It is now recognized as a leading institute in the field of clinical treatment and research into chronic kidney failure. Together, we are tackling some of the fundamental issues of dialysis treatment. These include the complex causes that lead to kidney failure, the particular features of treating children with end-stage renal disease, or issues such as the mineralization of dialysis patients' bones or the effects of kidney diseases on the natural acid-base balance in the human body.

We mainly conduct research and development projects with our own employees and research departments. So far we have only used the services of third parties for this purpose to a limited extent. When cooperating with national and international universities and other scientific institutions, we use various financing models. Some of our research alliances are also publicly funded.

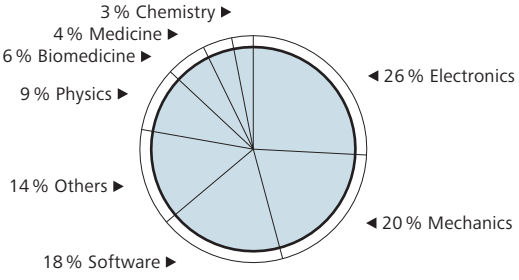
LEVEL OF EDUCATION OF R&D EMPLOYEES IN THE INTERNATIONAL SEGMENT

Chart 2.3.4



PROFESSIONAL GROUPS OF R&D EMPLOYEES IN THE INTERNATIONAL SEGMENT

Chart 2.3.5



INNOVATION PROCESS AND CULTURE

At Fresenius Medical Care, each product idea undergoes a structured development process with clearly defined project phases, milestones and reporting lines. This ensures that we only pursue ideas that create added value for our patients, customers and the Company. A further factor that contributes to the success of our research and development is our open innovation culture, especially our lively professional, creative and personal exchange of ideas, both within and outside of the Company.

At the core of this culture is the vertical integration of our Company, in other words the fact that we develop, manufacture and sell dialysis products at the same time as offering dialysis treatments. Our R&D teams therefore benefit directly from the opinions and experience of patients, nurses and physicians in Fresenius Medical Care's clinics – a significant advantage over the majority of our competitors. Our R&D employees also exchange their knowledge regularly with the technical and sales departments, for example on quality assurance and quality improvements. Annual internal conferences give R&D employees from all regions the opportunity to discuss joint projects as well as overriding issues and trends in the field of dialysis. Our employees also visit international research events where they contribute to scientific discourse. This enables them to bring back new ideas to their teams and at the same time strengthen the Company's excellent reputation in the international professional community. Finally, we take a look at industries in fields other than dialysis: A number of our employees work primarily on analyzing new technologies in other industries to see whether they offer synergies for our development work.

Our innovation culture also means that we carry out research and development responsibly. For more information on what we mean by this, see the "Responsibility" chapter —— *starting on page 96*.

Chapter 2.4

OUR PRODUCT BUSINESS

FROM PROCUREMENT TO SUPPLY CHAIN MANAGEMENT

As an industry leader with long-standing experience in dialysis, Fresenius Medical Care has access to extensive Company resources in its product business: production capacities in all regions, know-how on all aspects of highly complex manufacturing technologies and processes, as well as extensive expertise in quality management, procurement and logistics for sophisticated medical products. We intend to capture this potential for growth to an even greater extent with our new GMO (Global Manufacturing Operations) division. Since 2010, this unit has coordinated all key activities in connection with our products worldwide and is responsible for actively promoting the transfer of knowledge and technologies between regions.

OUR PRODUCTION SITES

Fresenius Medical Care has more than 40 production sites around the world. Our largest sites in terms of production volume are in the U.S., Germany, and Japan; an overview of our major production facilities worldwide can be found in chart 2.1.1 —— *on page 32*. We produce hemodialysis (HD) and peritoneal dialysis (PD) equipment at two locations: in Schweinfurt (Germany), and in Walnut Creek, California (U.S.). Other products are manufactured directly in regions where demand for them is particularly high: Dialyzers and the corresponding hollow fibers, for example, are made and assembled at our facility in Ogden, Utah (U.S.), as well as in St. Wendel (Germany), in L'Arbresle (France), and in Buzen (Japan). Concentrates for hemodialysis are manufactured at different sites across the globe, for example in Germany, Italy, Turkey, Morocco, the U.S., Argentina, and Australia. PD solutions and disposable PD products are also produced worldwide. Our production sites in St. Wendel and Ogden provide the majority of our PD solutions. In terms of production volume, our plant in Reynosa (Mexico) is the largest production site for bloodlines both within the Company and worldwide.

REORGANIZING OUR GLOBAL PRODUCTION

Our products are available in more than 100 countries around the world. The market conditions here can vary greatly – from their legal framework right up to patients' and customers' specific culturally-defined needs. Since it was founded, Fresenius Medical Care has successfully accommodated these differences with a differentiated product portfolio and a decentralized company structure. Production and key areas along the production chain such as product quality management, strategic procurement, and supply chain management have so far been largely the responsibility of the individual regions.

This strong regional presence will continue to give Fresenius Medical Care an important competitive edge, because local differences still influence our product business. The fact that we are aware of these creates trust in our Company – an important prerequisite if we not only want to offer products in a market but also open our own dialysis clinics there. At the same time, chronic kidney failure is becoming an increasingly global problem, bringing markets closer together in the long term. The number of dialysis patients is growing worldwide, accelerated by the aging population in richer countries and greater affluence in poorer ones. Obesity, diabetes and hypertension – typical precursors of chronic kidney failure – are on the rise in all parts of the world, as are concomitant diseases such as cardiovascular conditions. Governments are committed to offering their populations new and better treatment methods, but at the same time face the challenge of growing health costs, regardless of their stage of development.

These developments do not affect our basic objective to improve patients' quality of life with the help of innovative technologies and high-quality products. However, they do add weight to one decisive factor – costs. In the long term, customers worldwide must be as satisfied with the price of our products as they are with their features so that they continue to buy them as their product of choice

and we remain the market leader. We have been continuously improving our processes in individual regions for years to ensure that our products and services are as cost-efficient as they are high-quality. In the future, we intend to make even better use of this potential. For this reason, we created the Global Manufacturing Operations (GMO) division in the year under review and appointed a Member of the Board responsible for it.

In January 2010, GMO took over the task of centrally managing all major areas of the Company related to our product business. This basically means that our expertise in the areas of production technologies and processes, quality management, strategic procurement and supply chain management will be closely coordinated across all regions. The purpose of this is to:

- further increase the efficiency of our processes,
- better manage risks, and therefore costs,
- improve returns on our invested manufacturing-related capital.

The section below shows how we break these targets down into tasks and activities.

GMO'S TASKS AND ACTIVITIES IN THE YEAR UNDER REVIEW

After consolidating our existing regional units for production, quality management, and procurement as well as parts of our supply chain management into the new GMO division, the division encompassed approximately 11,000 employees and over 40 production operations in more than 30 countries at the end of 2010. We were able to fill the management positions in GMO internally, yet with a balanced international team. We assume that GMO will continue to improve the cooperation between regions in the future and further increase the mobility of our employees.

The following sections provide more detail on the individual tasks of GMO.

Production

Since January 2010, our production sites that were previously organized at a regional level have been fused into an integrated production network, coordinated by GMO. This should allow the individual facilities to coordinate their activities more closely. In a first step, we analyzed our global production capacities and competencies to see how transferring knowledge and technologies, harmonizing processes, as well as aligning our terminology and reporting could help us to further improve our overall cost management and production performance.

Facilities with long-standing experience in manufacturing particular products have now become Company-wide competence centers. In future, they will use their know-how in core technologies and materials to advise our decentralized production sites on synchronizing their processes. The sites at St. Wendel (Germany) and Ogden (U.S.), for example, will be responsible for hollow fibers, and the plants in Reynosa (Mexico) and Cremona (Italy) for bloodline systems. GMO intends to use this approach not only to transfer best practice between the regions and sites but to provide an even more effective interface with research and development.

At the same time, we are assessing new opportunities for regions to supply each other with products and components, thus further increasing the efficiency of production. However, the intention is not to standardize our production lines worldwide. On the contrary, we want to retain our competitive advantage of being able to tailor our products to different needs. If, however, our products can be adapted to local requirements while using the same core materials and technologies, this will allow us to use our production capacities worldwide more flexibly and efficiently to meet customer demands. For instance, our Reynosa facility as a competence center for bloodline systems now closely coordinates its production with that of the Jiangsu site in China. Thanks to harmonized processes as well as standardized materials and product components, the entire Company will now benefit from production

capacities and comparatively low production costs in China.

Our regions are already closely involved with the GMO team, for example in the annual and long-range production planning processes. We also want to continue aligning our processes worldwide by setting up standard IT systems for production at our plants in the next few years. GMO has also given new impetus to our efforts to coordinate HR development in production across regions: By creating attractive development perspectives for employees in our global production network, we hope to benefit from the expertise of our highly qualified engineers, process technicians, site and production managers for as long as possible. In addition, by cultivating promising young employees with targeted measures, we should be able to retain qualified candidates for succession planning in production and process development.

Quality management

We want to offer our patients and customers worldwide the best possible product and treatment quality. To this end, Fresenius Medical Care applies extensive quality management systems in its regions. These regulate and monitor compliance with quality and safety standards for all of our products and technologies – from their development and production to market approval and use in clinics, right up to training customers and dealing with complaints. The quality management systems combine internal rules and processes with the requirements of external standards and guidelines, which are relevant for our business both in the individual regions and internationally. These include the ISO norm 9001:2000 for quality management systems and the related ISO norm 13485:2003 for the manufacture of medical products, the guidelines of the U.S. Food and Drug Administration (FDA), the EU Medical Device Directive (MDD) or Good Manufacturing Practices (GMP), the latter being sets of rules to ensure the safe and high-quality production of pharmaceuticals and medical devices. In addition, our plants have been applying recognized tools such as Lean Management and Six Sigma in their quality management for years, helping us to further improve the quality and efficiency of our manufacturing operations.

We work closely with the local authorities in the regions to solve potential problems related to quality management in a timely manner. In addition, efforts to link quality issues Company-wide have long played an important role: Some of our production sites are certified according to multiple regional quality standards. This allows us to deliver our products flexibly to markets worldwide while minimizing potential risks related to supply security. Thanks to our GMO division, we will be able to pursue this strategy even more intensely than before to obtain multiple certifications for further sites. In addition, we intend to harmonize quality management for all of our products. If we use similar processes and systems to assure and improve quality in all regions and exchange our knowledge, we will be able to manufacture our products more flexibly and more efficiently around the world, as well as controlling risks in complying with both our own standards and external regulatory requirements even more effectively. This approach, too, will help to avoid costs and create value for the Company as a whole.

In the year under review, we created for the first time the positions of a global quality manager and a central manager for Lean Management and Six Sigma projects for production. One of the projects we have been pursuing since setting up GMO has been to coordinate our complaint management: We have developed standard criteria in all regions for recording and evaluating customer complaints; in addition, we introduced a new reporting structure that will allow us to report consistently on the results. This should enable us to identify areas for improvement faster and more easily, and to develop new methods and targets to solve potential problems. As a next step, we plan to set up a cross-regional data management system for complaint management as well as for documenting our quality processes internally.

GMO's tasks also include standardizing our internal quality management audit process and integrating Lean Management and Six Sigma resources and activities across the world to further enhance our operational efficiencies. In the year under review, we initiated cooperation between all regions in this area, which had previously been the responsibility of the individual regions, in the form of benchmarking and sharing best practices.

Strategic purchasing and materials management

As we continue to consistently pursue our growth strategy, and because the markets are becoming more and more international, it is increasingly important that strategic purchasing at Fresenius Medical Care closely observes regional as well as global developments in the procurement markets and individual currencies. This allows us to benefit from international price advantages when sourcing raw materials and components for our production and to better compensate risks, i.e. potential costs, for instance in conjunction with currency fluctuations or dependency on individual suppliers. In future, we want to make greater use of these advantages with our new GMO division through increased collaboration between our strategic purchasing teams.

To this end, our two centers for strategic purchasing – one in Germany (Bad Homburg) and the other in the U.S. (Ogden, Utah) – closely aligned their procurement strategies in the year under review. In doing this, they are pursuing two main objectives: to ensure an efficient and flexible supply of raw materials from the different currency areas and to manage our relationships with the Company's most important suppliers even more effectively. A particular focus was placed on the projects described below in the year under review.

Securing an efficient and flexible supply of raw materials

Cross-regional project teams systematically assess which raw materials or components are required by more than one production facility or region, and coordinate tenders and negotiations for their procurement. Our two sites for dialysis machines in Schweinfurt and Walnut Creek are prime examples by better aligning their raw material requirements and supplier network, enabling them to capture synergies to a greater extent than before. Moreover, to manufacture products flexibly throughout the Company, we intend to supply all of our plants with raw materials and components of a consistent quality. To achieve this, we will continue to seek suppliers who consistently demonstrate high quality performance and the ability to meet strict product specifications, including multinational suppliers who can produce and provide raw materials in more than one region.

Managing relationships with the Company's most important suppliers

We want to provide our customers with medical products of the highest quality and, at the same time, at the best price. To this end, our procurement strategy is aimed at purchasing high-quality materials and components in a long-term mutual relationship with our suppliers and at optimal economic conditions. Aided by supplier management, we carefully select our suppliers according to their suitability and performance, develop innovative products and processes together with key providers, and simultaneously avoid risks relating to our supply of raw materials, for instance, avoiding dependency on one or a few suppliers for key raw materials or components. Furthermore, in the year under review we introduced a new risk management system within GMO for our most important sources of materials, components and parts worldwide. This allows us to proactively monitor our supply of key raw materials as well as our relationships with strategic suppliers across regions, according to uniform criteria, and thus identify potential risks even earlier. Among these criteria are: consistency in quality, short- and medium-term supply availability, the likeliness of natural disasters as well as currency risks.

Supply chain management

In supply chain management, GMO is responsible for all activities within the North America segment – from the distribution of raw materials to our production

sites all the way through customer delivery of our products. Within the International segment, GMO is responsible for a part of the supply chain, from raw materials through finished goods delivered to our central distribution centers, such as Biebesheim (Germany). Further steps lie within regional responsibility. We also intend to strengthen the cooperation between the GMO production network and our regional supply chain management teams. The aim is to make our supply chain management altogether more efficient by avoiding as far as possible risks such as planning production quantities insufficiently or distributing production orders to our sites inefficiently.

In the International segment, for example, we introduced a new forecast and demand planning system in 2010 for our most important disposable products, initially for bloodline systems; from 2011, it will be extended to dialysis solutions and dialyzers. Thanks to the new system, we can for the first time plan and manage all tasks along the supply chain for these products across all regions and locations within the International segment. The demand reported by sales is continuously coordinated with production capacities and inventory management within the GMO network. A special distribution logic ensures that production orders for the same products and manufacturing methods are efficiently spread between the relevant production sites. Thanks to standardized technologies and quality systems, the plants are able to flexibly adapt the quantities of the individual products they manufacture to the requirements of sales. If, for example, demand for a product primarily manufactured at one particular site goes up temporarily, a second facility can increase its capacities for this product at short notice and help produce it.

The new system for forecast and demand planning is based on the SCALE initiative. In 2009, we commenced work on SCALE in the EMEALA region (Europe, Middle East, Africa, Latin America) and we will continue working on it until the end of 2011 with different measures to boost and harmonize the flexibility and cost-effectiveness of supply chain management. Apart from standardizing the planning of production demand and inventory management, these measures also encompass automatic supply management, ensuring that our national warehouses are refilled when their inventory reaches a defined minimum level. In this way, we intend to further enhance the service quality as well as the cost efficiency of our supply chain and achieve savings in the millions.

Chapter 2.5

OUR DIALYSIS SERVICE BUSINESS

FROM OUR THERAPY CONCEPT TO SERVICES FOR PATIENTS AND PARTNERS

As a vertically integrated dialysis company, we not only supply our products to customers, but we also use them in our own clinics on a daily basis. Our entire business benefits from this. The direct interaction with patients, doctors, and dialysis personnel helps us to constantly improve our products and services, and ensures that we never lose sight of the needs of our most important stakeholders. Our unique experience as a provider of dialysis products and services increasingly makes us a valued advisor for healthcare partners, opening doors to new markets.

THERAPY CONCEPT OF FRESENIUS MEDICAL CARE

Similar to our vertically integrated business model —— *see chart 2.5.1*, we take a holistic view of quality when it comes to dialysis therapies and additional services. Our UltraCare brand in North America and our NephroCare brand in the EMEALA (Europe, Middle East, Africa, Latin America) and Asia-Pacific regions represent an integrated therapy concept that has set the standard in our clinics as well as for home dialysis. This concept is based on the following principles:

▸ Our quality standards for dialysis services focus on providing patients with the best available therapies.

▸ We use our own high-quality products, pharmaceuticals and procedures in our clinics and for home dialysis patients; these are being continually refined by our research and development team.

▸ We provide our patients with comprehensive therapy and medical advice from qualified, highly-motivated clinical personnel and physicians.

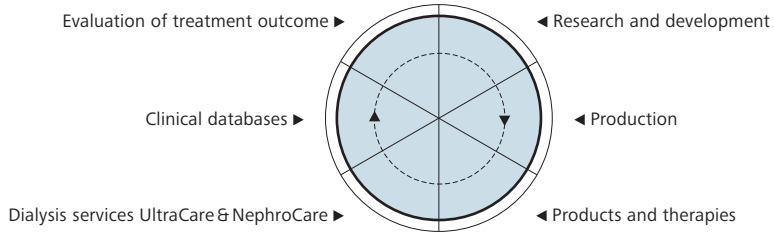
▸ We create a safe and pleasant atmosphere for both patients and employees in our clinics.

▸ We systematically improve our performance and efficiency levels by collecting and comparing our clinical treatment data on an ongoing basis, working according to both external and internal quality standards, and running our clinics in a professional manner.

In line with these principles, specific guidelines apply to our dialysis clinics relating to, for example, patient care hygiene in clinical practice, the design of our clinics, and the purity of water used in treatment. Specialist teams help our staff in the individual countries to implement these standards and ensure they are consistently met. As we aim to provide our patients with comprehensive care, our doctors and dialysis personnel in the clinics are assisted at times

FRESENIUS MEDICAL CARE: A VERTICALLY INTEGRATED COMPANY[1]

Chart 2.5.1



[1] *Company illustration.*

by nutrition specialists and social workers. To help patients better understand the issues of living with dialysis, we also provide our own educational material such as films and patient journals, including "PatientLine" in the U.S. and "NephroCare for me" in the EMEALA region.

In North America, the work carried out by various advisory boards helps us to further improve our standards and services. For example, a social work advisory board deals with the psychosocial concerns of patients and designs training programs for our social workers. A similar board for dialysis nurses develops guidelines and procedures for clinical care. Regional and Company-wide medical advisory boards assist us in cooperating with nephrologists to achieve the best outcome for our patients. The patient advisory board is made up of patients from all regions in the U.S. in which we operate clinics. Among other aspects, it advises us on how to make health educational material more readily understandable.

In our International segment, we also maintain a direct dialog with our patients to help us continuously improve our services. In Great Britain, for example, we held a roundtable for the first time last year for this purpose, which will now take place on a regular basis.

QUALITY MANAGEMENT

To monitor how well we deliver on the brand promises of NephroCare and UltraCare, we measure and compare our quality performance in our individual clinics as well as at a regional level using certain performance indicators. These are defined in the "NephroCare Balanced Scorecard" and "UltraScore" systems, among others. In addition to industry-specific clinical benchmarks —— *see Table 2.5.2 on page 84*, they also include our own quality targets for our service and educational offerings, for example. In the U.S., we present an annual "UltraCare Center of Excellence Award" to dialysis centers that meet our performance targets exceptionally well. In the EMEA (Europe, Middle East, Africa) region, we give awards once a year to the management of the countries that perform best in various categories, including the "Best New Country" award for countries in which the NephroCare Balanced Scorecard has been recently introduced.

Clinical quality data

With regard to treatment quality, our clinics work in conformance with the generally accepted quality standards of the industry, particularly the KDOQI (Kidney Disease Outcomes Quality Initiative) guidelines from the United States, the European EBPG standard (European Best Practice Guidelines) and increasingly the KDIGO (Kidney Disease: Improving Global Outcomes) guidelines, a worldwide initiative that is still at an early stage. Clinical data management systems are used to routinely collect certain medical parameters, which we evaluate in anonymized form in compliance with these guidelines. The goal is to measure and continuously improve the quality of our dialysis treatments. One of these parameters is the Kt/V value. It uses a "marker" to provide information on whether or not a patient was detoxified effectively during dialysis. The patient's body size is taken into account in calculating the Kt/V value. A marker is the concentration of a specific substance in the blood, which is indicative of a particular illness. In the case of chronic kidney failure, the marker used is urea, a substance that is eliminated in large quantities by healthy kidneys, but in the case of diseased kidneys has to be filtered out of the dialysis patient's blood by means of renal replacement therapy. Another quality indicator is the level of albumin in the blood. Albumin is a protein that is indicative of a patient's general nutritional status. We also aim to achieve a defined hemoglobin value for each of our patients in cooperation with their nephrologist. Hemoglobin is the component of red blood cells that transports oxygen around the body. Insufficient

hemoglobin is an indication of anemia, which is typical in patients with chronic kidney failure. Parallel to dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO), which is necessary for the formation of red blood cells. Finally, phosphate concentrations show whether dialysis and medication therapy are sufficient to reduce phosphate present in food. Healthy people excrete excess phosphate via the kidney, but a diseased kidney is unable to do this. If the phosphate concentrations in the blood are too high, they can lead to bone diseases, parathyroid gland damage, and vascular calcification. The number of days patients spend in hospital for reasons other than dialysis is also an important indicator for us; days spent in hospital significantly reduce the quality of life for dialysis patients and are also very expensive.

In addition, we monitor the number of patients dialyzed with a catheter —— *see glossary on page 157* as their vascular access, and attempt to further reduce this number through several initiatives. The reason for this is that catheters are associated with serious infections and more frequent hospitalizations. In the U.S., for example, such efforts (of which an example can be found —— *on page 87*) have resulted in a 5% reduction of patients using catheters in 2010.

Further information on quality data can be found in table 2.5.2.

Quality management systems

As at our production sites, we have set up quality management systems at our dialysis centers, which are regularly checked by third-party certification bodies. In Europe, for example, this is done by the TÜV (Technischer Überwachungsverein – Technical Inspection Association). These conformance and certification experts inspect our clinics in yearly audits to ensure that they conform with ISO 9001 as well as with the criteria of the TÜV standard "Good Dialysis Practice". In the U.S., our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a Federal health agency.

Nephrologists rely on extensive laboratory tests to tailor dialysis therapy to each patient. In 2010, our subsidiary for laboratory services, Spectra Laboratories, became the first medical testing laboratory in the U.S. to receive certification in accordance with ISO 15189-2007, a standard which defines quality requirements for medical laboratories. We also check our quality management systems on a regular basis using internal audits, carried out by employees that we train specifically for this task.

QUALITY DATA

Table 2.5.2

For the last respective quarter, in %

	U.S.		Europe/Middle East/Africa	
	2010	2009	**2010**	2009
Single Pool Kt/V > 1.2	97	96	95	95
Hemoglobin = 10–12g/dl	71	64	54	52
Hemoglobin = 10–13g/dl	89	88	77	77
Hemoglobin < 10 g/dl	7	7	12	11
Albumin ≥ 3.5 g/dl[1]	84	83	86	86
No catheter	76	73	82	83
Phosphate 3.5–5.5mg/dl	57	55	59	61
Hospitalization days per patient	9.9	10.0	9.7	8.6

[1] *International standard BCR CRM470.*

Quality surveys and projects

We also regularly carry out separate surveys to measure how satisfied our patients and clinic employees are. For example, according to a nationwide survey in the U.S. during the reporting year, 93% of clinic and home therapy patients were either satisfied or very satisfied with our services. We conduct this survey jointly with an independent partner every year as an integral part of UltraCare. Due to the growing number of Spanish-speaking immigrants in the U.S., it is carried out in Spanish as well as in English. In 2010, more than 65,000 people, approximately half of our patients in the U.S., filled out the comprehensive questionnaire on the quality of care and service. According to the respondents, Fresenius Medical Care's strengths include not only the fact that our staff adhere to strict hygiene standards but also the conduct of our caregivers, nutrition specialists, and social workers: The vast majority of our patients find them respectful, courteous, and caring. Areas in which we could improve include, for example, the waiting times prior to treatment, which some of the patients consider to be too long. Some patients would also like to see even more information offered on home dialysis, thereby affirming our strategy of providing special educational programs on this topic and continuing to expand on them —— *see page 87*. Each dialysis clinic can access the results of the survey applicable to their own facility. We provide them with a tool that allows them to evaluate the questionnaire and use the information as a basis for improvement.

In addition, we conduct regular surveys as part of our NephroCare therapy concept to identify opportunities for improvement, also among our clinic personnel. In this case our goal is to foster our employees' identification with the Company. Employee surveys are carried out in the individual countries every two years. In 2010, employees in Hungary, Slovenia, Poland, Romania, Portugal, Argentina and Colombia were questioned. Between 80 and 90% of clinic staff in the individual countries participated. The respondents especially appreciated the good facilities at their workplace, such as the state-of-the-art equipment and accessories for treating patients. Another conclusion drawn from the current survey was that the employees identify with the high level of Fresenius Medical Care's quality standards: Nearly all respondents would recommend the clinic where they work to relatives or friends seeking dialysis treatment. Employees would like more opportunities to exchange their professional experience, for example by attending more specialist conferences, and more support through further training in general. We want to focus on this area in the coming years as part of the NephroCare Excellence program —— *see following paragraph*.

In contrast to the North American market, our dialysis service business in the International segment is shaped by highly diverse and complex health care and reimbursement systems. We also enter new markets in this segment on a regular basis. In some regions, there is no care infrastructure in place at all for dialysis patients when we enter the market; in such cases, we are the first to invest in a sustainable care system in setting up our dialysis clinics. Dialysis centers that we acquire, on the other hand, do not always meet our quality and management standards at first. We launched the NephroCare Excellence program in the EMEALA region precisely because these standards are crucial to our patients' quality of life, for our employees' satisfaction and our economic success, and because, at the same time, we have to conduct our business under very heterogeneous conditions and are still growing. For the first time, NephroCare Excellence brings together in one comprehensive program all of our quality guidelines for planning daily clinic routines as well as successful quality and efficiency projects from different countries. The program is designed to support the individual countries in introducing NephroCare's quality standards and tools to all clinics efficiently, systematically and within a defined timeframe. Our goal here is to harmonize the routines in our network of

clinics, to make sure that clinic employees identify with the values of NephroCare, and to foster awareness of this still young brand both within and outside of the Company. In doing this, our aim is to continue improving the quality of our services as a whole.

The NephroCare Excellence program consists of several steps. Fulfilling the requirements at the individual stages places differing demands on the clinics. The first steps of the program stipulate that the clinics must introduce and implement the fundamental NephroCare quality standards within a set period. This entails, for example, accurately measuring the treatment quality on the basis of our clinical database, adhering to our guidelines regarding patient care and the production of ultrapure water for treatment, as well as introducing Fresenius Medical Care's compliance program. The later steps are concerned with further improving quality, partially building on the preceding ones. One example is the subject of communicating with patients. One of the requirements in this area is that patients in our clinics have access to informational material, such as our patient magazine, and to certain advisory services provided by our employees. The next NephroCare Excellence level requires the clinic to introduce tools related to empowering patients, i.e. to boosting their self-confidence and enabling them to actively contribute towards improving their quality of life. Examples of this are our patient survey and special training programs which instruct the patients in preparing healthy meals, taking care of their vascular access or keeping themselves physically fit. How the individual countries and their clinics are classified within the scope of the program, which goals are to be set and the timetable planned to accomplish them is jointly determined by local clinic management and a central NephroCare Excellence project team and checked regularly.

In 2010, we implemented the first NephroCare Excellence projects in countries in the EMEALA region. We plan to continue developing the program and add more content in the coming years to make it the backbone of our quality management. In the process, we will also incorporate the experience gained over the first phase of the program in the individual countries.

SERVICE FOR PATIENTS AND PARTNERS

For Fresenius Medical Care, a holistic understanding of quality means providing the best possible patient care, even beyond dialysis products and services. We therefore supplement our core offering as a dialysis company with advice for patients and health care partners as well as other services.

Patient education

The better informed kidney patients are about their illness and how they themselves can make a difference, the better the treatment results are likely to be. This is why Fresenius Medical Care places great value on providing dialysis patients with intensive medical advice and education. In the reporting year, we enhanced our educational services. One example is the "Thrive! with UltraCare" series, which we extended with a new range of videos and audio plays in 2010. In these, dialysis patients at Fresenius Medical Care clinics discuss subjects which many patients find difficult, but which can have a significant influence on the success of the treatment: Why it is crucial to attend all treatment sessions, for example, the importance of healthy nutrition, regular exercise, and limited fluid intake, and how to deal with depression. This is an issue rather often for patients due to the restrictions imposed by kidney disease. Our patients in the U.S. can watch and listen to the Thrive! materials either at the clinic or at home with their families. The program also comprises training modules to help our clinic employees empathize more strongly with patients. In this way, they can respond even more effectively to patients' needs, and motivate them to adhere to their treatment plan in a more disciplined manner.

Our Treatment Options Program (TOPs) is directed towards patients in the pre-stages of chronic kidney failure. In the U.S., we have been offering this free of charge in both English and Spanish since 2006 to educate patients and their families about the various treatment options for chronic kidney failure, from hemodialysis treatment at the clinic and peritoneal dialysis therapy at home to kidney transplants. We also explain to patients how important it is for the quality of their treatment to have an adequate vascular access prepared as soon as possible before starting dialysis as this minimizes the risk of infection and ensures good blood flow during treatment. It has been proven that access in the form of an arteriovenous fistula —— *see glossary on page 156* significantly reduces the risk of complications and additional days spent in hospital compared with a hemodialysis catheter. From September 2006 to October 2010, we already trained more than 146,500 patients using TOPs; approximately 90% of patients surveyed stated that they found the program useful in helping them make their choices. In the International segment, we use the Kidney Options program in much the same way as TOPs to give patients initial information about the course of chronic kidney failure, and the possible therapy options. This education series is now available in 28 languages and used in more than 40 countries.

Once patients finally begin dialysis, they often have difficulties coping with it at first as it changes their daily routine to a great extent: They need to schedule several hours for treatment a few times a week, and the range of food they are allowed to eat is restricted. Every day, patients are required to take numerous drugs, while greatly reducing their fluid intake at the same time. Many patients find it difficult to muster the necessary discipline for this treatment plan, especially when they know little about their illness. To provide these patients with even more intensive care outside of their clinic visits during this difficult initial phase, Fresenius Medical Care introduced the RightStart program in North America in 2010. We will gradually roll this out to all of our clinics in the U.S. During the first months of treatment, each new dialysis patient will receive a weekly visit or phone call from a dialysis case management specialist —— *see glossary on page 157*. This case manager provides patients with comprehensive information on the course of the illness and treatment, the importance of high-quality vascular access, a healthy diet, and specific treatment needs if the patient also suffers from diabetes (additional examinations and glucose testing). He or she answers patients' questions, and works closely with the dialysis clinic team so that treatment can be tailored as closely as possible to the needs of the patient. RightStart helps the clinic teams improve the quality of patients' life during the critical initial phase of therapy, while boosting their confidence. This is crucial, as patients can contribute greatly to the success of their treatment if they take initiative, use sound information and make the right decisions.

Advice for healthcare partners

In the complex and comparatively new medical discipline of dialysis, the ongoing training of doctors and nursing staff is just as important as providing advice to patients. The Advanced Renal Education Program (AREP) is our U.S. internet-based training program that deals with the treatment and care of dialysis patients. In it, we offer full and half-day seminars for nephrologists, as well as e-learning courses for doctors and nursing staff, for example. To an increasing extent, we also provide training on dialysis quality issues for physicians in Asia, Africa and the Middle East. In these regions, treatment standards are in many cases still being developed and demand for professional advice is accordingly high. Fresenius Medical Care also organizes conferences, lectures, and workshops around the world, working with international nephrology experts.

Moreover, we provide advice to health authorities and organizations. For example, Fresenius Medical Care supports a number of initiatives in Russia that

are committed to developing new quality standards for dialysis. This is made possible, among others, by a German-Russian non-governmental organization that coordinates joint projects between the two countries to improve medical care. In Russia, German healthcare companies are regarded as reliable and qualified partners, thanks to their expertise.

Other services

In addition to education and training programs, we offer a number of other services. One example is the national mail-order pharmacy Fresenius Rx in the U.S. Dialysis patients are typically required to take many different drugs each day. Since people with chronic kidney failure also frequently suffer from concomitant illnesses such as diabetes or cardiovascular diseases, they often receive prescriptions from different doctors. Fresenius Rx specializes in the needs of kidney patients, and assists them as well as doctors and clinics.

▸ A team of pharmacists checks all of a patient's prescriptions for any possible interactions, and combines them into a single list that is regularly sent to the patient's dialysis clinic and attending physician. This helps to ensure a transparent process and safe treatment.

▸ We ship the drugs to patients free of charge; they are notified when a new batch is sent. If a particular prescription needs to be renewed soon, we inform the doctor. This allows us to identify any irregularities in the patient's medication intake and to make their treatment more successful.

▸ A team of specialists is available 24/7 to answer any queries from patients or doctors.

Dialysis services in emergency situations

In the event of extreme weather conditions or natural disasters, such as severe storms or floods, professional emergency response teams from Fresenius Medical Care are called into action in North America. To enable patients to continue receiving their life-sustaining dialysis treatment during emergencies such as hurricanes, the teams coordinate emergency shelters, organize generators, distribute food and fuel, and allocate additional staff. Fresenius Medical Care North America's incident command center is in constant contact with the U.S.-wide Kidney Community Emergency Response Coalition (KCER). This is a network of different organizations and institutions, such as patient and professional nephrology associations, dialysis providers, hospitals, and authorities such as the Food and Drug Administration (FDA) and the Centers for Medicare and Medicaid Services (CMS). By working with KCER, we can closely coordinate our crisis management as needed with the activities of government emergency organizations, such as the Federal Emergency Management Agency (FEMA), a U.S. national coordination office for disaster relief, and the United States Department of Homeland Security, which FEMA reports to.

In 2010, the emergency response teams were mainly kept busy as a result of heavy snowstorms. Thanks to our emergency planning, we were also able to take care of patients of other dialysis providers. Another important area where we were able to help in the reporting year was Haiti, where we supplied dialysis equipment to the organization Doctors without Borders within 72 hours; more information on this can be found in the "Responsibility" chapter —— *starting on page 96* as well as in the magazine —— *starting on page 40*. In 2010, Fresenius Medical Care North America received an award from the U.S. branch of the International Association of Emergency Managers (IAEM) for its crisis management system and excellent cooperation with external crisis institutions. IAEM is an international non-profit association that is committed to professional crisis and disaster management worldwide with publications, seminars, and conferences, among other things.

In the EMEALA region, we have also established a crisis management organization in recent years. The aim

of this is to protect patients and employees in emergency situations, such as natural disasters or pandemics, and to provide the best possible care even under the most difficult conditions. Our 2009 activities concentrated on pandemics, in particular the H1N1 virus ("swine flu"). The effects of this virus on our business were very low thanks to our comprehensive emergency planning. We intend to further develop our crisis management in the coming years for other emergency scenarios. In the reporting year, our teams were in demand in Chile, following the severe earthquake in late February. We were able to put all but one of our clinics in this country back into service within 48 hours and organize care for patients of the single clinic that was not operational. Additionally, we sent water treatment specialists to the region, who also assisted public clinics and dialysis centers belonging to other private providers and worked closely with Chile's Ministry of Health to summon up the capacity to treat up to 400 additional patients from areas affected by the earthquake.

Chapter 2.6

EMPLOYEES

Fresenius Medical Care owes its business success and its leading position on the dialysis market to the commitment of its employees. To enable us to benefit from their experience for as long as possible, we offer them a rewarding working environment and good long-term prospects for professional growth. By recruiting new talent and supporting their development in our growing international Company with targeted measures, we are also investing in our own future.

EMPLOYEE DEVELOPMENT WORLDWIDE

At the end of 2010, 73,452 employees (full-time equivalents) worked for Fresenius Medical Care. Our workforce therefore grew once again, by 5,464 or 8% compared to the previous year. This rise was due to the continued organic growth of our dialysis services business and to acquisitions in all regions, especially with regard to dialysis clinics. In the reporting year, acquisitions accounted for 3.7% of our worldwide growth in employee numbers. No staff were laid off due to factory closures or similar measures in the year under review, continuing the trend of previous years. The number of employees has grown by an average of more than 7% a year in the past 10 years.

In the Asia-Pacific region, our staff count grew by 30% last year, giving it the highest growth rate in percentage terms, followed by EMEA (Europe, Middle East, Africa) with 12%. In 2010, our organic growth in these regions was supported by acquisitions, mostly in our clinic network. In Asia, this was due primarily to purchasing the clinic operator Asia Renal Care —— *see also page 50*. In all other regions, the number of clinics also rose again, and with it the number of employees.

At the end of the year under review, as in 2009, Fresenius Medical Care employed approximately 3,600 people in Germany, accounting for around 5.2% of the total workforce. This underlines our high degree of internationalization. The average age of Fresenius Medical Care employees in Germany was 41.8 years, up slightly on 2009 (41.1 years old). The average length of employment in the Company increased from 10.9 years in 2009 to 11.1 years in 2010. Our rate of staff turnover was again very low at 2.8% compared to 1.9% in the previous year.

Worldwide payroll costs at Fresenius Medical Care in the reporting year amounted to $3.97 BN, around 7% higher than in 2009 ($3.71 BN). As in the previous year, personnel costs accounted for around 33% of

NUMBER OF EMPLOYEES

Chart 2.6.1

Full-time equivalents

EMPLOYEES BY REGION

Table 2.6.2

Full-time equivalents

	2010	*2009*	*Change*
North America	44,129	42,175	4.6 %
Europe/Middle East/Africa	17,231	15,388	12.0 %
Latin America	6,951	6,467	7.5 %
Asia-Pacific	5,141	3,958	29.9 %
TOTAL	**73,452**	**67,988**	**8.0 %**

revenue. Average expenditure per employee in 2010 was $54 THOUS (2009: $54.6 THOUS).

HUMAN RESOURCES MARKETING AND RECRUITING

Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the Company: We offer internships, research, project and graduate programs, and work closely with higher education institutions so that talented young people can get to know us as an attractive employer early on. One example is our cooperation with the University of Applied Sciences Würzburg-Schweinfurt (FHWS). As this college offers students a very good education in the fields of business engineering, plastics technology, mechanical engineering, engineering IT and especially electrical engineering with a focus on medical and automation technology, many of its students and graduates are interesting as future employees for our Schweinfurt facility in particular, where we develop and manufacture dialysis machines. As a result, in 2009 we entered into an agreement with FHWS covering student excursions to our Schweinfurt plant as well as semester-long projects in various divisions of our Company.

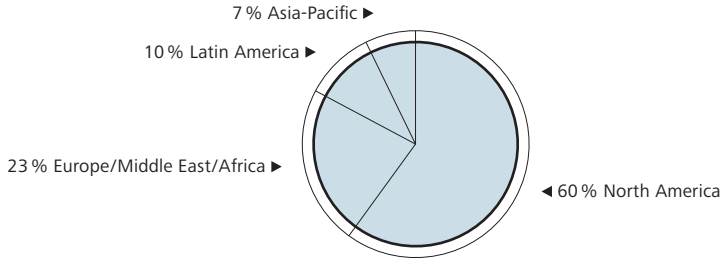
To enable Fresenius Medical Care to retain promising young employees, we train students together with FHWS in a work-study course in electrical engineering and in a course with in-depth practical training. As part of the latter, highly motivated and talented students work for several months in internships in the Schweinfurt facility or at Fresenius Medical Care's international locations. The question of how to adapt academic training in engineering and technical development to practical applications and future needs was a focus at the first Network Day, held in 2010 jointly by FHWS and Fresenius Medical Care in Schweinfurt: Under the motto "Building bridges – capturing synergies", more than 20 FHWS professors from technical faculties met with Fresenius Medical Care executives to intensify their cooperation and exchange views.

Our trainee program and Graduate Development Program also present attractive opportunities. Both enable highly-qualified university graduates to start on a project-based, specialist or management career in the Company. The 18-month trainee program prepares entry-level employees for a profession in a particular area, such as controlling or marketing, with internships lasting several months, one of which is generally abroad, as well as additional learning modules. The Graduate Development Program, in contrast, prepares young professionals over a period of up to twelve months for a career in a specific function in the Company, in Germany or abroad. Both programs include participation in seminars and workshops of the Fresenius Group with a focus on enhancing students' social and communication skills.

We also introduce our Company to young researchers beyond classic recruiting activities by cooperating with international institutions of higher learning in the area of research and development or supporting young scientists through doctoral scholarships, for example.

EMPLOYEES BY REGION

Chart 2.6.3



PERSONNEL DEVELOPMENT

We believe our employees should have the opportunity to use their personal and professional strengths and talents at Fresenius Medical Care to the best possible extent and to constantly improve these on a career path as specialist personnel, managers or project managers. To achieve this, we are committed to life-long learning, providing continuous feedback on performance and work quality, and offering professional challenges in line with employees' abilities, including working abroad, as part of our personnel development. Our human resources management team supports executives in implementing these tools throughout the Company with advice and comprehensive training.

Tailored employee training

In collaboration with the Danube University Krems in Austria, with which we also cooperate on research projects (see also "Research and development" chapter —— *starting on page 68*), we offer a part-time MBA program for qualified employees who have not had any formal business training. In this way, we as a dialysis company engaged in research can prepare scientists and physicians for management and leadership functions. We promote our research and development employees with a seminar program covering a wide range of subjects from project management to legal, scientific and technical topics.

As one of the largest employers of medical personnel worldwide, we place great value on providing training and further educational development opportunities to our specialized dialysis personnel. For example, in 2008, we introduced the UltraCare Clinical Advancement Program (UCAP) as a pilot personnel development program in the U.S. We have been expanding this pilot to further clinics in the past two years and continuously developing it based on our findings from regular focus group interviews with program participants. By the end of 2010, around 300 dialysis nurses had signed up for UCAP; we expect an additional 400 nurses to enroll by the end of 2011. The UCAP comprises five developmental levels and targets new and experienced employees in clinics as well as in the field of home therapy and acute dialysis. The program helps dialysis nurses to develop and expand their specialist knowledge and leadership skills and aims to retain them in the Company by preparing them for the next step in their career, such as becoming a clinical manager, a clinical educator

EMPLOYEES BY SEGMENTS

Table 2.6.4

	2010	*2009*	*2008*
North America			
Dialysis services	36,488	35,188	33,694
Dialysis products	7,557	6,916	6,752
TOTAL	**44,045**	**42,104**	**40,446**
International			
Dialysis services	19,647	16,413	15,180
Dialysis products	9,584	9,312	8,903
TOTAL	**29,231**	**25,725**	**24,083**
Corporate	176	159	137
WORLDWIDE	**73,452**	**67,988**	**64,666**

to patients, or a mentor to clinic staff. The program also includes training on the topics of clinical practice and treatment quality, thus educating participants in core areas of our comprehensive UltraCare therapy concept; see chapter "Our dialysis service business" —— *starting on page 82* for more information. In this way, it contributes to further improving the quality of our dialysis services. In 2011, we will roll out UCAP to further clinics in the U.S., with the ultimate aim of offering it to all our dialysis nurses in North America. As in 2010, this year we will again ask participants about their experience with UCAP, so that we can tailor the program even better to our employees' needs.

In the U.S., to support clinical managers on site and encourage them to set an example to other employees, in addition to the standard training courses, we also use programs like Mentor Connection, in which experienced clinical managers advise their new colleagues. We also recognize clinical managers who are particularly committed to their patients and employees and achieve excellent treatment results in their dialysis centers.

Top managers at Fresenius Medical Care take part in the Fresenius Advanced Management Program of Fresenius. In 2011, this program will be redesigned together with the Harvard Business School as a cooperative partner.

New forms of learning

A medium that is becoming ever more important in all facets of personnel development at Fresenius Medical Care is e-learning – digital training courses via the internet and intranet. At the end of 2010, around 11,500 employees had signed up to the Online Learning Center in the EMEALA region (Europe, Middle East, Africa, Latin America), almost twice as many as at the end of 2009. We also introduced an e-learning-portal in the U.S., the Learning Management System, in the year under review. This is now being used for compulsory compliance training for all employees and will be developed into a learning tool with a wide variety of content in the next few years. Fresenius Medical Care intends to integrate e-learning to a greater extent in personnel development in the form of "blended learning". By linking e-learning with direct communication in classroom teaching and hands-on learning at the workplace, we can efficiently prepare employees for the increasing complexity of our fast-growing international Company, while at the same time catering for their individual requirements in terms of learning speed, flexibility and mobility.

Vocational training for young people

In Germany, we are also investing in the Company's future by offering young people vocational training. Fresenius Medical Care has a very international outlook, with relatively few employees in Germany —— *see page 90*. However, since we train together with Fresenius, we can prepare young men and women for a variety of recognized trades, from electronics technicians for devices and systems, IT specialists and biological and chemical laboratory technicians to industrial business management assistants and industrial mechanics. In 2010, we again expanded our range of vocational training programs. For example, we offered a two-year industrial electrician apprenticeship training course in Schweinfurt for the first time. This program is also suitable for very good students from Hauptschulen (lower secondary schools). Starting in 2011, the facility will also train systems IT specialists.

In the reporting year, together with the Fresenius Group (not including their business segment Helios Clinics, whose training is coordinated separately) we provided 369 apprentices with vocational training. This raises the number of apprentices at all locations in Germany by 14 % (2009: +7 %).

In addition, in 2010, 49 students were enrolled in work-study courses, such as business information technology and international business administration that Fresenius offers in cooperation with several universities. In 2011, new work-study programs will be added, for example healthcare management. This course

combines international business administration with science and health policy content such as social and health insurance systems, and prepares graduates for a career in the health industry, for example at a pharmaceutical or medical technology company.

We also organize initiatives, such as the annual management simulation game, in which apprentices from all specialist areas, age groups and locations assume the role of an entrepreneur. In addition to their formal professional training, the young people also learn social skills that are crucial in professional life, such as team spirit and a sense of responsibility. Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the year under review, garnering local chamber of commerce and federal awards. In the last few years, we have been able to successfully recruit all apprentices and students of vocational colleges who completed their courses with good grades, and many of them have remained loyal to our Company. At the Schweinfurt location, for example, around 60% of all former apprentices who have completed vocational training programs since these were introduced 25 years ago are still working at the Company today. All work-study graduates who we employed in regular positions were still with Fresenius three years later, around half of them at Fresenius Medical Care.

Together with Fresenius, we cooperate with schools to organize information days, company tours, internships and job application training, with the aim of getting young people to consider a career at Fresenius Medical Care. Thanks in large part to these initiatives, and against the overall trend on the market, we again received more good applications for apprenticeship training in 2010 than in the previous year. We also support projects designed to improve young people's opportunities on the job market. For example, starting in 2011, we will offer internships as part of the Germany-wide "Joblinge" initiative with the objective of placing students from Hauptschulen in apprenticeship training positions. We also took part in Girls' Day again in 2010. The aim of this nation-wide action day is to interest girls in technical and scientific professions that are still considered the preserve of men.

Diversity

Fresenius Medical Care respects and promotes diversity. We are convinced that only through different views, opinions, cultural backgrounds and experiences the full potential can be tapped that has made us successful. One of the most important factors is the international background of our executives, in particular. To us, diversity also means to identify and further reduce any potential obstacles to the development and promotion of female employees. We endeavour to consider women also in future hiring decisions for leading positions which will be supported by concrete measures such as flexible working hours and part-time programs. However, we will not use fixed quotas to that end, as they would generally limit the selection of qualified candidates. We believe that an open corporate culture can only endure, when the recruitment and promotion of all employees are subject to the same conditions. Generally, the selection of employees needs to be aligned to the enterprise's interest, so that in filling of positions the qualification of each individual is of precedence.

PROFIT SHARING

We help our employees to identify with Fresenius Medical Care by giving them a stake in our Company's success. The annual bonus for all employees in Germany is tied to Fresenius Group's operating income (EBIT). In 2010, each eligible employee received €1,749 for the preceding financial year. Two-thirds of the amount were paid to employees in shares, while the remaining third was available as either cash or shares.

STOCK OPTION PLAN

Stock option plans allow our senior managers to participate in the Company's economic success and the development of the Fresenius Medical Care share. The stock option program was implemented in 2006 and is directly linked to the Company's success. Over a period of five years, senior managers receive a total of up to 15 M options for ordinary bearer shares. They can exercise these after a period of three years under the condition that the adjusted earnings per share increased by at least 8% in each year of the waiting period. If this hurdle is only cleared in one or two years, the options are reduced accordingly. If earnings per share fall short of the mark completely, the options are cancelled. About 650 executives worldwide took part in this program in 2010. A new program is planned for 2011 with long-term compensation components for the next five years. Further information on the stock option plan can be found in the financial report —— *starting on page 245*.

COMPENSATION TIME ACCOUNTS

To supplement our other working time models, we introduced compensation time accounts in Germany during the reporting year. In addition to a salary component in line with collective pay agreements, employees can "pay" value equivalents such as vacation days or compensation components into these personal time accounts, and use them later for their personal development, to take care of close relatives at home, or for a flexible transition to retirement. The aim of this program is to offer employees an attractive long-term perspective with the Company, and thereby benefit from their experience for as long as possible.

OTHER PROGRAMS FOR EMPLOYEES

At our locations, we offer various programs and initiatives to encourage our employees to come to work healthy, fit and motivated. This includes flexible working hours and part-time work models to help employees combine family and professional life, Company sports programs, events and information on health, as well as confidential counseling and other support services for employees with personal issues, which we offer in the U.S. with an external partner. Open days at our facilities and clinics, employee celebrations, and shared projects like charity campaigns help our employees to identify with the Company and its values.

PROFIT SHARING[1]

Table 2.6.5

	2010	*2009*	*2008*	*2007*	*2006*
Value *in €*	1,749	1,586	1,527	1,444	1,000
Number of eligible employees	2,918	2,765	2,581	2,483	2,436

[1] *Bonuses are paid retroactively and reflect the Fresenius Group's EBIT for the previous year.*

Chapter 2.7

RESPONSIBILITY

RESPONSIBILITY TO THE ENVIRONMENT AND TO OUR STAKEHOLDERS

As a vertically integrated dialysis company, we not only manufacture products related to dialysis and develop treatment procedures; we also use our products and procedures every day in our own clinics. As a result, our understanding of responsibility begins with our business model: By interacting directly with our patients, clinic employees and doctors throughout our global clinic network, we are able to keep the needs of our most important stakeholders in mind and continuously improve our services. We also work in concert with healthcare partners, international experts, and industry and patient associations to improve the quality of life for renal patients above and beyond our core products and services. By steadily expanding environmental management at our facilities and clinics, we can reduce the impact our business has on the environment while ensuring our financial success in the future. Our concept of responsibility is also rooted in Fresenius Medical Care's values: quality, honesty and integrity, innovation and improvement, respect and dignity.

RESPONSIBILITY TO THE ENVIRONMENT

Environmental management is a factor in our business success: It enables us to fulfill ever stricter environmental requirements and design our operational processes to use resources as efficiently as possible. Increasingly, it also helps our business divisions create added value for our customers with environmentally-friendly products and services. And last but not least, it ensures that we as a company take our responsibility to the environment seriously and act accordingly.

Environmental management in our regions

Our EMEA (Europe, Middle East, Africa), North America, Asia-Pacific and Latin America regions are stepping up their environment-related activities every year. The responsible environment managers develop short- and long-term local strategies, partly in cooperation with external consultants, to boost environmental protection in our production sites and clinics and promote environmental awareness among employees. Furthermore, they coordinate environmental audits carried out by external government agencies and institutions as well as our own inspectors at our production sites and clinics.

The EMEA region

Environmental management is a component of our Integrated Management System in the EMEA region. The German technical inspection association TÜV regularly checks that the ISO 14001 environmental management standard is implemented at our Company headquarters, in our certified plants and in the national clinic organizations in Europe. At the end of 2010, our seven largest European production sites (2009: five) and the medical device development department were certified according to ISO 14001. We have also introduced the environmental management system at 255 of our European dialysis clinics (2009: 204 clinics).

Moreover, we implemented our own environmental program in Europe for the first time between 2007 and the end of 2010: Our environment managers worked on numerous projects with colleagues in research and development, production, clinic management, logistics and sales to develop more environmentally-friendly products, conserve resources like energy, water and production materials, introduce production technologies and packaging solutions that use resources more efficiently, and comply with environmental protection laws such as REACH, the EU regulation on chemical substances, by the stipulated deadline.

To cite an example, one of the projects in our environmental program was an energy efficiency initiative at our largest European production sites. Thanks to this project, we now save more than €1 M on

energy costs annually. Another project involved the introduction of the clinic software e-con 5, which we have been using in our European dialysis centers since 2008. The software allows us to gather data on the consumption of resources such as water and energy, and on waste disposal. These three factors play an important role in our efforts to conserve resources and make our processes more environment-friendly. At 313 of our European clinics, we now use e-con 5 (2009: 261), and we are continuing to roll out the software to build up a comprehensive environmental data management system step by step throughout Europe. We are already deriving benefits from e-con 5: Our country organizations are now able to compare the ecological efficiency of their clinics on a monthly basis, enabling them to quickly identify improvement potential and take it into account when planning new investments.

We are currently developing a second environmental program for Europe, which is scheduled for introduction during the current fiscal year. As in the first program, our environment managers and the respective divisions together set environmental targets for each step along the value chain, for research and development or for our dialysis clinics, for example. Compared to the first program, however, this time we want to frame more measurable goals. On top of that, we will start merging the existing local occupational safety systems into one centralized occupational safety management system during 2011, and incorporate it into our Integrated Management System in Europe.

We will also continue our environmental initiatives with external partners, such as the "Go Green in Dialysis" project that we started jointly with the European Dialysis and Transplant Nurses Association/European Renal Care Association (EDTNA/ERCA) in 2010. At the end of 2011, we plan to publish a set of environmental guidelines for dialysis nurses, which we are currently developing under "Go Green in Dialysis". The aim is to help our clinic employees make processes at their workplaces more environment-friendly, for example by reducing the consumption of water, electricity and dialysis concentrate, as well as improving waste management.

North America region

In the U.S., we have established a formal certified environmental health and safety audit program at our sites that reviews all of our manufacturing and laboratory operations on an annual basis. The audit monitors compliance with the U.S. Occupational Safety & Health Administration, the Environmental Protection Agency, the Department of Transportation, as well as state and local statutes. The environmental management in the clinics is inspected both internally and by federal agencies. One of the criteria is adherence to the guidelines for medical waste disposal. We are currently evaluating whether to also have our U.S. clinics and production sites certified according to the ISO 14001 environmental standard.

As in the other regions, both Company environmental management staff and external partners support the U.S. plants and clinics in making their procedures more environmentally compatible, for example with recycling programs. For some years now, we have been running a program to reuse medical waste containers in our clinics together with a specialist waste disposal partner. At the Ogden site, our largest production facility in the U.S., we recycle materials from all areas, including different types of plastics and cardboard. At our Walnut Creek plant, we work with a recycling company specialized in separating waste and recycling medical and electronic devices. In this case, components from our used dialysis machines are recycled for use as spare parts.

In October 2010, we hired an outside service provider to collect and document energy and water consumption data at all of our dialysis clinics in the U.S. on an ongoing basis. The company also pays the energy and water bills on our behalf. This enables us to collect data on the consumption of resources

in our dialysis centers according to uniform criteria, so we can better identify opportunities to further improve our energy efficiency in the future.

Internal guidelines ensure that the equipment, fixtures and furnishings in our clinic buildings and interiors in the U.S. are as environmentally compatible as possible. In accordance with these, we use energy-efficient lighting and air-conditioning systems, as well as eco-friendly flooring and wall paint. In addition, the insulation for the roofs, walls, doors and windows all meet or surpass industry standards. When purchasing water treatment systems for dialysis, we also make sure that these use resources and energy efficiently. As of 2010, we have been preparing one of our clinics for environmental certification to the U.S. LEED standard for the first time. LEED stands for "Leadership in Energy and Environmental Design" and defines guidelines for resource-conserving and sustainable construction. Several employees in our Real Estate and Construction Services department are currently preparing for their formal accreditation as LEED experts. Their first task is to coordinate the impending certification together with the landlord of the clinic, and in the future will work with the landlords of our other clinics to establish environmentally-friendly building standards. We plan to have more clinics certified according to the LEED standard in the coming years.

Asia-Pacific and Latin America

In the Asia-Pacific region, local government agencies regularly inspect our wastewater systems and energy consumption, among other things. Furthermore, a team from Fresenius Medical Care conducts annual audits to examine the extent to which production, logistics, laboratories and administration comply with Company guidelines for resource efficiency and environmental protection, and identifies areas for improvement. To this end, the inspectors also utilize data on electricity, gas and water consumption as well as waste disposal which we collect on an ongoing basis in our production plants. We implemented several energy efficiency projects in 2010 as a result of an internal audit at our Jiangsu location in China. For example, we now use the air circulation that is kept at a constant temperature from one of our production areas to air-condition the warehouse. Because our products must be stored under controlled temperature conditions, this saves energy for heating or cooling the hall, depending on the season. At our plant in Buzen, Japan, we achieved a recycling rate of nearly 94% in 2010, thanks to our environmental management. That includes all waste generated in the plant with the exception of waste water, which is treated separately. Also included is thermal energy recovery, i.e. utilizing the heat generated by garbage incineration through a licensed waste disposal company. We have set ourselves the goal of achieving this recycling rate again in 2011.

In Australia, a dialysis unit powered by solar-generated electricity, which is the first in the world to the best of our knowledge, was built with our financial and technical assistance in 2010. A business partner, who is the head of nephrology at an Australian healthcare provider, erected the solar energy system on the roof of his dialysis unit with grants from Fresenius Medical Care. He made arrangements with his electricity provider to feed the energy thus generated into the local power grid and offset it against the overall electricity cost. In this way, the clinic was able to generate over 90% of its energy needs for the dialysis machines and water treatment itself in 2010, even during the comparatively dark winter months; on average for the year, the electricity generated by the clinic even exceeded its consumption in these two areas. The joint project drew interest from professional circles, such as from the most significant industry conference in the United States, the ASN Renal Week —— *see also page 72*.

We also made progress in the area of environmental management in the Latin America region. In Columbia, for example, we started setting up an

environmental management system in accordance with the ISO 14001 standard for the country's entire organization, i.e. both clinics and production facilities, in 2010. The aim is to implement the standard's criteria as exactly as possible and train our employees accordingly; we are not currently striving for official certification. In Argentina, we have been continuously recording water and energy consumption in all dialysis centers since 2010, as well as the disposal of medical waste. We also plan to introduce a comprehensive environmental management program in production by the end of 2012. Both business divisions are working with an external Argentine consulting firm to advance the environmental management concept. In Venezuela, we started an environmental awareness campaign for our clinic staff on the topics of waste disposal as well as energy and water consumption in 2010, which we plan to continue during the current fiscal year.

Environmentally-friendly products and services

We are increasingly concerned with how Fresenius Medical Care can make its products and processes more environment-friendly. The aim is to provide our customers with added value by helping them save on costs or fulfill environmental requirements more easily.

Product development

Our research and development divisions work continuously on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that minimize the resources used by our dialysis machines, and using energy and raw materials efficiently in production. As part of the first environmental program in the EMEA region —— *see page 96 onwards*, we developed the smartbag, for example: packaging for liquid concentrates that are mixed with ultrapure water to make a dialysis solution (see glossary —— *on page 157*) for hemodialysis treatment. The smartbag is PVC-free, and producing it requires only about one-fifth of the product materials needed for a conventional concentrate canister. In addition, the bag can be recycled easily, as it consists of polyolefin. The smartbag's environment-compatible properties were also verified by an environmental life-cycle assessment conducted jointly by the EMEA region's environmental management, our research and development and a university. An environmental life-cycle assessment investigates the influences of products on the environment during their entire life cycle, from raw materials production to product manufacturing, sale and use, right up to disposal. In the coming years, our environmental management teams will work even more closely with the research and development department to advance the development of environmentally-friendly new products or product generations. Our environmental life-cycle assessment in 2010 confirmed that such studies can be an important aid, as they make the environmental compatibility of our products measurable and the potential for improvement more clearly recognizable.

Model for a CO_2-neutral dialysis clinic

During the year under review, we also worked on an environmentally-compatible concept for our dialysis services business. This concept is intended to provide customers, such as health insurance companies, with long-term added value based on resource and cost efficiency. We have developed a model for a CO_2-neutral dialysis clinic together with the German Energy Agency (dena): According to this model, by using environment-friendly power and heat supplies, a clinic can reduce its CO_2 (carbon dioxide) greenhouse gas emissions by as much as it produces through energy consumption for dialysis, water treatment and other operations. This can be done, for example, by generating electricity with solar cells on the roof, recovering heat from dialysis waste water, installing special heat insulation in the building shell and walls, and placing the windows to use daylight as efficiently as possible. Our joint model with dena is based on the standard layout of a European Fresenius Medical

Care dialysis center, derived from analyzing in detail the energy consumption in existing dialysis centers in different countries. The model views the whole clinic as a closed system in which insulation, renewable energy and an efficient energy recovery are closely coordinated. We plan to optimize the model in the coming year and test the construction of a model clinic. A subsequent implementation of the construction project depends on whether or not suitable partners and grants can be found.

RESPONSIBILITY TO OUR STAKEHOLDERS

As a manufacturer and provider of life-sustaining medical products and services, Fresenius Medical Care has a special responsibility towards its stakeholders, especially its patients and business partners. Our conduct towards them as well as our processes in research and development are based on Company and industry standards and regulations. Moreover, we are committed to improving the quality of life of kidney patients – as a service provider in our clinics, as a member of associations, as a neighbor in our surroundings, and as a company in society. In this way, we not only aim to meet our responsibilities, but also to strengthen our good reputation in the dialysis market.

Behavior towards patients and business partners

The code of conduct of Fresenius Medical Care provides the framework for our responsible and correct behavior towards our patients and business partners in accordance with statutes; for more details on the code of conduct —— *see page 130*. Among other things, it contains specific behavior guidelines for management and employees in clinics and for sales and marketing. These guidelines cover matters such as the correct invoicing of products and services, fair competitive behavior, and treating patients with respect and integrity. Our marketing and sales employees receive specific compliance training tailored to their field of activity. In our work with our health partners in the U.S., we also apply the codes of conduct of the U.S. industry associations PhRMA for pharmaceutical companies and AdvaMed for manufacturers of medical technology products.

Research and development

When Fresenius Medical Care wants to release new medical devices or pharmaceutical products onto the market, we have a legal responsibility to provide evidence for and extensively document their effectiveness and safety based on clinical studies. This means that new developments must be used with a group of patients in a clinical environment over a specific period. For purposes of comparison, one or several additional groups of patients are treated with existing state-of-the-art products and methods.

Extensive guidelines and laws apply to our industry, which ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out such studies for the companies are carefully selected based on their qualification, and that they apply scientifically sound methods. Fresenius Medical Care's clinical research is founded on these rules and laws. They include, among others, the Helsinki declaration of the World Medical Association, which sets out basic ethical principles for clinical research, and international guidelines such as Good Clinical Practice (GCP), the EU guidelines for pharmaceuticals such as Directive 2001/20/EC, the EU Medical Device Directive (MDD) and ISO standard 14155, which defines the criteria for clinical investigation and reporting. Additionally, we observe national laws and guidelines such as the German Pharmaceuticals Act (AMG) and the Medical Devices Act (MPG) in Germany, as well as U.S. Food and Drug Administration (FDA) guidelines. Our own Fresenius Medical Care Standard Operating Procedures combine these guidelines with internal requirements to ensure that clinical studies commissioned by us are carried out and documented properly. Before a study can even begin, ethics committees in the relevant countries

must approve our application. Compliance with such requirements by manufacturers of medical devices and pharmaceutical products is an important condition for publishing the research results in the scientific media.

We use animal testing for new products and treatments to the extent that this is required by law. Such tests are carried out exclusively by third-party research institutes in approved test laboratories, and are always first approved by an ethics committee for animal testing. Fresenius Medical Care does not carry out animal testing itself. It is generally our strategy to avoid animal testing and to use alternative methods.

Social commitment

As a dialysis company, it is our aim to continuously improve the quality of life of kidney patients. We pursue this aim even beyond our core products and services by engaging in numerous initiatives which promote an active, healthy lifestyle of patients despite the disease, help to improve access to high-quality treatment and provide information and education about chronic kidney failure.

Commitment to patients' quality of life

Fresenius Medical Care cooperates with regional and supraregional associations and institutions around the world that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life. In the U.S., for instance, we support the Renal Support Network, a charitable association of and for patients with chronic kidney failure, which aims at providing patients and their families with health information, empowering them and giving them more confidence in their everyday lives. In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation committed to the needs of dialysis patients between 0 and 21 years. This organization works with authorities and the public to ensure access to medication and kidney transplantations for children and adolescents, and promotes the establishment of more pediatric dialysis units in hospitals. At the same time, it organizes special programs for young patients, such as exercise, art and music therapy courses, and trains parents in how to deal with their children's disease. In Australia, we organize an annual Kidney Kids Camp together with a children's hospital in Sydney. This is a weekend trip for young peritoneal dialysis patients, offering fun and enjoyment as well as safe dialysis treatment by professional dialysis nurses. This initiative aims at giving kids with kidney disease the chance to enjoy a carefree weekend with others their own age, while at the same time taking pressure off the parents, who normally carry out the treatment.

In Columbia, we set up a foundation to promote the health and well-being of our patients even beyond their actual dialysis treatment. The Fundación Fresenius is financed by donations from business, our employees and private individuals. We prepare regular reports to show how the funds are used. In the year under review, we extended our publicity work for this foundation to raise the number of donations and thus allow us to further extend the range of services for patients. In 2010, for instance, we provided 6,300 patients with regular and healthy hot meals, and each month more than 2,400, or approximately 40%, of our patients were given free travel between their homes and the dialysis center. Moreover, joint events were held, such as day trips, cultural events, handicraft courses and a Halloween party for children with kidney disease. We provided particularly needy patients with groceries. Special tents were set up for poorer peritoneal dialysis patients who have insufficient space at home for safe treatment, and a dialysis nurse trained the patients in the safe use and proper cleaning of these tents.

According to their registration data, some 35% of our patients in Argentina do not hold a primary school diploma, which children in this country gain after seven years at school. The problems resulting

from this in everyday life became particularly evident in art therapy and story-telling workshops with the patients. Their low level of education places additional restrictions on their quality of life. It makes it more difficult for them to find an occupation in an employment market that is already tight, and aggravates the typical problems of living with dialysis, above all the need to comply with the treatment plan and the intake of medication in a disciplined way. In order to open up new opportunities for these patients and to enable them to help themselves, we started a project together with the Ministry of Education of the Buenos Aires province. The Ministry sends out teachers from its adult learning program to four of our dialysis clinics. In 2010, these teachers taught around 80 dialysis patients with the aim of enabling them to complete their school education. The focus was on reading and writing, in which many of the participating patients are not proficient. In the year under review, we held a graduation ceremony for the first successful primary school graduates. In the current business year, we plan to extend this project to other clinics.

Donations and emergency aid

We provide funds, dialysis machines and medical supplies in crisis situations and for institutions that need specific aid immediately. Similar to our help after the severe earthquakes in Italy and China in the past years, we sent dialysis supplies to Haiti at the start of 2010. We donated around twelve tons of dialysis equipment and accessories, which were transported by ship and a chartered cargo plane. Moreover, we took a leading role in organizing aid from the emergency association of the U.S. dialysis industry, KCER —— *see page 88* and magazine —— *starting on page 40*. Several Fresenius Medical Care clinical nurses volunteered as medical personnel for various charitable institutions in Haiti on their own initiative. In Brazil, we donated hemodialysis machines to the new pediatric nephrology ward of a hospital in Rio de Janeiro in the year under review. Thanks to this equipment, children with chronic kidney disease who are treated at the hospital for other reasons can continue their dialysis therapy.

Promoting knowledge and further education

Fresenius Medical Care organizes and promotes scientific conferences and further education programs by international nephrology experts worldwide for physicians and dialysis nurses, thereby contributing to quality in dialysis. This is especially the case in regions where modern health care standards are still being developed. One example for this commitment can be found —— *on page 26* of our magazine. We also participate in projects aimed at getting young doctors interested in nephrology and promoting new talent in this area. In Brazil, for instance, we supported an initiative of the national society for nephrology in the year under review. In this initiative, medical students close to graduation were awarded for research projects in which they developed solutions to improve the prevention of chronic kidney disease in their communities. In Venezuela, we organize nephrological conferences for physicians and medical students. As part of an agreement with the Universidad Central de Venezuela, we also offer clinical internships in dialysis for nursing students.

Projects for better patient care

We also take part in local projects to improve the care of dialysis patients. Between 2008 and 2010, for example, we cooperated with the Indonesian nephrology association Pernefri and a development bank in a public-private partnership project; also see —— *page 124*. The aim of this project was to improve access to dialysis treatment and treatment quality in rural Indonesia. As part of the partnership, we extended the dialysis units of four public hospitals by a total of 40 hemodialysis machines and four water-preparation units. This created capacity for approximately 240 additional patients, who could previously not be treated due to the lack of infrastructure. Additionally, we trained 20 internal specialists and 60 nurses in dialysis in cooperation

with Pernefri. We want to continue this commitment in similar projects in future.

The Renal Research Institute, a joint venture between Fresenius Medical Care North America and a hospital in New York, is a partner of the Sustainable Kidney Care Foundation. This foundation promotes projects in Tanzania, Africa, in which patients with acute kidney failure in regions without an existing supply structure are given access to dialysis treatment. Acute kidney failure frequently occurs there in connection with other severe diseases such as HIV or tuberculosis.

Raising public awareness

Last but not least, Fresenius Medical Care is also involved in raising the health awareness of the general public. In Taiwan, for instance, we organize an annual information event together with the national nephrology society and several hospitals with the aim of raising the public's awareness of a healthier lifestyle and promoting the early recognition of kidney diseases. In the U.S., we again supported Kidney Walks, sporting events and other fundraising events sponsored by the National Kidney Foundation (NKF) in all parts of the country. The Kidney Walks also have the purpose of increasing public awareness of the symptoms of chronic kidney disease. The donations benefit the work of the foundation. Apart from providing information to raise awareness of chronic kidney disease, the NKF also provides research grants in nephrology for physicians, advocates for the interests of dialysis patients and for research in kidney disease and its causes, as well as for organ donation to increase rates of kidney transplantation. In Brazil, we started several awareness initiatives in 2010 for our employees, patients and the public as part of the global World Kidney Day. Among others, we organized talks about the function of the kidney, a healthy diet as well as heart and vascular diseases, and provided free blood pressure measurements and glucose tests to recognize diabetes.

Chapter 2.8

RISK REPORT

RISK AND OPPORTUNITIES MANAGEMENT

As a result of its worldwide activities, Fresenius Medical Care is naturally exposed to a variety of risks which are directly related to the Company's business. Ultimately, we can only make use of opportunities for our business if we are willing to take certain risks. As a provider of life-preserving products and services for renal patients, we are only affected by economic cycles to a small extent. At the same time, our technological expertise and our extensive knowledge of the markets provide us with a sound basis for discovering and assessing risks and opportunities for our business as early and reliably as possible.

Risk management

Fresenius Medical Care sees risk management as the ongoing task of determining, analyzing and evaluating the spectrum of potential and actual developments in the Company and our environment, and, where possible, taking corrective measures. Our far-reaching risk management system, the principles of which are stipulated in Group-wide guidelines and described in more detail below, is therefore an important component of our management and control. It enables the Management Board to identify at an early stage risks that could endanger the growth or continued existence of Fresenius Medical Care, and take steps to minimize their impact as far as possible.

Opportunities management

We identify opportunities based on comprehensive quantitative and qualitative analyses of market data, research projects and general health trends in society. The close cooperation between our strategy and planning departments and those responsible for M&A activities (dealing with the acquisition, sale or merging of companies and parts of companies) allows us to recognize opportunities worldwide as early as possible. Our ability to anticipate general economic, industry-specific, regional and local trends at an early stage enables us to adjust our business model accordingly. An overview of the most important opportunities, which we intend to seize for our Company, is available in the "Outlook" chapter —— *starting on page 116*.

RISK MANAGEMENT SYSTEM

Risk management is part of our integrated management information system and is based on Group-wide controlling as well as an internal monitoring system. The latter's function is to identify, assess and aggregate industry- and market-related risks in the individual regions, and to communicate them to Group level. Twice a year, the responsible risk managers present aggregated status reports to the Management Board. These reports include qualitative and quantitative appraisals of the likelihood of risks arising that have been identified as potentially harmful to the Company, as well as the potential extent of damage. In the case of newly identified, significant risks, the Management Board is also informed directly and immediately; for our risk reporting, —— *see chart 2.8.1 on page 105*. Furthermore, the Audit and Corporate Governance Committee of the Supervisory Board regularly deals with risk management and the status report in its meetings. More information is available in the "Report of the Supervisory Board" —— *starting on page 16*.

In addition to risk reporting, traditional reporting to management is also an important tool for managing and controlling risk as well as for taking preventive measures in a timely manner. Therefore, the Management Board of Fresenius Medical Care receives information on a monthly and quarterly basis about the state of the healthcare industry, our operating and non-operating business, as well as on analyses of our assets, financial and earnings position.

Our risk management system is also backed by our internal audit department. The department works according to the internationally accepted standards of the Institute of Internal Auditors (IIA) and acts across regions as a global unit. The worldwide audit assignments are chosen on a yearly basis using a selection model that takes different risks

into consideration. The audit plan is reviewed by the Management Board and finally approved by the Audit and Corporate Governance Committee of the Supervisory Board. This plan includes financial audits of individual units, as well as full audits of all business processes of a subsidiary or business unit. All audit reports from the audit plan are presented to the Management Board and to the external auditors. The internal audit department also monitors the implementation of measures documented in the reports. The Management Board is regularly informed about the implementation status. In addition, the Audit and Corporate Governance Committee of the Supervisory Board is informed of the audit results. A total of 33 audits were carried out in 2010. These also included full-scope audits – reviews of all business processes – at our sites in Argentina and China, among others.

Fresenius Medical Care has defined the scope and focus of the organization and systems for identifying and evaluating risks so that they function properly. Company-specific procedures are in place to develop countermeasures and avoid risks. The existing system is able to identify at an early stage any developments that may jeopardize the existence of the Company. Nevertheless, there can be no absolute certainty that this will enable all risks to be fully identified and controlled.

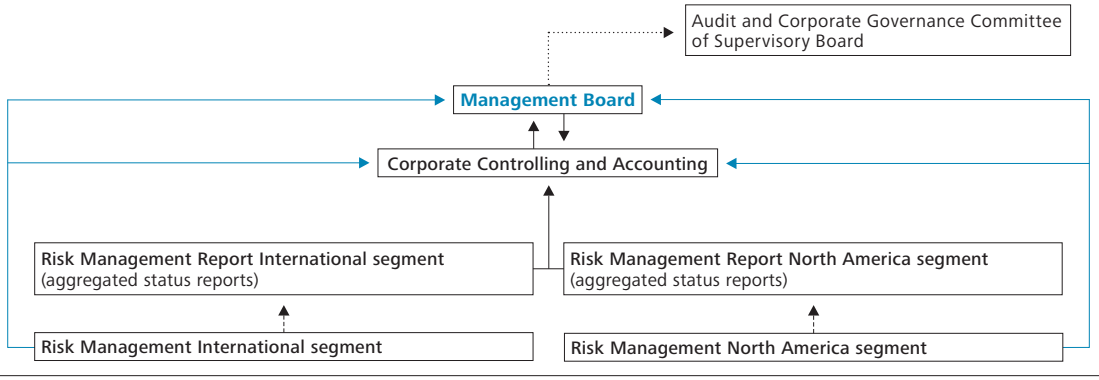
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP ACCOUNTING PROCESS

We apply numerous measures and internal controls to ensure that our accounting processes and financial reporting are correct and reliable, and that the annual financial statement and management report at Company and Group level comply with the applicable rules. Fresenius Medical Care's reporting process, which is generally carried out at four levels, guarantees a particularly intensive discussion and control. The financial data and key figures at each level (local entity, region, division, Company) are discussed and compared regularly on a monthly and quarterly basis with the previous year's figures, budget figures, and the latest projections. In addition, all parameters, assumptions and estimates that are of relevance for the externally reported Group and segment results are discussed in-depth with the departments responsible for preparing the annual and consolidated Group financial statements. These matters are also discussed on a quarterly basis in the Supervisory Board's Audit and Corporate Governance Committee.

Fresenius Medical Care's internal control system for financial reporting aims at ensuring compliance with the accounting regulations and contains guidelines as well as instructions, which

RISK REPORTING[1]

Chart 2.8.1



[1] *Company illustration.*

-- Assessment of general and specific risks and identification of new risks; review and consolidation of risks in the Risk Management Report
— Reporting and review of Risk Management Report
— Ad hoc risk reporting (considerable new risks)
···· Reporting of Risk Management Report

1. govern the maintenance of records to ensure that transactions are presented accurately and fairly,

2. govern the maintenance of records to guarantee that the disposition of assets is documented in sufficient detail,

3. provide reasonable assurance that Fresenius Medical Care's transactions are recorded as necessary to permit the preparation of financial statements in accordance with accounting principles,

4. ensure that earnings and expenses are only recorded after management approval (dual control principle),

5. provide sufficient assurance regarding the avoidance and timely discovery of any unauthorized acquisition, use or sale of Group assets, which could have a significant effect on the Company or Group financial statements.

Other basic factors ensuring reliable financial reporting and the correct recording of transactions in accounting include control mechanisms, such as systematic and manual controls, and the separation of certain personnel functions to prevent conflicts of interest. Furthermore, the assessments carried out by management ensure that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Moreover, we discuss changes to accounting standards and regularly and extensively train employees responsible for financial reporting.

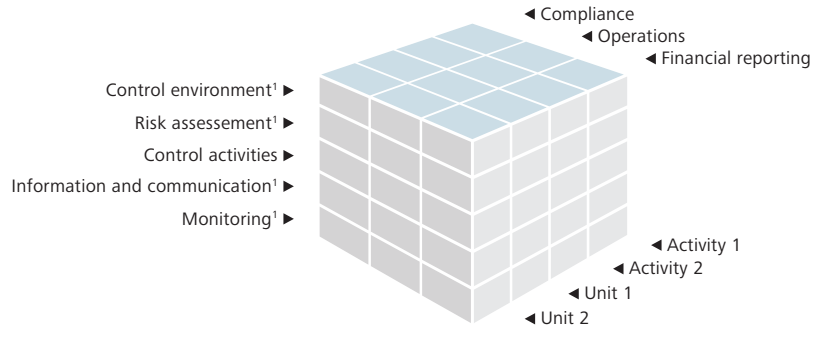
Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program in all of its regions. Our aim is to ensure that our business activities are in line with recognized standards as well as local laws and regulations. One element of the compliance program is our code of conduct, which we have implemented in every region. It encourages our employees worldwide to conduct themselves in a professional and responsible manner at all times, both within the Company and toward our patients, external partners and the public, and to always respect the local laws and the Company's standards of conduct. More information on this can be found in the "Compliance" section —— *starting on page 130*.

SPECIAL CONTROL AND TRANSPARENCY REQUIREMENTS IN THE U.S.

As Fresenius Medical Care is listed on the New York Stock Exchange, it is required to adhere to the specifications of the U.S. Sarbanes-Oxley Act. Section 404 of this federal law stipulates that the management boards of companies listed in the U.S. must take

COSO-FRAMEWORK

Chart 2.8.2



[1] *Entity level controls.*

responsibility for implementing and adhering to an appropriate internal control system to guarantee reliable financial reporting. Based on this requirement, the legality and efficiency of our business transactions as well as the effectiveness of our internal control system for financial reporting are reviewed in regular internal and external audits.

To assess the effectiveness of our internal control system for financial reporting, we apply the criteria of the COSO model —— *see chart 2.8.2*. The model is based on the "Internal Control – Integrated Framework" standard of the Committee of Sponsoring Organizations of the Treadway Commission. This standard is recognized by the Securities and Exchange Commission (SEC). In accordance with the COSO model, the internal control system for financial reporting is divided into five levels and evaluated accordingly. In addition to the control environment, the areas of risk assessment, control activities, information and communication paths as well as the monitoring of the internal control system are documented, tested and assessed. All internal controls at Fresenius Medical Care are based on entity level controls.

Our review of the internal control system for financial reporting complies with the guidelines published by the SEC for the evaluation of the internal control system for financial reporting by management. The definitions and requirements of this guideline are implemented in a special software, which we use to comply with the Sarbanes-Oxley Act 404. This software supports a risk-based approach, enhances the efficiency of the management of internal controls, improves the quality of the data, and supports management in monitoring and assessing the internal control system.

Regional project teams coordinate the evaluation of the internal control system. The Management Board assesses its effectiveness for the current fiscal year. External advisers are consulted as needed. A steering committee meets on a regular basis to discuss changes and new requirements of the Sarbanes-Oxley Act, as well as to discuss possible control deficiencies and to derive further measures. In addition, the Audit and Corporate Governance Committee of the Supervisory Board regularly reviews the results of management's assessment in its meetings.

The Management Board assessed the effectiveness of Fresenius Medical Care's internal control system for the Group's financial reporting as at December 31, 2010. Based on this evaluation, the Management Board determined that Fresenius Medical Care's internal control system for financial reporting was effective as of December 31, 2010.

The internal control system for financial reporting is subject to inherent limitations, no matter how well it is designed. As a result, there is no absolute assurance that financial reporting objectives can be met, or that misstatements will be prevented or detected. Even if the internal control system for financial reporting is deemed effective, only reasonable assurance can be given with respect to the preparation and presentation of the financial statements. Similarly, any projections that aim to evaluate the effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that policies or procedures could be complied with to a lesser extent.

RISK AREAS

The following risks could have an impact on our business activities:

Risks due to economic conditions

In addition to observing and evaluating the general development of the global economy, we pay special attention to monitoring and assessing the political, legal and financial conditions of our business. As Fresenius Medical Care predominately operates in international markets, we also conduct continuous, intensive analyses of country-specific risks.

Risk related to the economy as a whole

The dialysis market is a growth market that is unaffected by general economic influences to a large extent. This can be partly explained by the fact that an aging population requires increasingly comprehensive medical care. Due to the stable demand for dialysis products and services, Fresenius Medical Care is only subject to economic fluctuations to a relatively small extent. In the countries most strongly hit by the global financial crisis, we expect days sales outstanding to increase slightly, similar to the previous year. As we receive the majority of our reimbursements from government healthcare organizations and private insurance companies, we assume that most of our receivables are recoverable. More information on this can be found in the "Economic environment" section —— *starting on page 39* and the "Outlook" chapter —— *starting on page 116*.

Industry risks

Risks related to changes in the healthcare market are of major importance to Fresenius Medical Care. Key factors here are new products and therapies developed by competitors as well as regulatory changes in the healthcare sector.

Company strategy and competition

We counter the risk of a competitor impairing our sales opportunities with its products and processes or of our strategy falling short of the trends in the market with our research and development activities. We work closely with the medical and scientific communities to allow us to quickly identify and further develop important technological innovations. These alliances also guarantee that Fresenius Medical Care has extensive knowledge of advances in alternative treatment methods and enable us to evaluate and, if necessary, adjust our corporate strategy. We therefore continuously analyze and evaluate trends and review the progress of research and development projects.

Additionally, we closely monitor the market, especially the products of our competitors and the introduction of new dialysis-related products. To this end, Fresenius Medical Care has internal strategic departments that help us to anticipate changes and quickly react to new market conditions. Their main tasks are to identify and analyze all activities that could affect the dialysis market and the Group's business, and communicate these within the Company on a regular basis.

Finally, to keep ahead of the competition, we benefit from our many years of experience and our leading position in the dialysis industry, as well as from synergies resulting from the interplay of the various technical, medical and academic institutions within our vertically integrated Group.

Legal conditions in the healthcare sector

As we operate in a highly regulated environment, changes in the law, such as those relating to reimbursement, can have a major economic and strategic impact on Fresenius Medical Care's business success. For this reason, we not only carefully monitor regulatory activities and planning, but also work intensively with government healthcare agencies. Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Health and reimbursement systems" section —— *starting on page 49*.

Risks associated with operating activities

We counter potential risks in production, products and services with preventive and quality-enhancing measures.

Quality risks in production

We ensure that we comply with legal and Company product and production regulations first and foremost by means of extensive quality management systems in our regions. In implementing these regulations, our employees have access to documented process and work instructions. Regular audits are carried out by authorized quality management staff at each of our production sites to ensure that these adhere to the guidelines. The audits cover all areas and aspects related to quality, from management and administration to development, production and customer satisfaction. Furthermore, the production processes in our plants are inspected by external bodies, for example by TÜV in Europe and by the Food and Drug Administration (FDA) in the U.S.

We also apply the methods of lean management and Six Sigma in our plants. These management tools are used to analyze and better coordinate all production processes to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production processes. Since 2010, our quality management has been centrally coordinated by our new business unit Global Manufacturing Operations (GMO) with the aim of managing quality risks even better in future. For further information, see the "Our product business" section —— *starting on page 77.*

Quality risks for services

The very nature of the medical services we provide to patients at our dialysis clinics presents inherent risks. In this context, operational risks can arise, for example in the area of hygiene. We counteract these with strict organizational and operational procedures, ongoing personnel training and by gearing our working methods to patients' needs. In Europe, for instance, our clinical quality management system, certified according to ISO 9001, is part of our integrated management system. The ISO 9001 certificate also attests to our "Good Dialysis Practice". In the U.S., our internal quality enhancement program successfully complies with the standards outlined in the Kidney Disease Outcomes Quality Initiative (KDOQI) and the Center for Medicare and Medicaid Services (CMS). We assess both our treatment data and our methods in annual internal audits to enable us to continuously improve our processes and treatment results. Our clinic quality management system is also audited each year by external certification institutes such as the German TÜV or Medicare and CMS in the U.S. As a consequence, we are able to quickly identify quality flaws and risks and to remedy them in a timely manner.

Our quality management also includes environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis centers produces clinical waste. More information on this can be found in the "Responsibility" section —— *starting on page 96.*

Safety risks for products and processes

Like all blood cleansing procedures that are performed outside of the human body, dialysis is associated with certain risks for the patient that in the worst case can lead to death. National as well as international standards and laws therefore stipulate binding safety standards for dialysis products. In addition, we have created our own quality guidelines for research and development that in part exceed the legal requirements. We also document our work in the area of research and development in comprehensive scientific studies and publications. We produce detailed product information packs and instructions for users of our products, and conduct

risk and error analyses according to the most stringent criteria. In addition, Fresenius Medical Care focuses on developing procedures and devices within the scope of a continuous product improvement process, to minimize as far as possible the risk of a patient being harmed due to a technical fault or human error.

Risks in research and development

The risk that goals may not be achieved or be achieved much later than anticipated is inherent in the development of new products and therapies. Most new products have to undergo comprehensive, cost-intensive preclinical and clinical tests before they receive regulatory approval and are launched on the market. Fresenius Medical Care counteracts risks in research and development projects by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal regulations governing clinical and chemical-pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. Trade relations are established early on in the development phase. For further information see the "Research and development" section —— *starting on page 68*.

Procurement risks

We impose comprehensive quality standards on suppliers to counter the risk of low quality in sourced raw materials, semi-finished goods and other components. For example, we demand that our suppliers provide certification from external institutes and undergo regular audits; in addition, Fresenius Medical Care carries out extensive evaluations of sample products and regular quality control checks. We source only high-quality products that are verifiably safe and suitable from certified suppliers that meet Fresenius Medical Care's specifications and requirements and have a proven track record in manufacturing these materials. These suppliers are constantly evaluated as part of our exacting supplier management system.

Our purchasing strategy is aimed at building and developing partnerships with strategic suppliers through long-term contracts, while at the same time ensuring that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). Thanks to this strategy, we do not consider bottleneck situations to be probable, even if market demand should rise again. We only accept market-related dependencies on suppliers of strategically relevant materials in exceptional cases and subject to defined conditions. When we launched the new business unit Global Manufacturing Operations (GMO) in 2010, we introduced a new, company-wide risk management system for our most important suppliers. More information on this can be found in the "Strategic purchasing and materials management" section —— *starting on page 80*.

Fresenius Medical Care is also exposed to market-driven price fluctuations for raw materials. By conducting continuous market analyses, shaping supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. By intensifying cross-regional cooperation between our procurement teams in the new GMO business unit, we will be able in future to benefit even more from international pricing advantages and manage risks related to currency fluctuations or dependencies on individual suppliers even better. More information on this can be found in the "Strategic

purchasing and materials management" section —— *starting on page 80*.

Personnel risks

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees. We counter the risk of not being able to win and ensure the loyalty of sufficient qualified personnel with extensive personnel marketing and recruitment measures as well as personnel development programs for specific target groups.

Our continued growth in dialysis services in particular depends on the extent to which we can recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently extending various measures and initiatives aimed at further increasing the satisfaction of our clinic personnel, maintaining their high level of motivation and further lowering the fluctuation rate in our clinics. We base these efforts on the results of extensive clinical employee satisfaction analyses. The training program UltraCare Clinical Advancement Program (UCAP) in the U.S. is one example of such an initiative; more about this —— *starting on page 92*. In the Fresenius Medical Care Institute of Dialysis Nursing (F.I.D.N.) in the Philippines, we are training dialysis nurses to provide our clinics with qualified and motivated technical staff, and thus ensure the high standard of our treatment quality.

Our personnel management deals with the overall risk of not being able to attract or retain highly-qualified personnel. The department's job is to discover and promote new talent with targeted measures. Fresenius Medical Care offers employees a challenging work environment and long-term perspectives for their professional development. Furthermore, our employees enjoy performance-based bonus payments and attractive social benefits. Detailed information relating to our personnel management can be found in the "Employees" section —— *starting on page 90*.

Risks due to non-compliance with laws and standards

Fresenius Medical Care has developed a code of conduct, which applies to employees in all regions, specifying their conduct within the Company as well as toward our patients, external partners and the public, and encouraging them to comply with local laws and Company standards at all times. Together with our Compliance program, this code should help us meet our own expectations and those of our partners, and to successfully align our business activities to recognized standards as well as local laws and regulations. Further details on our compliance program can be found —— *starting on page 130*. Additionally, employees who are entrusted with confidential or "insider" information must sign a confidentiality agreement placing them under obligation to comply with relevant guidelines and handle the information responsibly.

Risk of dependency on major customers

In addition to a number of state-owned and public health insurance funds, Fresenius Medical Care's customers include private health insurers and companies. Our biggest private-sector customer, U.S. dialysis clinics operator DaVita, is also the second largest provider of dialysis services in the world.

However, DaVita only accounted for about 1% of Fresenius Medical Care's total revenue in 2010. Therefore we consider the risk arising from relationships with major customers to be relatively small.

Acquisitions and investments

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) based on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found —— *starting on page 35*.

Financial risks

The main financial risks that affect our Company are currency and interest rate risks.

We actively manage the risks from foreign exchange rate and interest rate fluctuations that result from our business operations. Risk management is based on strategies defined and, if necessary, adapted in close cooperation with the Management Board. These include guidelines that govern all phases and levels of the risk management process: responsibility for determining risks, the careful use of financial instruments for hedging purposes, and accurate financial reporting. We use derivative financial instruments to manage the risks from foreign exchange rate and interest rate fluctuations, but only in connection with underlying transactions, and not for trading or speculation purposes. All transactions are conducted with highly rated banks (the majority have a rating of at least "A") that have been approved by the Management Board.

We use interest rate hedging instruments to avert the risk of interest rate increases from our floating-rate long-term loans. The aggregate nominal value of the corresponding hedges was $2.15 BN as at December 31, 2010. This meant that, as at December 31, 2010, about 64 % of the Group's financial liabilities were protected against increases in interest rates either by fixed-rate borrowings or by interest rate hedges. Only around 36 % of the liabilities were therefore exposed to the risk of rising interest rates. A sensitivity analysis revealed that if the relevant reference interest rates for the Company increased by 50 basis points, based on the current high level of hedging, the effect on the net income (attributable to Fresenius Medical Care AG & Co. KGaA) would be less than 1 %. The interest derivatives expire at different dates between 2011 and 2012. In addition, the Group uses hedges with a view to including future liabilities. The aggregate nominal value of the corresponding hedges was $1.025 BN as at December 31, 2010. The interest derivates will become effective in January 2011 and June 2012 respectively.

Our foreign exchange exposures primarily result from transactions such as sales and purchases in foreign currencies between Group companies located in different regions and currency areas. Most of our transaction exposures arise from sales of products from Group companies in the euro zone to other international business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. The aggregate nominal value of all exchange rate hedges, mainly for hedging the euro against the U.S. dollar and against other foreign currencies, amounted to $2.6 BN in the Group as at December 31, 2010. Based on a sensitivity analysis, Fresenius Medical Care estimates the effect on operating earnings at about $13 M. For this analysis it is assumed that the exchange rates of all non-hedged transactions in foreign currency change by 10 % to the disadvantage of Fresenius Medical Care. Please see the "Liquidity and capital resources"

section —— *starting on page 184* of the financial report for further details.

Debtor risks

To reduce the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review the credit limits of our existing ones. We monitor outstanding receivables of existing customers while assessing the possibility of default. Please see —— *page 171* of the financial report for further details on outstanding receivables.

Legal risks

Risks associated with litigation are continuously identified, assessed and reported within our organization. Fresenius Medical Care is involved in various legal proceedings resulting in part from our business operations. For details on ongoing proceedings and further information on material legal risks to which Fresenius Medical Care is exposed, please refer to note 18 —— *starting on page 254* of the financial report.

IT risks

As Fresenius Medical Care continues to grow in size and become more and more international, the processes within the Company are increasingly complex. Accordingly, we are more and more dependent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses continuously updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). Using our Information Security Management System (ISMS), which is based on the internationally recognized security standard ISO 27002, we continuously enhance IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is constantly tested and improved. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. In order to minimize organizational risks, manipulation and unauthorized access, access is protected by passwords that must be changed regularly every 45 to 90 days. Moreover, Company guidelines relating to data protection, which also regulate the assignment of access rights, must be observed. Compliance is monitored with controls including those relating to Section 404 of the Sarbanes-Oxley Act. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks from the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and monitor continuously whether they are being adhered to. Further preventive risk management measures limit the effect of environmental factors on dialysis services: Many of our own dialysis clinics have emergency generators to ensure that life-saving dialysis treatments can be continued even in the event of a complete power failure. Furthermore, in the U.S. for example, a Fresenius Medical Care emergency team steps in during natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section —— *starting on page 88*.

OVERALL RISK ASSESSMENT

The Management Board bases its assessment of overall risk on the risk management system used by Fresenius Medical Care, which is regularly checked by third parties and by the Management Board. The effectiveness of the risk management system used is monitored and improved, if necessary, as part of the Company-wide review of the integrated management system. The Management Board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. Based on the general principles for estimating risk factors described —— *starting on page 104*, we currently assume that none of the risks mentioned will significantly impair the assets, financial and earnings position of Fresenius Medical Care in the long term. Furthermore, no material changes to risks were identified compared to 2009. From an organizational point of view, we have established a structure that will allow us to quickly identify emerging risk situations.

Chapter 2.9

SUBSEQUENT EVENTS

ECONOMIC AND BUSINESS ENVIRONMENT

In January 2011, Fresenius Medical Care signed a purchase agreement to acquire International Dialysis Centers (IDC), Euromedic International's dialysis service business. This opportunity will help us to expand our position in the provider business in Eastern Europe, a key component of our overall growth strategy. IDC currently treats over 8,200 hemodialysis patients and operates a total of 70 clinics in nine countries, predominantly in Central and Eastern Europe. The purchase price for IDC was €485 M. The transaction remains subject to approval by the relevant anti-trust authorities and is expected to close in the second quarter of 2011. On completion, the acquired operations will add approximately $180 M in annual revenue and are expected to be accretive to earnings in the first year after closing the transaction.

Following the acquisition of IDC, Fresenius Medical Care successfully placed two senior unsecured bonds worth $650 M (coupon 5.75%) and €300 M (coupon 5.25%) with institutional investors. Both are due 2021. Net proceeds from the offering amounting to approximately $1.35 BN will be used to repay financial debts, for acquisitions including the takeover of IDC and for general purposes to support corporate activities in the renal products and services business.

Also in January 2011, Fresenius Medical Care announced that it had signed a cooperation agreement to provide comprehensive dialysis care to patients in the Murcia region in Spain. The contract will be effective from mid-2011 and allows us to provide dialysis therapy to approximately 200 renal patients in the region, for which Fresenius Medical Care will receive a flat-rate reimbursement per patient based on the quality of the services performed. Murcia is the first region in Spain to convert its reimbursement structure from a "fee-for-service" model to a flat-rate system. More information on this can be found in the "Health and reimbursement systems" section ——— *starting on page 49*.

No further significant events took place between the closing date of December 31, 2010, and the annual report's printing date of March 11, 2011. There were no fundamental changes in the economic and business environment in our field of activity. Dialysis continues to be a medically indispensable and life-saving treatment for acute or chronic kidney failure for which there is no comparable alternative with the exception of kidney transplantation. Therefore, Fresenius Medical Care is active in a relatively stable business area that is only exposed to economic cycles to a small extent.

We are currently not planning any major changes in Fresenius Medical Care's organizational structure, administration, legal form or with regard to personnel which could lead to a significant impairment of the asset, financial and earnings situation of our Company.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2011. As discussed in the Outlook section that follows, demand for our dialysis products and services worldwide continues to be high. Overall, the Management Board again assessed the Company's business development as positive when this annual report was compiled. From today's perspective, we expect to increase our revenue and earnings as forecast, and to achieve the other performance ratios as planned. As this report goes to press, the current development of our business is basically in line with our expectations.

Chapter 2.10

OUTLOOK

After achieving and partially exceeding our goals last year, we expect our business to continue growing in 2011, resulting in new records in terms of revenue and earnings. We consider ourselves to be well prepared to continue on our path of sustainable growth in the years to come.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We intend to strengthen and to expand this position in the years to come, especially with our most important product groups of dialyzers and dialysis machines. We plan to maintain our vertically integrated business model. At present, the Company does not intend to make any major changes to its business policy. Back in 2005, we have defined our long-term growth strategy, the basic principles of which we continue to pursue. In fall 2010, we defined our new mid-term goals (GOAL 13). For further information on these see the "Growth strategy" section —— *starting on page 36*.

GENERAL ECONOMIC DEVELOPMENT

In 2010, the economy recovered more rapidly than anticipated by experts. This momentum is not expected to continue in 2011, however, as some economic stimulus programs have since been suspended. Despite this, a moderate upwards trend in the global economy overall is forecast, as low interest rates help to ensure continued investment and the stable situation on the labor market favors private consumption. For 2011, the global gross domestic product (GDP) is expected to grow by 3.6% on average, following a 4.8% rise in the previous year.

U.S.

Economic expansion is expected to slow down in the current financial year, as general investment activity in particular is likely to weaken. Moreover, the labor and real estate markets remain in crisis, which puts a strain on private consumption. On balance, GDP should grow by 2.5% in 2011.

REAL GROSS DOMESTIC PRODUCT AND CONSUMER PRICES

Table 2.10.1

Expected change from the previous year in %

	Gross domestic product			*Consumer price index*		
	2010	*2011*	*2012*	***2010***	*2011*	*2012*
U.S.	2.8	2.5	3.0	1.6	0.9	1.1
Germany	3.7	2.3	1.3	1.1	1.6	2.0
Euro zone	1.7	1.3	1.3	1.5	1.6	1.7
UK	1.7	1.3	1.6	3.2	2.7	1.5
New EU member states	1.8	1.4	1.4	1.7	1.8	1.6
EU 27	1.8	1.4	1.5	1.8	1.9	1.7
Russia	3.8	4.0	4.5	6.9	7.5	6.8
Japan	3.3	1.5	1.6	−0.8	−0.4	−0.6
China	10.7	8.1	8.5	3.4	4.5	4.5
East Asia and Hong Kong	7.4	3.9	5.4	3.0	2.4	3.4
Latin America	5.9	3.2	4.5	6.6	5.9	6.8
WORLDWIDE	**4.8**	**3.6**	**4.0**	**4.4**	**3.9**	**4.0**

Sources: Institute for the World Economy at Kiel University: "Weltkonjunktur im Winter 2010", December 15, 2010, monthly reports of the Deutsche Bundesbank and the European Central Bank.

Europe

In the Euro zone, slower growth is forecast, similar to developments in the U.S. The German economy is expected to record above-average growth compared to the rest of the euro zone. A stable labor market and low interest rates are supporting private consumption and investments. Nevertheless, a slowdown in growth is also forecast in Germany.

Asia

In Asia, economic development is expected to be mixed in the current year: The key growth drivers continue to be emerging countries like China and India. In Japan, however, only moderate growth is anticipated.

Latin America

The rate of expansion is expected to slow down in Latin America, due to an increasingly restrictive monetary policy. Growth ist supported by good domestic demand and high prices for raw materials. Overall, the GDP in this region is forecast to grow by 3.2% in 2011, after rising 5.9% in 2010.

DIALYSIS MARKET

Fresenius Medical Care expects the number of dialysis patients worldwide to grow by about 6% in 2011. Some significant regional differences will remain. We anticipate a 3 to 5% increase in patient numbers in the U.S., Japan, and Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more than that. We expect patient numbers to continue to rise in the coming years with annual growth rates remaining at 6%.

Demographic factors are one of the main reasons for the continued growth of the dialysis market, including the aging population and the mounting incidence of diabetes and hypertension – two diseases that often precede end-stage renal disease. Furthermore, dialysis patients' life expectancy is increasing due to steady improvements in dialysis treatment and the rising standard of living in developing countries.

As a result of the anticipated differences in growth rates, a higher proportion of patients will undergo dialysis treatment in Asia, Latin America, Eastern Europe, the Middle East and Africa in future. This opens up huge potential for the entire spectrum of dialysis services and products, as more than 80% of the world's population lives in these regions.

We do not expect significant changes in the distribution of dialysis treatment modalities in 2011 and 2012. Hemodialysis will remain the treatment of choice, accounting for about 89% of all dialysis therapies. Peritoneal dialysis should continue to be the preferred treatment for about 11% of all dialysis patients.

The volume of the worldwide dialysis market, which according to estimates amounted to about $69 BN last year, is expected to increase by around 4% annually. This is based on the assumption that exchange rates will remain stable in the forecasting period. As a result, the total market could amount to approximately $75 BN by 2012, almost doubling its volume over a period of just ten years.

GROWTH AND FUTURE SALES MARKETS

We have been represented in the key growth markets of Eastern Europe and Asia for several years with our own sales organizations and already hold leading market positions. We serve small growth

markets via distributors. We want to continue to strategically expand our local range of products and local production. Acquisitions may also help us to achieve our aim of strengthening our product business: In the year under review, for example, we acquired the peritoneal dialysis business of Gambro, a Swedish medical technology company, and thereby broadening our range of activities in the area of home dialysis, particularly in Europe and the Asia-Pacific region. At the same time, we are using acquisitions, such as those of Asia Renal Care in Asia or KNC in Russia in 2010 *see also page 50,* to grow our network of clinics in these regions. In the year under review this included countries such as Korea, Malaysia, Singapore, the Philippines and Thailand. In addition to China, where we once again strongly expanded our product business and our alliances with hospitals in the area of dialysis services, the Indian market in Asia looks increasingly promising in the medium term. We have been represented on the

EXPECTED GROWTH IN PATIENT NUMBERS IN 2011[1]

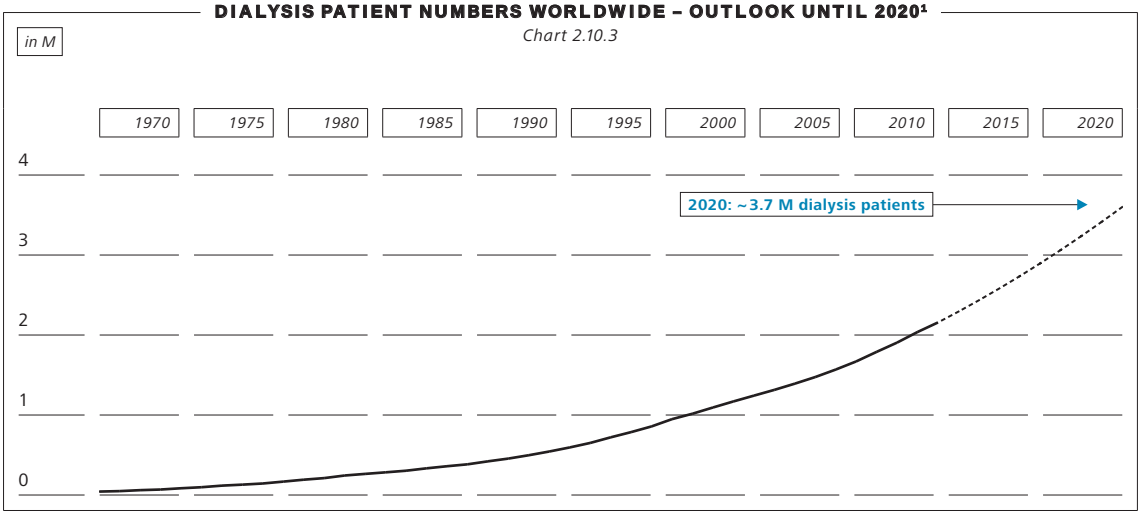
Table 2.10.2

	Change
North America	**~5%**
U.S.	~4%
Europe/Middle East/Africa	**~4%**
EU	~3%
Asia-Pacific	**~10%**
Japan	~3%
Latin America	**~7%**
WORLDWIDE	**~6%**

[1] *Internal estimates.*

DIALYSIS PATIENT NUMBERS WORLDWIDE – OUTLOOK UNTIL 2020[1]

Chart 2.10.3



[1] *Internal estimates.*

product market there through distributors since the 1990s and our product business has grown by more than 30% per year on average since we founded our subsidiary Fresenius Medical Care India in 2006. Regional and local health authorities in India are already promoting the public private partnership model (PPP), —— *see also page 124*. As of the current business year, we hope to conclude supply contracts with larger regional and municipal public hospitals. We expect the growing importance of the Chinese and Indian markets to accelerate our growth in the region as a whole over the next few years.

BUSINESS PERFORMANCE OF FRESENIUS MEDICAL CARE IN 2011 AND 2012

Exchange rate relations

Fresenius Medical Care's outlook for 2011 is based on an exchange rate of $1.3326 to the euro. This value represents the closing rate on December 31, 2010. As mentioned in the "Economic environment" section —— *starting page 39*, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care. In its forecasts, Fresenius Medical Care also takes account of other relevant exchange rates, particularly for the economic development of subsidiaries, such as the Taiwanese dollar against the U.S. dollar or the Chinese Yuan against the euro. Volatile exchange rates affect the forecast results of the subsidiaries, as well as the conversion of these results into U.S. dollars.

Revenue

We aim to further increase our revenue in 2011 by between 6 and 8% to more than $12.8 BN to $13.0 BN. We intend to continue this positive development in 2012 to achieve revenue growth of again between 6 and 8% based on constant exchange rates.

Net income

In 2011, we aim to generate a net income (attributable to Fresenius Medical Care AG & Co. KGaA) of between $1.035 BN and $1.055 BN. In 2012 we expect net income to grow faster than revenue. At the time when this annual report went to press, no one-time effects that might have a significant impact on net income in 2011 were anticipated.

Earnings per share

For 2011 and 2012, we expect earnings per shares to grow in parallel with net income.

Dividends

The Company pursues a long-term profit-oriented dividend policy. The dividend has increased 14 times consecutively (subject to the approval of the Annual General Meeting on May 12, 2011). Over this period, the dividend has risen from €0.17 (on a comparable basis) to €0.65 in 2010. We intend to continue this trend in 2011 and 2012. Over these two years, the aim is to keep the dividend payout ratio at almost one third of net income. Information on the proposed dividend increase can be found in the "Dividend" section —— *on page 23*.

Capital expenditures and acquisitions

In 2011 we intend to spend around 14% of revenue on capital expenditures and acquisitions. Around 5% of this will relate to capital expenditures; 9% will relate to acquisitions and shareholdings corresponding to a total of some $1.2 BN in 2011. We aim to spend around 7% of revenue on capital expenditures and acquisitions in 2012.

In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will be primarily used to open new dialysis clinics, expand our worldwide production capacities, and on dialysis machines within the framework

of long-term supply contracts. Additionally, capital expenditures will be used to further rationalize production processes and to improve patient data management and billing. Furthermore, the Group is planning to continue to make selective acquisitions, including shareholdings, and thus further consolidate the global business. The focus here lies on expanding our dialysis clinic network and our cooperation with manufacturers of drugs for dialysis patients.

Taxes

For 2011 we expect the effective tax rate to be between 34.5 and 35.0% and for 2012 between 35 and 36%.

Cash flow

In 2011 and 2012, the operating cash flow is again expected to account for more than 10% of revenue. As in the previous year, we anticipate a slight rise in days sales outstanding in the countries affected most severely by the current global financial crisis. The introduction of the new reimbursement system in the U.S. may also result in an increase in days sales outstanding. To ensure that cash flow targets are met, the emphasis will continue to be on the management of current assets. With revenue forecast at $12.8 BN to $13 BN, this would result in an operating cash flow of at least around $1.28 BN to $1.3 BN in 2011.

Debt/EBITDA ratio

Fresenius Medical Care takes the debt/EBITDA ratio as its guideline for long-term financial planning. This ratio was 2.38 at the end of 2010. Due to the increased volume of acquisitions, we are expecting this ratio to rise to 2.8 as at the end of 2011, although we are not expecting a further increase in 2012.

Financing

Top priority is given to ensuring our financial flexibility in the Company's financing strategy. We will also focus our financing activities on reducing subordinated financing instruments in the coming years and replacing these with senior notes if necessary. We still regard our refinancing possibilities

GOALS 2011/2012

Table 2.10.4

	*Results **2010***	*Goals 2011*	*Goals 2012*
Revenue	$12.05 BN	$12.8 – 13.0 BN	Increase of 6 – 8% in constant currency
Net income[1]	$ 979 M	$1.035 – 1.055 BN	Increase > revenue growth
Earnings per share	$ 3.25	Increase > revenue growth	Increase > revenue growth
Dividend	€ 0.65 per ordinary share[2]	continuous increase	continuous increase
Capital expenditures, net	$ 507 M	~ 5% of revenue	~ 7% of revenue[3]
Acquisitions, net	$ 486 M	~ $1.2 BN	~ 7% of revenue[3]
Tax rate	35.2%	34.5 – 35.0%	35 – 36%
Debt/EBITDA ratio	2.38	< 2.8	< 2.8
Employees[4]	73,452	> 78,000	> 82,000
Research and development expenditures	$ 97 M	~ $105 M	~ $115 M
Product innovations	dialysis machine 2008T, amongst others	further expansion of product and service range	further expansion of product and service range

[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[2] *Proposal to be approved by the Annual General Meeting on May 12, 2011.*
[3] *Based on capital expenditures and acquisitions.*
[4] *Full-time equivalents.*

as being very stable and flexible and intend to continue our scheduled investments. In addition to the instruments it uses, Fresenius Medical Care has a sufficient financial cushion in the form of a syndicated credit facility, which can be used on a revolving basis if need be. Our mid-term target is to create a financing portfolio containing only first-rate and unsecured debt instruments. Fresenius Medical Care has sufficient financial resources which we intend to preserve in the next few years. These consist of only partly drawn credit facilities and our accounts receivable facility. We are aiming for secured and unutilized credit facilities to the value of at least $300 M to $500 M.

Our short-term refinancing requirements are limited to paying €485 M for our acquisition of International Dialysis Centers, paying dividends to the amount of approximately €197 M in May 2011, repaying the trust preferred securities of $225 M and €300 M in June 2011, and extending the accounts receivable facility in October 2011.

For further information see the "Financial situation" section —— *starting on page 61*.

LEGAL STRUCTURE AND ORGANIZATION

The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien) since 2006. Changes to the legal form are not planned in the foreseeable future. As described in the "Group structure and business" section —— *starting on page 31*, Fresenius Medical Care's activities have a regional structure and are organized in three operating segments: "North America", "International", and "Asia-Pacific"; the last two are aggregated into the "International" segment for reporting purposes. We intend to retain this organizational structure in 2011 and 2012. Our decentralized organizational structure enables us to react to market requirements with the greatest possible flexibility. This principle of a "company within the company" with clearly defined responsibilities has proven its worth for many years now and will therefore be maintained.

FUTURE PRODUCTS AND SERVICES

We plan to spend approximately $105 M on research and development in the current financial year. In 2012, we expect research and development expenditures to amount to approximately $115 M. The number of employees (currently 503 full-time equivalents) in this area is expected to rise only marginally in 2011 and 2012.

As a vertically integrated company that manufactures and sells its own dialysis products as well as operating its own dialysis clinics, we aim to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be adapted flexibly to local market conditions and to the, in some cases, dynamic changes in healthcare systems and reimbursement structures. In view of the growing challenge faced by healthcare systems to provide comprehensive, high-quality yet cost-effective care for an increasing number of patients, we want to use this extensive portfolio more and more to offer our healthcare partners all-in-one or integrated concepts for patient care. Thanks to our business model and our long-standing experience in operating an international network of clinics, we are in a particularly strong position to offer comprehensive high-quality solutions of this kind from a single source; see "Opportunities" section —— *starting on page 123*.

One focus of our research and development work will be to develop innovations that incorporate additional treatment elements into our products and services or help to better align them – always with the aim of improving the quality, safety and cost-efficiency of treatment in equal measure. For example, we will be working on devices for our hemodialysis machines that reduce the handling of the bloodline system and its connections to just a few operations, thereby

easing the workload of clinic staff. We will also be looking at integrating the dosage and administration of certain drugs into the dialysis machine cycle, along with new functions to improve the quality and safety of treatment.

Also in the interest of more comprehensive patient care, we will continue to focus our software development efforts on developing integrated system solutions for clinical quality data management. These will be designed to enable a larger volume of data to be captured faster and more easily, enhance the quality of the data and thus continuously improve treatment. It is feasible in the long term, for example, that these systems will not only record the complete history of a patient's hemodialysis treatment, but also manage data as early as the preliminary stages of chronic kidney failure so that treatment can be better coordinated and possible preventive measures applied more specifically. A common data management solution for peritoneal and hemodialysis patients could also help to improve the coordination of treatment and thus its quality. These two patient groups are now normally logged in separate IT systems, although many peritoneal dialysis patients frequently switch to hemodialysis after a certain period due to the limitations of using the human peritoneum as a dialysis membrane.

In general, we will also continue to look into the issue of how new scientific and technological findings can be used to further improve the quality of life of a growing number of patients with chronic kidney failure – such as through innovations in home therapies. Treatment safety will remain at the forefront of our efforts to continuously improve our products and services, and the concomitant diseases of chronic kidney failure will also remain a focus of our research. For example, we are planning to publish a study into left ventricular hypertrophy (enlarged left heart chamber) in dialysis patients, which we are conducting with the help of the Body Composition Monitor (BCM); see "Research and development" section —— *starting on page 68*.

A further research topic is transferring the blood-cleansing dialysis process to other illnesses, like liver disease, septicemia or certain autoimmune and metabolic disorders. In the long term, we will continue researching new approaches to treating severe kidney and liver disease based on regenerative medicine. To do this, we work together with internationally renowned scientific institutions and universities that conduct research on adult liver and kidney stem cells.

Finally, we want to contribute further to reducing the environmental impact of our products and services during their lifecycle as far as possible.

EMPLOYEES

Due to the anticipated expansion in business, we expect the number of employees to grow in all regions in the coming year, particularly at our dialysis clinics. By the end of 2011, the number of people working for Fresenius Medical Care is estimated to have increased to more than 78,000 (full-time equivalents). This would mean a rise of over 6% year-on-year. We also expect our workforce to continue to grow in 2012.

In line with our growth strategy, we believe that Asia holds particularly promising business prospects; as a result, the number of employees there is set to increase substantially. Nevertheless, we do not anticipate any major changes in the worldwide distribution of our employees: Most of them will continue to work in North America.

FUTURE USE OF NEW TECHNOLOGIES AND PROCESSES

With the help of the new Global Manufacturing Operations (GMO) division, we intend to support our regions in providing their patients and customers with highest-quality products at the best price in the future, while at the same time enabling the

regionally responsible Board members and their teams to focus their work on developing and growing their dialysis services business. In 2011, one focus of GMO will be to fully integrate processes along the manufacturing chain in the Asia-Pacific region as well as in the smaller production sites in Europe and Latin America into the new division.

We will continue to harmonize our processes globally along the manufacturing chain, for example by converting the current regional production systems to a common information technology system in the coming years. We will also introduce uniform IT systems in quality management, for example to document our processes internally and for complaint management.

In the area of strategic purchasing, we will further enhance our supplier management, both within and across regions. This will enable us to safeguard our supply with high-quality raw materials and semi-finished products at affordable conditions – an important task especially given the growing demand for raw materials on global procurement markets. While in 2010 GMO focused mainly on aligning procurement strategies for production materials across the regions, in the current business year we intend to identify in depth where we can achieve synergies across the Company for "indirect demand". This includes all goods and services that are not directly required to manufacture our products, such as IT, energy, freight and consultancy services.

In supply chain management, we will continue to strengthen cooperation between the GMO production network and the supply chain management teams in our regions, with the aim of further increasing our flexibility and efficiency along the production chain, and thus preparing ourselves as well as we can for further growth. Furthermore, we will continue to implement regional initiatives such as SCALE in the International segment (see "Our product business" section —— *starting on page 77*) to further harmonize our processes. Within SCALE, for example, we will integrate further product groups into our new planning system for production demand and inventory management; in 2011, these will be dialysis solutions and dialyzers.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure could need for treatment. Our international network of more than 2,700 dialysis clinics in over 35 countries is the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we understand that high quality is not only the key to a better quality of life for patients, but that it can also make a significant contribution to reducing the costs of healthcare. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail below.

Industry-specific opportunities

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach around 2.15 M in 2011 and almost 4 M by 2020. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, these include the aging population and the increasing incidence of diabetes and hypertension, two illnesses which frequently precede the onset of chronic kidney failure. In developing and emerging countries, the expanding population and an increase in wealth are key factors that boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment and in what form depends on the healthcare system of the country in which they operate and its legal framework. For Fresenius Medical Care, opportunities to extend into new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers. These decisions are increasingly influenced by the following factors:

▸ In many countries, the resources for financing, managing and providing healthcare services are becoming ever scarcer. This situation has worsened as a result of the financial and economic crisis.

▸ At the same time, healthcare systems face the challenge of providing their population with increasingly comprehensive medical services. This is due to longer life expectancy and the associated increase in concomitant diseases or because fully-functioning healthcare provision is still being established.

▸ Dialysis is a complex life-sustaining procedure, which places high demands on a healthcare system in terms of expertise and efficiency.

For these reasons, public healthcare providers are increasingly looking to work with private providers to develop high-quality, sustainable healthcare solutions for patients with chronic kidney failure. This constitutes a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by doctors in private practice, hospitals, and non-profit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers. These are facilities for outpatient care managed by doctors with different areas of expertise who are employed as salaried physicians. At the end of 2010, the Company was involved in eight medical care centers (2009: four). As an experienced partner, we want to continue to support our customers when it comes to setting up new structures in the German health care system, and take advantage of the opportunity to strengthen our business in the long term. In Japan, where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term if these are approved as clinic operators in Asia's largest dialysis market.

Public private partnerships

In some countries, public private partnerships (PPP) promise to be an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners have a specified share of the financing, tasks, risks, and opportunities. Here, too, our broad expertise in dialysis gives us a competitive edge, as it enables us to prepare suitable offers for various levels of care for hospitals, health insurances, local or national authorities. Depending on the contract, we can set up new dialysis clinics and install the equipment, train medical personnel on quality, hygiene and nutrition or manage the clinics ourselves on the terms agreed. PPP therefore offers an opportunity for both partners: The public sector benefits from private investments in a dialysis infrastructure based on high standards of treatment, from the transfer of knowledge on quality, technology and management issues, and from the operational efficiency of a global dialysis company, helping it to provide patients with better and, at the same time, more cost-effective healthcare. In turn, Fresenius Medical Care can tap new markets, expand its market share, and extend its range of products and services with new forms of healthcare thanks to the PPP model. Partnerships of this type can also be the first step towards complete

privatization. We are already part of a PPP initiative in Italy and are planning further projects in Indonesia, Abu Dhabi, Portugal, Brazil, and Turkey. The relevant contracts are tailored to the respective needs of the partners involved as well as to the local legal conditions.

Growing demand for integrated healthcare

Cost pressures on the one hand and the growing number of patients on the other are causing an increase in global demand for a comprehensive – or integrated – healthcare concept (disease management) for patients with chronic kidney failure. This is based on the following principle: All healthcare services and therapies associated with the treatment of a kidney patient – possibly going even one step further to include the treatment of concomitant diseases – are combined to create an integrated program that is tailored to the individual requirements of the patient and the needs of the insurer. Depending on the contract and which elements a healthcare system prescribes as part of basic treatment, this can involve, for example, special medical tests, drugs for kidney patients, the insertion and medical supply of the vascular access connecting a patient to the dialysis equipment (vascular access management – VAM), or the patient's travel to and from the dialysis center in addition to the dialysis itself. This comprehensive care from a single source improves the way in which the different stages of treatment are coordinated and controlled, minimizes complications and thereby avoids additional stays in hospital, which are a significant burden for patients, as far as possible. As a consequence, the patient's quality of life and the quality of treatment increase, while the overall costs of the treatment decrease.

Payors increasingly no longer reimburse the components of this type of holistic treatment separately but combined in a "service package", which is linked to contractually defined, measurable treatment targets on which the dialysis provider must submit regular reports (pay for performance). These quality parameters are generally based on national and international guidelines on good treatment practice for kidney patients and in some cases even exceed them. Failure to meet these criteria results in measures ranging from a reduction in the reimbursement to a full withdrawal of the license.

Integrated healthcare using the pay-for-performance model offers opportunities for all those involved: Dialysis patients can enjoy a sustainably improved quality of life; pooling healthcare provision with a single provider reduces the overall costs of treatment as resources are used more efficiently and makes these costs easier to control and calculate for the public sector and for health insurers; dialysis providers can in turn expand their range of offers by providing the additional services required by the contract.

Fresenius Medical Care is particularly well placed to offer integrated treatment programs for chronically ill kidney patients with a high level of quality for several reasons:

▸ As a manufacturer of leading dialysis products and an operator of the largest international dialysis clinic network worldwide, we have long-standing experience in providing comprehensive care for dialysis patients.

▸ Thanks to the high quality and reliability of our products and services, we enjoy a very good reputation in the industry.

▸ We use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvements.

Our first positive experience of quality-based healthcare models with flat-rate reimbursement was in Portugal, where this type of system was implemented in 2008. We are also reimbursed under the pay-for-performance principle for some of our patients in Argentina. In the year under review, we concluded

a cooperation agreement with the health authorities of the Spanish region Murcia to provide around 200 dialysis patients with complete care. This contract, the first of its kind in Spain, is set to take effect in mid-2011 and will run for an initial period of six years. Further information on integrated healthcare and reimbursement, including the new bundled reimbursement system in the U.S., can be found in the "Health and reimbursement systems" section —— *starting on page 49*.

Opportunities related to our business operations

Horizontal expansion of our portfolio

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy —— *see page 35* and the general trend towards integrated healthcare (see above), they offer the Company further opportunities for growth. Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism – both of which are consequences of chronic kidney failure. Anemia in dialysis patients is generally treated with the hormone compound Erythropoietin (EPO) and with intravenous iron compounds. The market volume of these intravenous iron compounds for kidney patients amounted to around $1.1 BN in 2010. Phosphate binders used to control the bone metabolism are required by more than 80% of all dialysis patients and accounted for a market volume of approximately $1.2 BN in 2010.

In previous years, license agreements for intravenous iron compounds and the integration of the phosphate binder PhosLo® into our product portfolio were instrumental in enabling us to participate in this market. In 2010, Fresenius Medical Care extended its cooperation with Galenica, a pharmaceutical company, and founded Vifor Fresenius Medical Care Renal Pharma, a joint venture specializing in the development and global sale of drugs for kidney patients. The joint venture, in which Fresenius Medical Care holds a 45% stake, is pursuing a dominant market position in both of these areas.

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics is no longer sufficient to treat all patients, home therapies look set to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. As a result, we are expanding our expertise in peritoneal dialysis with high-quality products and treatment programs as well as acquisitions —— *see page 51*. Sorbent technology already provides us with a key method for other forms of home therapy: home hemodialysis and the wearable artificial kidney, which an international team is currently developing in a long-term project —— *see page 71*. We use sorbents to make simple tap water suitable for use in dialysis and to recycle dialysis solution. These are major prerequisites for dialysis outside of medical healthcare facilities. In the future, we will continue to expand our portfolio with innovative products and procedures to exploit opportunities for growth, increasingly with the aim of best servicing the demand for integrated healthcare —— *see also page 125 onwards*.

Internal organization and procedures

The organization and management of its operational business presents Fresenius Medical Care with a series of opportunities that will help to improve the Company's success in the long term. For example, we use the Lean and Six Sigma management methods to analyze and better coordinate our production processes worldwide in order to further reduce both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for example by saving resources —— *see page 96 onwards*.

In the year under review, we reorganized our global production in the Global Manufacturing Operations (GMO) unit and created a corresponding position on the Management Board; further details —— *starting on page 51*. We believe that by establishing an integrated production network and

harmonizing quality management and supply chain management, we will be able to:

- further increase the efficiency of our processes,
- better manage risks, and therefore costs,
- improve returns on our invested manufacturing-related capital.

Acquisitions

By expanding our global network of clinics through acquisitions as well as procuring know-how and relevant technologies in the area of research and development, we are investing in our future growth. The close collaboration between our strategy and planning departments and the managers responsible for our acquisitions ensures that we are able to identify suitable potential acquisitions worldwide as early as possible. For information on our acquisitions in the year under review —— *see pages 50 and 63 onwards*.

Business model of Fresenius Medical Care

Finally, our business model also provides opportunities for the future growth of our Company. As a vertically integrated dialysis company, we not only offer almost all of the products and services that a patient with chronic kidney failure requires for treatment, we also use these on a daily basis in our own clinics. Consequently, we benefit from the feedback of patients, physicians and nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management.

Chapter 2.11

DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA report in this declaration pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) and to section 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) on the Company's corporate governance.

The Declaration on Corporate Governance is permanently available on the Company's website at www.fmc-ag.com in the section Investor Relations/ Corporate Governance/Declaration on Corporate Governance.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE FOR 2010

The German Corporate Governance Code includes key recommendations for the management and supervision of companies listed on a German stock exchange with the aim of making the rules for managing and supervising companies in Germany more transparent for investors. The code is also intended to enhance the trust of the public as well as that of employees and customers in the management and supervision of listed stock corporations.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA endorse the principles set forth in the German Corporate Governance Code. The majority of the guidelines, recommendations and suggestions in the code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company. Comprehensive information regarding corporate governance is available on our website at www.fmc-ag.com in the Investor Relations section. After having published an amended interim Declaration of Compliance in March 2010, Fresenius Medical Care submitted the Declaration of Compliance required annually by section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) in accordance with the recommendations of the German Corporate Governance Code as amended on June 18, 2009 and May 26, 2010 and made it permanently available to its shareholders on the Company's website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance. Fresenius Medical Care AG & Co. KGaA has complied and complies with the aforementioned recommendations specified by the German Corporate Governance Code. Only the recommendations mentioned in the following Declaration of Compliance have not been or are not being applied:

Declaration by the Board of Management of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA on the German Corporate Governance Code in accordance with Art. 161 German Stock Corporation Act (AktG)

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA and the Board of Management of its General Partner (hereinafter referred to as the "Board of Management") declare that the recommendations of the "German Corporate Governance Code Government Commission", published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version as of June 18, 2009 have been met since issuance of the recent declaration. The following recommendations are the only ones not been applied:

Code clause 3.8 para. 3:
"Deductible for Supervisory Board in D & O policy"
According to clause 3.8 para. 3 of the Code, a deductible must be agreed upon in any D & O policy for the Supervisory Board equivalent to the mandatory minimum deductible implemented for the Management Board by the German Act on the Appropriateness of Management Board Remuneration (VorstAG). Such deductible amounts to 10% of the loss up to at least the amount of one and a half times the fixed annual compensation. Until end of June 2010, Fresenius Medical Care's current D & O policy was a group policy for a multitude of persons, which did not provide for a deductible in the recommended amount. Effective since July 1, 2010, a deductible was agreed for the Management Board of Fresenius Medical Care Management AG, which does comply with the requirement of the German Act on the Appropriateness of Management Board Remuneration (VorstAG). An equivalent deductible was agreed for the Supervisory Board as of July 1, 2010.

Code clause 4.2.3 para. 4:
"Severance Payment Cap"
According to clause 4.2.3 para. 4 of the Code, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the entire past financial year and if appropriate also the expected total compensation for the current financial year. The employment contracts with the members of the Management Board that have been newly executed as of the beginning of the year 2010 also do not contain severance payment arrangements for the case of premature termination of the contract without serious cause. Such severance payment arrangements would be contrary to the concept practiced by Fresenius Medical Care in accordance with the German Stock Corporation Act, according to which employment contracts of the members of the Management Board are, in principle, concluded for the period of their appointment. Therefore, a premature termination of the employment contract in principle requires a serious cause.

Code clause 5.1.2 and 5.4.1:
"Age limit Management and Supervisory Board"
According to clause 5.4.1 of the Code attention shall be paid to an age limit to be specified for the members of the Supervisory Board in proposals for the election of members of the Supervisory Board. Similarly, according to clause 5.1.2 of the Code an age limit shall be specified for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determining an age limit for members of the Supervisory Board and the Board of Management in the future since this would limit the selection of qualified candidates.

Code clause 5.4.6:
"Compensation Supervisory Board"
According to clause 5.4.6 of the Code, Members of the Supervisory Board shall receive fixed as well as performance-related compensation. The performance-related compensation should also contain components based on the long-term performance of the enterprise. Currently, Fresenius Medical Care pays a fixed compensation to the members of the Supervisory Board only. The introduction of a performance-related compensation to the members of the Supervisory Board, linked to the success of the Company, is currently still under review.

In terms of the recommendations of the "German Corporate Governance Code Government Commission", published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version as of May 26, 2010, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA and the Board of Management declare that these recommendations are considered. In addition to the aforesaid recommendations according to Code clauses 4.2.3 para.4, 5.1.2, 5.4.1 and 5.4.6 (not applied accordingly in its versions as of May 26, 2010, also) the following recommendations are the only ones not being applied:

Code clauses 5.4.1 para. 2 and para. 3:
"Specification of concrete objectives regarding composition of the Supervisory Board and their consideration in making recommendations to the competent election bodies"
According to clause 5.4.1 para. 2 and 3 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition and recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives specified by the Supervisory Board and the status of implementation shall be published in the Corporate Governance Report. Fresenius Medical Care does not comply with these recommendations. The composition of the Supervisory Board of Fresenius Medical Care needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board. Hence, in composing the Supervisory Board, knowledge, skills and expert experience of each individual are of precedence. In contrast, fixed diversity quotas would limit the selection of qualified candidates in the same general way as an age limit.

Bad Homburg, December 2010

Fresenius Medical Care AG & Co. KGaA
Supervisory Board and Management Board
(of Fresenius Medical Care Management AG)

This and all previous declarations of compliance are permanently available pursuant to section 3.10 of the German Corporate Governance Code on our website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

Compliance

Global business activities result in global responsibility. As the global market leader in dialysis, Fresenius Medical Care is aware of its responsibility.

We are committed to conduct the Company's business activities in compliance with local laws and regulations. We seek to demonstrate professionalism, honesty and integrity in the business relationships with our patients, customers, suppliers and other business partners, with the public authorities and the payors within the healthcare system, with our employees, shareholders and the general public.

For us, compliance means adhering to defined ethical and legal guidelines as part of our business activities. Observing compliance guidelines is an integral part of our corporate culture. We have implemented Fresenius Medical Care's compliance program in all of our business regions. Thus, our compliance guidelines apply to all our subsidiaries.

Our compliance program comprises of a code of conduct that has been approved by the Management Board. The code of conduct applies worldwide in every business section and combines our long-term interests with those of our partners. It describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies.

The code of conduct is based on the core values of our Company: quality, honesty and integrity, innovation and improvement, respect, teamwork and dignity. Our corporate culture and policy as well as our entire business activities are guided by these values. Each employee is called on to ensure, by complying with the laws as well as the guidelines and rules of the code of conduct, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the healthcare system for patients, customers, suppliers, public authorities and the general public.

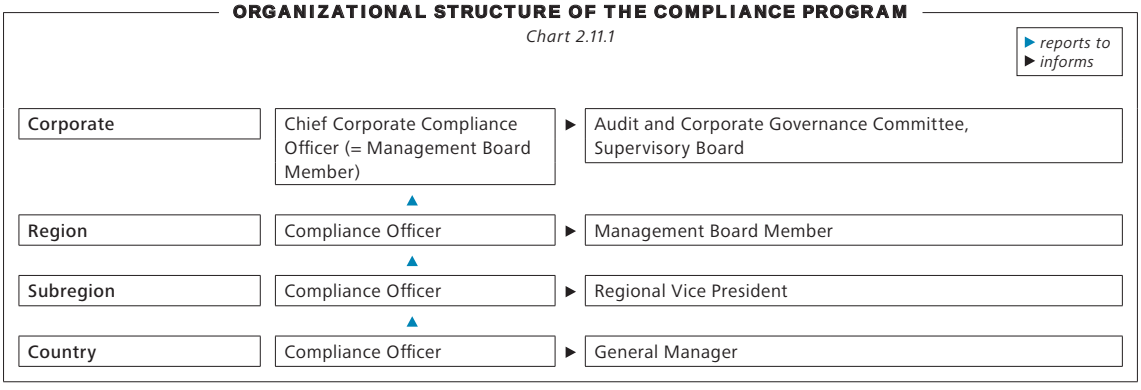
All employees have the possibility of reporting suspected violations of applicable laws or company policies. Information on violations may also be provided anonymously.

Further details can be obtained from the code of conduct published on the website of the Company at www.fmc-ag.com in the section Our Company/Compliance/Code of Conduct.

In his capacity as the Chief Corporate Compliance Officer, the member of the Management Board responsible for compliance regularly provides a compliance update to the Audit and Corporate Governance Committee of Fresenius Medical Care

ORGANIZATIONAL STRUCTURE OF THE COMPLIANCE PROGRAM

Chart 2.11.1



AG & Co. KGaA and to the Supervisory Board of Fresenius Medical Care Management AG.

We continued our compliance training activities in 2010. As part of this training, local compliance officers were given the opportunity at conferences to exchange their experiences with the compliance officers from their respective business regions. As the chart 2.11.1 shows, these officers are assigned a key role: They are responsible that each employee is informed about our code of conduct and its goals. At the same time, they are responsible for related training measures. Compliance officers act as contacts for our employees and can be reached via special telephone numbers or by e-mail. Of course, our local compliance officers can also be approached in person.

In 2010, with our regional compliance conferences we strengthened the network and global cooperation within our compliance organization and promoted the exchange of company-wide compliance topics.

In addition, we have leveraged current resources to strategically strengthen our compliance program through initiatives like online employee training and increased communication within the Company.

In addition, our compliance program is an integral part of our risk and opportunity management system.

Risk and Opportunity Management

At Fresenius Medical Care, a comprehensive management system is in place to ensure that risks and opportunities are identified at an early stage, optimizing the risk profile and minimizing the costs related to these risks through timely intervention. Our risk management is an integral component of our day-to-day business and is reviewed on a regular basis. Our internal control system is reviewed on a regular basis by the Management Board and by internal auditors.

Further information about the risk and opportunity management system, our internal control system and the compliance program is to be found in the risk management section of the management report of the financial statements (www.fmc-ag.com in the section Investor Relations/Publications 2010/Financial Statements according to German law (HGB)) as well as —— *starting on page 104*.

Group Management and Supervision Structure

The legal form of Fresenius Medical Care is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). In this legal form, the most important bodies of the Company are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In 2010, there were no significant changes to the Group's management and supervision structure.

The Articles of Association of Fresenius Medical Care, which specify the responsibilities of the various bodies of the Company, are available online at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association.

Fresenius Medical Care aims for a corporate governance that continues to ensure the highest transparency possible. The Management Board of the General Partner manages the business of the Company. In addition to the Company's Supervisory Board, Fresenius Medical Care Management AG has its own Supervisory Board.

Shareholders

Company shareholders exercise their rights and voting powers in the General Meeting. Each ordinary share of Fresenius Medical Care AG & Co. KGaA entitles the holder to one vote at the General Meeting. The preference shares of Fresenius Medical Care AG & Co. KGaA do not confer any voting rights. As compensation, preference shareholders receive a preference in earnings distribution and a higher dividend. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review), respectively, its sole shareholder, Fresenius SE & Co. KGaA (formerly Fresenius SE), can

exercise at the General Meeting the voting rights connected with the shares it holds. However, the General Partner and its sole shareholder, Fresenius SE & Co. KGaA, are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board, as well as the election of the auditor of the annual financial statements. This is to guarantee that the shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the Management.

General Meeting

According to the basic principles of the German Corporate Governance Code, shareholders can exercise their voting rights at the Annual General Meeting themselves, by proxy via a representative of their choice, or by a company-nominated proxy acting on their instructions. Proxy voting instructions to a company nominee can be issued before and during the Annual General Meeting until the end of the open discussion period.

All documents and information about the General Meeting are available on our website at www.fmc-ag.com in the section Investor Relations/Annual General Meeting.

In the year under review, the Annual General Meeting of Fresenius Medical Care AG & Co. KGaA took place on May 11, 2010 in Frankfurt/Main (Germany). More than 75% of the ordinary share capital and approximately 2.6% of the preference share capital were represented. In 2009, more than 74% of the ordinary share capital and 4% of the preference share capital were represented at the Annual General Meeting. All shareholders who were not able to participate had the possibility to follow the speech of the Chairman of the Management Board live on the internet. The speech is available on our website at www.fmc-ag.com in the section Investors Relations/Annual General Meeting 2010. At the Annual General Meeting, it was voted on the approval of the annual financial statements, the allocation of distributable profit, the approval of the actions of the General Partner and the Supervisory Board, the approval of the system of remuneration of the General Partner's Management Board members and the election of the auditors. Further resolutions related to the cancellation of the existing and creation of new authorized capitals, the exclusion of the preemption right and corresponding amendments to the Articles of Association. Furthermore, it was voted on amendments to the Articles of Association for the adaptation of amendments to the German Stock Corporation Act. The voting results of the Annual General Meeting are available on our website at www.fmc-ag.com in the section Investors Relations/Annual General Meeting 2010.

Functioning of the Management Board and the Supervisory Board as well as Composition and Functioning of their Committees

The German Stock Corporation Act prescribes a dual management system for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares (KGaA) and thus also for Fresenius Medical Care AG & Co. KGaA. Such dual management system consists of a management board and a supervisory board, with strict separation being observed between the management and supervision of the company's business activities. The Management Board is responsible for managing the Company, and the members of the Management Board bear this responsibility jointly. The Supervisory Board is responsible for supervising and advising the Management Board and it is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the case of Fresenius Medical Care AG & Co. KGaA, this is Fresenius Medical Care Management AG, whose Management Board is responsible for conducting the business activities of the KGaA. Both companies, Fresenius Medical Care AG & Co. KGaA and Fresenius Medical Care Management AG, have their own Supervisory Boards.

General Partner – Management Board and Supervisory Board

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board is responsible for managing the Company and conducting the Company's business. Its actions and decisions are directed towards the interests of the Company. Within the scope of filling managerial positions, the Management Board considered diversity and especially female representation in terms of selection from professionally qualified candidates. About one third of the participants of our stock option programs, which are reserved for managers, are female. In the year under review, the Management Board of the General Partner was composed of seven members.

The members of the Management Board and their areas of responsibility are introduced in the notes to the financial statements under "Management Board of the General Partner Fresenius Medical Care AG" (www.fmc-ag.com in the section Investor Relations/Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Management Board and —— *starting on page 14*.

In addition to observing legislation, the Articles of Association and the principles as explained herein, the General Partner's Management Board conducts the business activities of our Company in accordance with the rules of procedure adopted by the General Partner's Supervisory Board pursuant to section 4.2.1 of the German Corporate Governance Code. These rules of procedure define the principles of cooperation within the joint body and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. Deliberations of the Management Board are conducted by the Chairman of the Management Board or, if the latter is unavailable, by the Board member responsible for commercial matters or, if the latter is also unavailable, by the Board member who is the senior-most member in age of the Board members present. The Chairman determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members.

The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least once a month. In practice, meetings of the Management Board generally take place twice a month.

In various cases, the rules of procedure require the Management Board of the General Partner to obtain the prior consent of the Supervisory Board or the competent Supervisory Board committee of the General Partner.

As a stock corporation (Aktiengesellschaft), the General Partner has its own Supervisory Board consisting of six members, which is chaired by Dr. Ulf M. Schneider. The Supervisory Board appoints the members of the Management Board and supervises and advises the General Partner's Management Board in the management of the Company. In accordance with section 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure. The basis for the independence of the General Partner's Supervisory Board is ensured by a Pooling Agreement to which Fresenius SE & Co. KGaA (formerly Fresenius SE) has acceded. According to the Pooling Agreement, at least one third (and at least two) of the members of the General Partner's Supervisory Board must be independent members. As defined by the Pooling Agreement, an "independent member" is a member of the Supervisory Board with no substantial business or professional relationship with Fresenius Medical Care AG & Co. KGaA, its General Partner, Fresenius SE & Co. KGaA (formerly Fresenius SE), or its General Partner Fresenius Management SE, or any affiliates of these companies.

Supervisory Board of the Company

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA advises and supervises the business activities as conducted by the General Partner and

performs the other duties assigned to it by law and by the Articles of Association. It is involved in strategy and planning as well as all matters of fundamental importance for the Company.

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA consists of six members. In the year under review, these were Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Prof. Dr. Bernd Fahrholz, William P. Johnston, John Gerhard Kringel and Dr. Walter L. Weisman. Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 153*.

All six members of the Supervisory Board are elected by the General Meeting according to the provisions of the German Stock Corporation Act (Aktiengesetz, AktG). Such resolution of the General Meeting requires a majority of at least three quarters of the votes cast. As described above, Fresenius SE & Co. KGaA (formerly Fresenius SE) is excluded from voting on this issue. When proposing persons for election as members of the Supervisory Board, due regard is given primarily to the knowledge, abilities and specialist experience required for each such member to duly perform his tasks. The composition of the Supervisory Board of Fresenius Medical Care must be directed towards the interests of the Company and must ensure that the Management Board is supervised and advised effectively. On the other hand, fixed diversity quota and age limits would limit the selection of qualified candidates. Therefore, the Supervisory Board has refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the Corporate Governance Report; in addition, it has amended the current version of the declaration of compliance accordingly. Such declaration of compliance is included above herein, and can also be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

There is a strict separation between the members of the Supervisory Board and those of the Management Board: simultaneous membership in both the Supervisory Board and the Management Board is not compatible with the law. In the year under review, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA did not include any members who were also members of the General Partner's Management Board during the previous two years. The members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of related third parties. The body is comprised of a sufficient number of independent members, five in total, who do not have any business or personal relationship with the Company or its Management Board. Details on the treatment of potential conflicts of interests are set out in the section "Avoidance of Conflicts of Interests" below.

The term of office of the Supervisory Board is five years, the current term of office ends on conclusion of the General Meeting for 2011. Corresponding to clause 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure.

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in Articles 8 et seq. of the Company's Articles of Association, which can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. Furthermore, the Company's Supervisory Board has adopted rules of procedure which set out, among other things, the modalities for convening meetings and the manner in which resolutions are adopted. Accordingly, the Supervisory Board meets at least twice per calendar half year. The deliberations of the Supervisory Board are conducted by the Chairman or, if the

latter is unavailable, by his deputy, who also determines the order of the agenda items and the type of voting. As a rule, the Supervisory Board decides by simple majority of votes cast unless other majorities are prescribed by a mandatory provision of law. The Chairman represents the Supervisory Board to third parties. The Chairman of the Supervisory Board is responsible for coordinating and directing the Supervisory Board.

In addition, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA has established committees as further specified below. The members of the Supervisory Board and of the committees regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out show that each of the Supervisory Board and the committees are efficiently organised and that the co-operation of the Supervisory and Management Boards of the General Partner works very well, too.

The members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA regularly update themselves via in-house sources and via external sources about the current status of supervisory requirements. In addition to information provided to them by several external experts, also experts of the Company's departments regularly provide reports about relevant developments, such as – for example – relevant new developments in the revision of legal rules or in jurisprudence and also about recent developments in regulations on accounting according to U.S. GAAP and IFRS. In this way, the Supervisory Board, with the Company's reasonable assistance, ensures an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, which is required for the Supervisory Board including its committees to duly perform their tasks.

In the year under review, the Supervisory Board has met four times. Furthermore, topics have been discussed in several conference calls. Significant discussion topics have been the development of reimbursement system in the United States and in other countries, financing of the enterprise, acquisitions, development of the business and the situation of competition.

Co-operation of General Partner and Supervisory Board of the Company

Good corporate governance requires an efficient co-operation between the management and the Supervisory Board on the basis of mutual trust. The General Partner and the Supervisory Board of the Company work together closely in the Company's interest: their joint goal is to increase the Company's value in the long term in compliance with the corporate governance principles and compliance regulations. The General Partner regularly informs the Company's Supervisory Board about all relevant issues regarding business policy, corporate planning and strategic enhancement, about the profitability of the Company as well as the development of business and the Group's position including an assessment of the risk situation.

In the expired fiscal year, the Supervisory Board regularly advised the Company's management, i.e. the Management Board of the General Partner, on the Company's management supervising it in line with its responsibility as Supervisory Board of the partnership limited by shares.

Avoidance of Conflicts of Interests

When making decisions and in connection with the tasks and activities performed by them, the members of the Management Board of the General Partner and of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any outside activities or business dealings with the Company are to be disclosed to the Supervisory Board immediately and are subject to its approval. The Supervisory Board reports to the General Meeting about possible conflicts of interests and how to deal with them. Furthermore, in the year under review, without a change, the Chairman of

Fresenius Medical Care Management AG's Management Board, Dr. Ben J. Lipps, remained, with the approval of Fresenius Medical Care Management AG's Supervisory Board, at the same time a member of the Management Board of Fresenius SE. The members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA Dr. Krick (Chairman) and Dr.Schenk (Vice-Chairman) were, in the year under report, also members of the Supervisory Board of Fresenius SE. After effectiveness of the transformation of the legal form of Fresenius SE to Fresenius SE & Co. KGaA on January 28, 2011, both are now members of the Supervisory Board of Fresenius Management SE, the general partner of Fresenius SE & Co. KGaA. Dr. Krick is also a member of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Schenk continues to be chairman of the administrative board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE, and co-executor of the estate of Mrs Else Kröner. Dr. Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the management board of the company. During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company existed only in the case of Dr. Schenk, who was a member of the Supervisory Board of our Company, a member of the Supervisory Board of Fresenius SE (until effectiveness of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA, effective as of January 28, 2011), of Fresenius Management SE and, at the same time, a partner of the internationally operating law firm Noerr LLP in the year under review. The law firm Noerr LLP acted for the enterprise as legal advisor during fiscal year 2010. As regards specific mandates for future services to be provided by law firm Noerr LLP and as regards the first three quarters of the year under review, the Supervisory Board has already given its consent to such activity, with Dr. Schenk abstaining from the vote. Any services rendered by such law firm in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2011.

In the year under review, 2010, an amount of €1,207,685 was paid by Fresenius Medical Care to the law firm Noerr LLP. This represents less than 3% of Fresenius Medical Care's worldwide legal and other consultancy fees.

In the year under review, there were no relevant conflicts of interests of members of the Management and Supervisory Boards required to be disclosed to the Supervisory Board without undue delay.

Committees of the Supervisory Board

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA established an Audit and Corporate Governance Committee. During the year under review Dr. Walter L. Weisman (Chairman), Prof. Dr. Bernd Fahrholz, William P. Johnston and Dr. Gerd Krick were members of this Committee. Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/ Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 153*.

The Audit and Corporate Governance Committee assists and advises the Supervisory Board of the Company and performs the duties incumbent on it by law and in accordance with the German Corporate Governance Code; without prejudice to the responsibilities of the Supervisory Board, it also reviews the report of the General Partner on relationships with affiliated companies. In addition, the Audit and Corporate Governance Committee examines the report according to Form 20-F, which in addition to other disclosures includes the consolidated financial statements and the Group management report. With the consent of the Supervisory Board of our Company, the Audit and Corporate Governance Committee adopted rules of procedure.

The rules of procedure of the Audit and Corporate Governance Committees provide that between three and five members may belong to this Committee. At least two of the members must be independent

pursuant to the Articles of Association of the Company, which means that, apart from their membership in the Supervisory Board of the General Partner, they do not have any substantial business, professional or personal relationship with the Company or any of its affiliates. The question of independence is assessed solely by the Supervisory Board of the Company, with such independence as a rule being assumed where the member in question satisfies the requirements for independence pursuant to section 100 (5) of the German Stock Corporation Act and those of the New York Stock Exchange. Furthermore, members of the Audit and Corporate Governance Committee are required to possess expert knowledge in the finance and accounting sector.

The members of the Audit und Corporate Governance Committee Dr. Weisman, Mr Johnston and Prof. Dr. Fahrholz are to be regarded as independent members and possess expert knowledge in the finance and accounting sector. The members were appointed to the Committee based on their specialist knowledge, their independence and their experience. The Audit and Corporate Governance Committee convenes as circumstances require, but at least four times a year in any case. Meetings of the Audit and Corporate Governance Committee are conducted by a chairman who is to be appointed for this purpose in each case and who should not be a former member of the Management Board of the Company. A quorum of the body is constituted by the majority of its members. Subsequent to the meetings, the Audit and Corporate Governance Committee reports regularly through its chairman to the Supervisory Board of the Company and together with the latter addresses issues falling under the responsibility of the Audit and Corporate Governance Committee. In consultation with the Audit and Corporate Governance Committee, the Supervisory Board proposed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual financial statements for the year under review.

In the year under review, the Company's nomination committee included Dr. Gerd Krick (Chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk, amongst others, and thus two independent members. The nomination committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Company's Supervisory Board for the latter's nomination proposals to the General Meeting. Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board"(www.fmc-ag.com in the section Investor Relations/Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *starting on page 153*.

Furthermore, Fresenius Medical Care AG & Co. KGaA already in 2006 established a Joint Committee whose composition and activity are provided for in Articles 13a et seq. of the Articles of Association of the Company; these provisions can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. The Joint Committee is convened only as required, namely in cases of certain legal transactions predefined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of this body.

The Joint Committee is composed of two members of the Supervisory Board of the General Partner and two members of the Supervisory Board of the Company, with the chairman of this body being appointed by the General Partner. For the General Partner, Dr. Ulf M. Schneider and Dr. Gerd Krick have been named as members of the Joint Committee. By resolution of May 9, 2006 the General Meeting of the Company appointed Dr. Walter L. Weisman and John Gerhard Kringel as members of the Joint Committee for Fresenius Medical Care AG & Co. KGaA. Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found below – as regards Dr. Ulf M. Schneider – in the notes to the financial statements under "Supervisory Board"

(www.fmc-ag.com in the section Investor Relations/ Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *starting on page 153*.

The Committee constitutes a quorum if at least three members are attending a meeting. As a rule, resolutions are adopted by simple majority of votes. When the Joint Committee has met, it reports to the General Meeting on its work; in this regard, section 171 (2) sentence 1 and sentence 2 (first half-sentence) as well as section 176 (1) sentence 1 of the German Stock Corporation Act apply mutatis mutandis. If resolutions have been adopted by the second vote being cast by the chairman, this fact must be disclosed in the report of the Joint Committee.

In the year under review, the Joint Committee was not convened as the requirements for a meeting have not been fulfilled.

Furthermore, at the level of the Supervisory Board of the General Partner, Fresenius Medical Care Management AG, further Committees have been in place. The purpose of these committees is to raise the efficiency of the Supervisory Board's work and to deal with special issues of a complex nature, such as the composition and compensation of the Management Board, the Supervisory Board candidate proposals as well as regulatory requirements and reimbursement of services in the dialysis field. These committees act only in a consulting capacity. In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick, Mr William P. Johnston and Dr. Walter L. Weisman. Members of the Regulatory and Reimbursement Assessment Committee were Mr William P. Johnston (Chairman), Mr John Gerhard Kringel and Dr. Dieter Schenk. In the year under review, the Company's nomination committee included Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick and Dr. Walter L. Weisman, and thus two independent members. The nomination committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Company's Supervisory Board for the latter's nomination proposals to the General Meeting. Further details about the aforesaid members' membership in other statutory Supervisory Boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/ Publications 2010/Financial Statements according to German law (HGB)), at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 153*. As regards Dr. Ulf M. Schneider, in addition the following information is provided with respect to the year under review:

Dr. Ulf M. Schneider
Chairman of the Management Board of Fresenius SE (until January 28, 2011)
Chairman of the Management Board of Fresenius Management SE

Supervisory Boards
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius Kabi Austria GmbH, Austria (until June 30, 2010)
Fresenius Kabi España S.A., Spain
Fresenius HemoCare Netherlands B.V., The Netherlands

Others
APP Pharmaceuticals, Inc., USA (Board of Directors)
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (Board of Directors)
FHC (Holdings), Ltd., Great Britain (Board of Directors)

COMPENSATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Compensation Report

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

I. Compensation of the Management Board

The entire Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee, the Human Resources Committee. For fiscal year 2010, the Human Resources Committee was composed of Dr. Ulf M. Schneider, Dr. Gerd Krick, William P. Johnston and Dr. Walter Weisman.

In fiscal year 2010, the compensation of the Management Board of Fresenius Medical Care Management AG already took into account the newly worded requirements in accordance with the German Act on the Appropriateness of Executive Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG), which entered into force on August 5, 2009. The Management Board compensation system was reviewed by an independent external compensation expert at the beginning of fiscal year 2010 and later submitted to Fresenius Medical Care AG & Co. KGaA's shareholders' meeting for approval. On May 11, 2010 the shareholders' meeting approved of the Management Board compensation system with a majority of 99.26% of the votes cast.

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

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

- performance-unrelated compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options and share-based compensation with cash settlement)

The individual components are designed on the basis of the following criteria:

In fiscal year 2010, the performance-unrelated compensation was paid in twelve monthly instalments as basic salary. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as foreign supplements, rent supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges and additional contributions to pension and health insurance. The performance-related compensation will also be granted for the fiscal year 2010 as a short-term cash component (annual bonus) and a longer-term share-based compensation component (stock options, share-based compensation with cash settlement). The amount of the performance-related compensation component in each case depends on the achievement of individual and common targets:

The targets for the members of the Management Board are measured by reference to operating profit margin, growth of Group-wide after-tax earnings

(EAT growth) as well as the development of free cash flow (cash flow before acquisitions). All values are derived from the comparison of estimated and actually achieved figures. Furthermore, targets are divided into Group level targets and those to be achieved in individual regions. Lastly, the various target parameters are weighted differently by their relative share in the aggregate amount of variable compensation depending on the respective (regional) areas of responsibility assumed by the members of the Management Board.

Variable compensation was based upon EAT growth of at least 6% and capped at 15%. Furthermore, the members of the Management Board assuming Group functions and the members of the Management Board with regional responsibilities were evaluated in terms of the development of the respective free cash flow within the Group or in the relevant regions during the period under review, with the targets subject to compensation being within a range of rates between 3% and 6% of the respective free cash flow with reference to the turnover. The regional operating profit margins achieved during 2010 were moreover compensated for the respective Board members with regional responsibilities, in each case, within a target range between 13% and 18.5%.

As a rule, EAT growth for members of the Management Board with Group functions – these are Messrs Dr. Ben Lipps, Michael Brosnan and Dr. Rainer Runte – are compensated at a share of 80% in variable compensation and are thus weighted higher than for Board members having responsibility for regional earnings (these are Messrs. Roberto Fusté, Dr. Emanuele Gatti and Rice Powell) or in the Global Manufacturing Operations division (Mr Kent Wanzek), where the share is 60%. The achievement of the target for free cash flow is assessed at the uniform rate of 20% of variable compensation for all members of the Management Board; likewise, the valuation of operating profit margins in the regions is weighted at 20% of the variable compensation component.

In fiscal year 2010, the bonus components to be paid via cash payment in principle consisted proportionately of a short-term annual bonus and a further share-based compensation component (long-term), to be paid by way of cash settlement based on the performance of the stock exchange price of the ordinary shares of Fresenius Medical Care AG & Co. KGaA. Once the annual targets were or are achieved, the cash was or will be paid after the end of the respective fiscal year in which the target is achieved. The share-based compensation also to be granted yearly in case of achievement of the yearly targets is subject to a three-year vesting period, although a shorter period may apply in special cases (e.g. professional incapacity, entry into retirement, non-renewal by the company of expired service agreements). The amount of cash payment of this share-based compensation corresponds to the share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the three-year vesting period. Therefore, the share-based compensation is attributed to the long-term incentive compensation components. The annual targets of the aforementioned and respectively applicable key data is valued at a maximum of 120% and subject to a fixed multiplier, thereby limiting the variable compensation. In determining the variable compensation, care was taken that the share of the long-term compensation components (including the stock option components described below) constitutes at least 50% of the total variable components. Should this not be the case mathematically, the Management Board members' contracts provide that the share of the short-term annual bonus be reduced and the share of the long-term share-based cash components be correspondingly increased, in order to meet this quota. For the total performance-based compensation, the amount of the maximum achievable bonus for each of the members of the Management Board is respectively capped. The share-based compensation components also contain a limitation for cases of extraordinary developments.

In addition, a special bonus component applied in some cases for fiscal years 2006, 2007 and 2008 which was linked to the achievement of targets as measured only over this three-year period but whose payment to a certain extent is also subject to a

vesting period of several years and consequently will take place up to 2012. This bonus component also included special components linked to the achievement of extraordinary financial targets related to special integration measures (e.g. in connection with the acquisition of Renal Care Group in the U.S.) and thus required the achievement of an extraordinary increase in earnings. The present report also reflects those payments based on this earlier bonus component but exercised and paid only in the year under review.

For fiscal years 2010 and 2009 the amount of cash payments of the Management Board of Fresenius Medical Care Management AG without long-term incentive components are shown in table 2.11.2.

In addition to the aforementioned share-based compensation component with cash settlement, stock options under Stock Option Plan 2006 were granted as (further) components with long-term incentive effects in fiscal year 2010. The principles of Stock Option Plan 2006 are described in more detail in the notes to the financial statements under the header "Conditional Capital VI" and —— *starting on page 245*.

As of January 1, 2010, the Company still had three additional Employee Participation Programs secured by conditional capital which entitled their participants to convertible bonds or stock options, and from which, however, in fiscal year 2010 no further options could be issued. In continuation with these successful employee participation programs of the past fiscal years, Fresenius Medical Care AG & Co. KGaA implemented the Stock Option Plan 2006 approved by resolution of the general meeting on May 9, 2006 and amended by resolution of the general meeting of May 15, 2007 (reflecting the share split 1:3).

During 2010, a total of 2,817,879 (2009: 2,585,196) stock options were granted under this Stock Option Plan of which 423,300 (2009: 348,600) were granted to the members of the Management Board.

For fiscal years 2010 and 2009 the number and value of stock options issued and the value of other share-based compensation with cash settlement is shown individually in table 2.11.3.

Table 2.11.2

in € THOUS

	Non-performance related compensation				*Performance related compensation/ bonus*		*Cash compensation (without long-term incentive components)*	
	Salary		*Other*[1]					
	2010	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Ben J. Lipps	905	860	354	251	1,172	1,200	2,431	2,311
Michael Brosnan	490	–	138	–	619	–	1,247	–
Roberto Fusté	450	400	185	185	558	519	1,193	1,104
Dr. Emanuele Gatti	650	550	105	111	819	732	1,574	1,393
Rice Powell	716	538	27	28	995	868	1,738	1,434
Dr. Rainer Runte	425	380	36	30	550	451	1,011	861
Kent Wanzek	377	–	19	–	548	–	944	–
TOTAL	**4,013**	**2,728**	**864**	**605**	**5,261**	**3,770**	**10,138**	**7,103**

[1] *Includes insurance premiums, private use of company cars, contributions to pension and health insureance and other benefits.*

The stated values of the stock options granted to the members of the Management Board in fiscal year 2010 correspond to their fair value at the time of being granted, namely a value of €8.07 (2009: €7.64) per stock option. The exercise price for the stock options granted is €42.68 (2009: €31.97).

At the end of fiscal year 2010, the members of the Management Board held a total of 2,178,699 stock options (2009: 2,041,121 stock options).

The development and status of stock options of the members of the Management Board in fiscal year 2010 are shown in more detail in the table 2.11.4.

Based on the targets achieved in fiscal year 2010, additional rights for share-based compensation with cash settlement totalling €1,963 THOUS (2009: €1,103 THOUS) were earned, on the basis of which the number of share-based compensation rights is distributed. Since the actual distribution will not take place until March 2011, the specific number of shares of such share-based compensation rights will be determined by the Supervisory Board at that time by reference to the then current price of the ordinary shares of Fresenius Medical Care AG & Co. KGaA. Such number of shares will then serve as a basis and multiplier for calculating of the payment after the three-year vesting period.

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

Table 2.11.3

	Stock options				*Share-based compensation with cash settlement value in € THOUS*		*Total*	
	Number		*Value in € THOUS*				*Value in € THOUS*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Ben J. Lipps	99,600	99,600	804	761	391	341	1,195	1,102
Michael Brosnan	49,800	–	402	–	227	–	629	–
Roberto Fusté	49,800	49,800	402	380	156	126	558	506
Dr. Emanuele Gatti	49,800	49,800	402	380	417	244	819	624
Rice Powell	74,700	49,800	603	380	406	242	1,009	622
Dr. Rainer Runte	49,800	49,800	402	380	183	150	585	530
Kent Wanzek	49,800	–	402	–	183	–	585	–
TOTAL	**423,300**	**298,800**	**3,417**	**2,281**	**1,963**	**1,103**	**5,380**	**3,384**

The amount of the total compensation of the Management Board of Fresenius Medical Care Management AG for fiscal years 2010 and 2009 is shown in the table 2.11.5 ——— *on page 144*.

Compensation components with long-term incentive effects, i.e. stock options as well as share-based compensation with cash settlement, can be exercised only after the expiry of the specified vesting

Table 2.11.4

	Options outstanding at January 1, 2010		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	703,416	28.44	99,600	42.68
Michael Brosnan	230,481	28.01	49,800	42.68
Roberto Fusté	316,076	26.48	49,800	42.68
Dr. Emanuele Gatti	326,076	26.15	49,800	42.68
Rice Powell	226,977	30.63	74,700	42.68
Dr. Rainer Runte	257,553	30.01	49,800	42.68
Kent Wanzek	56,526	33.29	49,800	42.68
TOTAL	**2,117,105**	**28.30**	**423,300**	**42.68**

	Options exercised during the fiscal year			*Options forfeited during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	204,146	24.49	43.14	–	–
Michael Brosnan	10,683	27.26	44.86	–	–
Roberto Fusté	25,890	13.12	41.09	–	–
Dr. Emanuele Gatti	–	–	–	–	–
Rice Powell	77,577	24.54	43.09	–	–
Dr. Rainer Runte	22,884	22.40	43.10	–	–
Kent Wanzek	20,526	32.51	44.38	–	–
TOTAL	**361,706**	**24.09**	**43.10**	**–**	**–**

	Options outstanding at December 31, 2010				*Options exercisable at December 31, 2010*	
	Number	*Weighted average exercise price in €*	*Weighted average remaining life in years*	*Range of exercise prices in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	598,870	32.15	4.4	14,47–42,68	300,070	27.61
Michael Brosnan	269,598	30.75	4.5	11,42–42,68	153,798	25.61
Roberto Fusté	339,986	29.87	4.1	11,42–42,68	190,586	24.50
Dr. Emanuele Gatti	375,876	28.34	3.9	11,42–42,68	226,476	22.82
Rice Powell	224,100	36.75	5.2	31,97–42,68	49,800	33.91
Dr. Rainer Runte	284,469	32.84	4.4	14,47–42,68	135,069	28.56
Kent Wanzek	85,800	38.92	5.9	31,97–42,68	–	–
TOTAL	**2,178,699**	**31.79**	**4.4**	**11,42–42,68**	**1,055,799**	**26.15**

period. Their value is recognized over the vesting period as expense in the respective fiscal year of the vesting period. Share-based compensation expenses attributable to fiscal years 2010 and 2009 are shown in table 2.11.6.

II. 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 Roberto Fusté, Dr. Emanuele Gatti and Dr. Rainer Runte. Under these commitments, Fresenius Medical Care as of December 31, 2010 has aggregate pension obligations of €6,061 THOUS (as of December 31, 2009: €2,937 THOUS).

Each of the pension commitments provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest, however, depending on the amount of the recipient's most recent basic salary. The pension commitment for Management Board member Dr. Emanuele Gatti was amended, effective for the 2010 fiscal year, in that the earliest age at which retirement benefits may be received was reduced from 65 to 60. The present value of the pension commitments has increased by €1,496 THOUS due to this amendment.

With regard to the retirement pension, the starting percentage of 30% from the last base salary increases with every complete year of service by 1.5 percentage points up to a maximum of 45%. Current pensions increase according to legal requirements (Sec. 16 of the German Law to improve company pension plans, "BetrAVG"). 30% of the gross amount of any later income from an activity of the Management Board member is set off against the pension obligation. Any amounts to which the Management Board members or their surviving dependants, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies are to be set off. If a Management Board member dies, the widow receives a pension amounting to 60% of the resulting pension claim at that time. Furthermore, the deceased Management Board member's

Table 2.11.5

in € THOUS

	Cash compensation (without long-term incentive components)		*Components with long-term incentive effect*		*Total compensation (including long-term incentive components)*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Ben J. Lipps	2,431	2,311	1,195	1,102	3,626	3,413
Michael Brosnan	1,247	–	629	–	1,876	–
Roberto Fusté	1,193	1,104	558	506	1,751	1,610
Dr. Emanuele Gatti	1,574	1,393	819	624	2,393	2,017
Rice Powell	1,738	1,434	1,009	622	2,747	2,056
Dr. Rainer Runte	1,011	861	585	530	1,596	1,391
Kent Wanzek	944	–	585	–	1,529	–
TOTAL	**10,138**	**7,103**	**5,380**	**3,384**	**15,518**	**10,487**

own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20% of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the widow pension together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before he reaches 65 or (in the case of Dr. Gatti) 60, except in the event of a disability (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid for a covered event is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching 65 or (in the case of Dr. Gatti) 60 years of age.

With the Chairman of the Management Board, Dr. Ben Lipps, there is an individual agreement instead of a pension provision, to the effect that, taking account of a non-compete covenant upon termination of his employment contract/service agreement with Fresenius Medical Care Management AG, he will be retained to render consulting services to the Company for a period of 10 years. The annual consideration for such services would amount to approximately 33% of the non-performance-linked compensation components paid to him in fiscal year 2010. The present value of this agreement amounted to €2,153 THOUS as of December 31, 2010.

Management Board members Rice Powell, Michael Brosnan and Kent Wanzek participated in the US-based 401(k) savings plan in 2010. This plan generally allows employees in the US to invest a portion of their gross salaries in retirement pension programs. The company supports this investment, for permanent employees with at least one year of service, via 50% of the investment made, up to a limit of 6% of income – whereupon the allowance paid by the Company is limited to 3% of the income – or a maximum of $16,500 ($22,000 for employees 50 years of age or older). The aforementioned Management Board members were each contractually enabled to participate in this plan: in the past fiscal year the company paid out $9,383.50 respectively in this regard.

Table 2.11.6

in € THOUS

	Expense for long-term incentive components with equity instruments		*Expense for long-term incentive components by share-based compensation with cash settlement*		*Total expense for share-based compensation*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Ben J. Lipps	879	945	860	912	1,739	1,857
Michael Brosnan	56	–	–	–	56	–
Roberto Fusté	439	472	46	–	485	472
Dr. Emanuele Gatti	439	472	321	304	760	776
Rice Powell	467	472	537	577	1,004	1,049
Dr. Rainer Runte	439	472	379	364	818	836
Kent Wanzek	56	–	–	–	56	–
TOTAL	**2,775**	**2,833**	**2,143**	**2,157**	**4,918**	**4,990**

Furthermore, the Management Board members Dr. Ben Lipps, Rice Powell and Michael Brosnan have acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America, which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

Additions to pension obligations in fiscal year 2010 amounted to €3,217 THOUS (2009: €958 THOUS) The pension commitments are shown in table 2.11.7.

A post-employment non-competition covenant was agreed upon with all Management Board members. If such covenant becomes applicable, the Management Board members receive compensation amounting to half their annual base salaries for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions for the case of a change of control.

With Mr Mats Wahlstrom, who resigned from the Management Board on December 31, 2009 it was agreed that all outstanding cash-settled share-based compensation related to the special bonus component from the years 2006 to 2008 became vested at the time of his resignation from the Board on December 31, 2009. Mr Wahlstrom completely exercised these rights, as agreed, in the amount of €1,723 THOUS in February 2010.

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

III. Miscellaneous

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

The payments to Management Board members Michael Brosnan and Kent Wanzek were paid in part in the US (U.S. dollar) and in part in Germany (euro). The part paid in Germany was agreed in net amounts, so that varying tax rates in both countries may retroactively change the gross amounts. Since the actual tax burden can only be calculated later in the context of the tax returns, subsequent adjustments may have to be made, which will then be retroactively covered in future compensation reports.

To the extent permitted by law, Fresenius Medical Care Management AG undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company has obtained Directors & Officers

DEVELOPMENT OF PENSION COMMITMENTS

Table 2.11.7

in € THOUS

	As of January 01, 2010	*Increase*	*As of December 31, 2010*
Dr. Ben J. Lipps	341	60	401
Michael Brosnan	40	11	51
Roberto Fusté	1,212	583	1,795
Dr. Emanuele Gatti	1,225	2,232	3,457
Rice Powell	76	22	98
Dr. Rainer Runte	500	309	809
TOTAL	**3,394**	**3,217**	**6,611**

liability insurance with an excess, which complies with the requirements of the German Act on the Appropriateness of Executive Board Compensation (VorstAG). The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after termination of membership on the Management Board in each case.

Former members of the Management Board did not receive any compensation in fiscal year 2010 other than that mentioned under point II. Pensions obligations for this group exist in an amount of €499 THOUS (2009: €379 THOUS).

IV. Further Adjustments to System of Compensation of Members of the Management Board

Since the expiry of fiscal year 2010, no further stock options can be granted to Management Board members or employees out of the Stock Option Plan 2006 of Fresenius Medical Care. However, allotments from the existing Stock Option Plan form a significant element of the compensation component with long-term incentive effect. It is intended to implement a new program with long-term compensation components covering the next five years in fiscal year 2011.

The new compensation concept with long-term incentive effect is based on a combination plan, which includes, on the one hand, a stock option program which is backed by conditional capital. The additional component of the compensation concept is a likewise long-term oriented and share-based component with cash settlement.

The structure of the stock option plan backed by a conditional capital is oriented mainly on the parameters of the existing Stock Option Plan 2006. The plan also complies with the amended requirements of the VorstAG, in particular with regard to the waiting periods prolonged to four years, and further requires the achievement of demanding targets. The new stock option plan requires, for its introduction, the approval of the shareholders at the ordinary General Meeting of Fresenius Medical Care AG & Co. KGaA.

The further element of the new long-term compensation system is an additional, independent, long-term oriented and share-based compensation component with cash settlement. The granting of this compensation component is now also intended to be subject to a four-year waiting period and to require the achievement of demanding targets. The amount of the cash payment under the terms of this share-based compensation component will then be guided by the stock exchange price of the Fresenius Medical Care AG & Co. KGaA ordinary shares at the time of exercise after the expiry of the four-year waiting period.

Compared to the Stock Option Plan 2006, the total number of stock options to be granted is intended to be smaller in view of the additionally planned long-term oriented share-based compensation component with cash settlement.

The granting of stock options or the share-based compensation with cash settlement, respectively, is intended to be available to management board members as well as to other leading executives. In compliance with the corporate law allocation of powers and responsibilities, the supervisory board shall make the allocations to the Management Board members which will make the allocations to other leading executives.

Compensation of the FMC AG & CO. KGAA Supervisory Board

The compensation of the FMC AG & CO. KGAA Supervisory Board is set out in clause 13 of the Articles of Association.

In accordance with this provision, the members of the Supervisory Board are to be reimbursed for the expenses incurred in the exercise of their offices, which also include the applicable VAT.

As compensation, each Supervisory Board member receives a fixed salary of $80,000, payable in four equal instalments at the end of a calendar quarter. Should the General Meeting resolve on a higher compensation, with a majority of three-fourths of the votes cast and taking the annual results into account, such compensation shall apply.

The chairman of the Supervisory Board receives additional compensation of $80,000 and his deputy additional compensation of $40,000 per respective

complete fiscal year. As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $30,000, or, as chairman of a committee, $50,000, respectively payable in identical instalments at the end of a calendar quarter.

Should a member of the FMC AG & CO. KGAA Supervisory Board be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a FMC AG & CO. KGAA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the chairman of the FMC AG & CO. KGAA Supervisory Board and his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the FMC AG & CO. KGAA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as deputy chairman of the FMC AG & CO. KGAA Supervisory Board to this extent.

The total payments to the Supervisory Board of FMC AG & CO. KGAA as well as the individual payments to each Supervisory Board member in the 2010 fiscal year are listed in table 2.11.8.

The compensation for the Supervisory Board of Fresenius Medical Care Management AG and the compensation for its committees were charged to FMC AG & CO. KGAA in accordance with clause 7 of the Articles of Association of FMC AG & CO. KGAA. In the 2010 fiscal year, the compensation for the Supervisory Board of Fresenius Medical Care Management AG totalled €596 THOUS and the compensation for its committees, contained therein, totalled €310 THOUS, on the basis of the currency exchange rate respectively applicable on the day of payment.

The entire compensation of the Supervisory Board, including the amount charged by Fresenius Medical Care Management AG to FMC AG & CO. KGAA, is listed in table 2.11.9.

Table 2.11.8

in € THOUS[1]

	Fixed compensation for services of Supervisory Board of Fresenius Medical Care AG & Co. KGaA		*Compensation for committee services at Fresenius Medical Care AG & Co. KGaA*		*Total compensation*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Gerd Krick	91	86	23	22	114	108
Dr. Dieter Schenk	45	43	–	–	45	43
Dr. Walter L. Weisman	30	29	38	36	68	65
John Gerhard Kringel[2]	30	29	–	7	30	36
William P. Johnston	30	29	23	22	53	51
Prof. Dr. Bernd Fahrholz	60	58	23	22	83	80
TOTAL	**286**	**274**	**107**	**109**	**393**	**383**

[1] *Shown without VAT and withholding tax; translation of dollar amounts at respective average exchange rates for the respective year.*
[2] *Member of committee until Q2 2009.*

INFORMATION ON DIRECTORS' DEALINGS AND SHAREHOLDING

According to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), members of the Management and Supervisory Boards or other employees in management positions are required to inform the Company when buying or selling shares in Fresenius Medical Care and related financial instruments if the volume exceeds €5,000 within a single year. During fiscal year 2010, we received a total of seven disclosures according to section 15a of the German Securities Trading Act, which we published on our website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Directors' Dealings/Single Dealings in accordance with applicable regulations and which are in addition set out in the "Annual Document" under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Article 10 of the Securities Prospectus Act (WpPG) 2010.

TRANSPARENCY OF OUR REPORTING

Fresenius Medical Care meets all transparency requirements imposed by section 6 of the German Corporate Governance Code. We attach special importance to informing our shareholders simultaneously and uniformly about our Company in our regular financial reporting events. Ad hoc releases and our website play an essential role in these efforts. They provide institutional investors and private shareholders equally with direct and timely access to the information we release. All ad hoc releases as well as other news for investors and the media are also published on the website of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations/News.

We keep our shareholders informed of key dates by means of a financial calendar published on the website of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations/Financial Calendar.

Table 2.11.9

in € THOUS[1]

	Fixed compensation for Supervisory Board at Fresenius Medical Care Management AG		*Fixed compensation for Supervisory Board at Fresenius Medical Care AG & Co. KGaA*		*Compensation for committee services at Fresenius Medical Care Management AG*		*Compensation for committee services at Fresenius Medical Care AG & Co. KGaA*		*Total compensation*	
	2010	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*	***2010***	*2009*
Dr. Gerd Krick	30	29	91	86	45	29	23	22	189	166
Dr. Dieter Schenk	45	43	45	43	38	22	–	–	128	108
Dr. Ulf M. Schneider[2]	121	115	–	–	53	36	–	–	174	151
Dr. Walter L. Weisman	30	29	30	29	38	22	38	36	136	116
John Gerhard Kringel[3]	30	29	30	29	45	29	–	7	105	94
William P. Johnston	30	29	30	29	91	57	23	22	174	137
Prof. Dr. Bernd Fahrholz[4]	–	–	60	58	–	–	23	22	83	80
TOTAL	**286**	**274**	**286**	**274**	**310**	**195**	**107**	**109**	**989**	**852**

[1] *Shown without VAT and with holding tax; translation of dollar amounts at respective average exchange rates for the respective year.*
[2] *Chairman of the Supervisory Board of Fresenius Medical Care Management AG, but not member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA; fixed compensation paid by Fresenius Medical Care Management AG.*
[3] *Member of committee of FMC AG & Co. KGaA until Q2 2009.*
[4] *Member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, but not member of the Supervisory Board of Fresenius Medical Care Management AG; fixed compensation paid by Fresenius Medical Care AG & Co. KGaA.*

FINANCIAL ACCOUNTING, REPORTING, AND STOCK EXCHANGE LISTING

Fresenius Medical Care prepares its consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) and in US-Dollars. In line with this, the consolidated financial statements as well as the interim consolidated quarterly reports are also prepared in accordance with these principles. The consolidated financial statements are published within the first 90 days of the end of each fiscal year, and the quarterly reports within the first 45 days of the end of each quarter.

As required by law, consolidated financial statements and a Group management report as well as quarterly reports continue to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The annual financial statements and the management report of Fresenius Medical Care AG & Co. KGaA are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The annual financial statements are decisive for the distribution of the annual profit.

Moreover, an annual report of Fresenius Medical Care, which equally reflects the requirements of U.S. GAAP, IFRS and the German Commercial Code, is published each year.

Fresenius Medical Care shares are listed on the stock exchange in the U.S. (as American Depositary Receipts) and in Germany. We are therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of our Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, we comply with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code, a body of regulations that may be voluntarily adopted. On the other hand, being a non US company (a "foreign private issuer") we are subject to the regulations connected to our listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. We fully meet all of the current requirements applicable to our Company.

Fresenius Medical Care's declaration concerning significant differences between the systems of corporate governance in Germany and the U.S. – which is based on the listing standards of the New York Stock Exchange – can be accessed on the internet under www.fmc-ag.com in the section Investor Relations/Corporate Governance/NYSE-Declaration.

DIRECTORSHIPS AND GLOSSARY

INTEGRATION

Our vertically integrated business model creates value for our stakeholders and gives us a key competitive edge.

Chapter 3.1

DIRECTORSHIPS
FRESENIUS MEDICAL CARE AG & CO. KGAA

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman
Königstein, Germany

Supervisory Board
Fresenius Management SE
(since March 11, 2010; Chairman since May 12, 2010)
Fresenius SE & Co. KGaA (since January 28, 2011; designated Chairman)
Fresenius SE (until January 28, 2011; Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice Chairman
Attorney and Tax Advisor
Munich, Germany

Supervisory Board
Fresenius Management SE (since March 11, 2010; Vice Chairman since May 12, 2010)
Fresenius SE (until January 28, 2011; Vice Chairman)
Fresenius Medical Care Management AG
(Vice Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice Chairman)
TOPTICA Photonics AG (Chairman)

Advisory Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Walter L. Weisman
Former President and Chief Executive Officer
of American Medical International, Inc.
Los Angeles, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
Occidental Petroleum Corporation

Board of Trustees
California Institute of Technology (Senior Trustee)
Los Angeles County Museum of Art (Life Trustee)
Sundance Institute (Chairman)

John Gerhard Kringel
Former Senior Vice President
of Abbott Laboratories, Inc.
Durango, Colorado, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Other
Natures View, LLC
Alpenglow Development, LLC
Justice, LLC
River Walk, LLC

William P. Johnston
Former Chairman of the Board of Directors
of Renal Care Group, Inc.
Nashville, Tennessee, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Other
The Carlyle Group (Senior Advisor)
The Hartford Mutual Funds, Inc.
(Member of Board of Directors)
LifeCare Holdings, Inc.
(Member of Board of Directors)
Multiplan, Inc.
(Member of Board of Directors until August 31, 2010)
Georgia O'Keeffe Museum
(Member of Board of Directors)
HCR-Manor Care, Inc.
(Member of Board of Directors)

Prof. Dr. Bernd Fahrholz
Attorney
Berlin, Germany

Supervisory Board
SMARTRAC N.V. (Chairman)
Amsterdam, The Netherlands

SUPERVISORY BOARD COMMITTEE

Audit and Corporate Governance Committee
Dr. Walter L. Weisman (Chairman)
Dr. Gerd Krick
William P. Johnston
Prof. Dr. Bernd Fahrholz

FRESENIUS MEDICAL CARE MANAGEMENT AG GENERAL PARTNER OF FRESENIUS MEDICAL CARE AG & CO. KGAA

SUPERVISORY BOARD

Dr. Ulf M. Schneider
Chairman
Frankfurt am Main, Germany

Management Board
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA (Chairman)
Fresenius SE (until January 28, 2011; Chairman)

Supervisory Board
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Kabi Austria GmbH, Austria (until June 30, 2010)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius HemoCare Netherlands B.V., the Netherlands

Board of Directors
FHC (Holdings), Ltd., Great Britain
APP Pharmaceuticals, Inc., U.S.
Fresenius Kabi Pharmaceuticals Holding, Inc., U.S.

Dr. Dieter Schenk
Vice Chairman
Munich, Germany

Dr. Gerd Krick
Königstein, Germany

Dr. Walter L. Weisman
Los Angeles, U.S.

John Gerhard Kringel
Durango, Colorado, U.S.

William P. Johnston
Nashville, Tennessee, U.S.

MANAGEMENT BOARD

Dr. Ben J. Lipps
Chairman and Chief Executive Officer
Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings Inc., U.S. (Chairman)
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA
Fresenius SE (until January 28, 2011)

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Rice Powell
Deputy Chairman for Fresenius Medical Care and Chief Executive Officer for Fresenius Medical Care North America
Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Michael Brosnan
Chief Financial Officer
Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Emanuele Gatti
Chief Executive Officer for Europe, Latin America, Middle East and Africa, Global Chief Strategist, Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care España S.A., Spain (Chairman)
National Medical Care of Spain S.A., Spain

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France (Vice Chairman)

Roberto Fusté
Chief Executive Officer for Asia-Pacific
Hong Kong, China

Dr. Rainer Runte
Chief Administrative Officer for Global Law, Compliance, Intellectual Property, Corporate Business Development and Labor Relations Director for Germany
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care Holdings Inc., U.S.

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France
Fresenius Medical Care SGPS, S.A., Portugal
Fresenius Medical Care Japan, K.K., Japan
Fresenius-Kawasumi Co., Ltd., Japan

Board of Adiminstration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Kent Wanzek
Member of the Management Board responsible for Global Manufacturing Operations
Boston, Massachusetts, U.S.

Chapter 3.2

GLOSSARY

A

Acute kidney failure

Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help completely restore kidney function in many patients.

Albumin

A protein that can be used to monitor a patient's nutritional condition.

Anemia

Reduced oxygen transport capacity of the blood, measured as reduced hemoglobin content in the blood.

Anticoagulant

An agent (e.g. heparin) that prevents the clotting of blood —— *blood coagulation*.

Arteriovenous (AV) fistula (shunt)

A direct surgically created connection between an —— *artery* and a —— *vein* in a patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for —— *hemodialysis*. Adequate vascular access is a prerequisite for hemodialysis.

Artery

A blood vessel that carries blood from the heart to the body.

Automated peritoneal dialysis (APD)

Machine (cycler) supported version of —— *peritoneal dialysis* treatment usually performed at night.

B

BCM – Body Composition Monitor

This device can be used to precisely measure the composition of the human body and its fluid status and to quantify the level of overhydration in dialysis patients.

BIBAG

Dry bicarbonate concentrate for ONLINE production of liquid bicarbonate concentrate used in bicarbonate hemodialysis with our hemodialysis machines of the 4008 and 5008 series —— *ONLINEplus System*.

Biofine

Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

Blood

Fluid circulating in the body composed of plasma and cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

Blood cells, red (erythrocytes)

Cells responsible for transporting oxygen. They are created with the help of —— *erythropoietin*, a hormone produced in the kidneys.

Blood cells, white (leukocytes)

Cells that defend the human body against infection. They are involved in allergic reactions and destroy damaged, old and dead cells in the body.

Blood coagulation

A complex process during which blood forms solid clots. It is an important part of hemostasis whereby a damaged blood vessel wall is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Disorders in coagulation can lead to increased hemorrhaging and/or thrombosis and embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

Bloodlines

System of tubes connecting a patient's blood circulation with a —— *dialyzer* during extracorporeal dialysis treatment.

Blood pressure

Pressure exerted by the blood on the walls of the blood vessels. Unless indicated otherwise, blood pressure is understood to mean arterial blood pressure, i.e. the pressure in the large arteries, such as the brachial artery (in the arm). The arterial pressure is higher than the pressure of the blood in other vessels.

Buffer

Substance that reduces pH changes that occur in a system during the introduction of an acid or a base.

C

Calcimimetics

An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level in the bones.

Case Manager

The job of a Case Manager is to plan, coordinate and evaluate a patient's treatment on the patient's behalf. The Case Manager communicates with both the patient and with the relevant service providers; in-patient and out-patient care are combined. The objective is to ensure high-quality and cost-efficient treatment that takes patients' needs into account as far as possible. The Case Manager's post is usually filled with care personnel.

Catheter

A flexible tube inserted by surgery through the skin into a blood vessel or cavity to draw out body fluid or infuse fluid. In —— *peritoneal dialysis* a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. In —— *hemodialysis*, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

Chronic kidney failure (end-stage renal disease, ESRD)

Permanent failure of the —— *kidney* (terminal kidney failure) resulting from slow and progressive loss of the kidney function over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i.e. —— *kidney transplantation* or —— *dialysis*. Chronic kidney failure is accompanied by long-term complications such as renal —— *anemia*, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

Composite rate

—— *Medicare/Medicaid* basic reimbursement rate for dialysis treatment.

Continuous ambulatory peritoneal dialysis (CAPD)

A type of —— *peritoneal dialysis* treatment where the dialysis solution is exchanged manually, generally four times a day.

D

Diabetes

A condition characterized by high blood glucose (sugar) resulting from the body's inability to use glucose efficiently. Insulin helps the body's cells use glucose.

Dialysate (dialyis solution)

Fluid used in the process of dialysis in order to remove the filtered out substances and excess water from the blood.

Dialysis

Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer – is used to clean a patient's blood.

Dialyzer

Special filter used in —— *hemodialysis* for removing toxic substances, waste products of metabolic processes and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

Dialyzer membrane

Semipermeable barrier in the dialyzer to separate the blood from the dialysate.

Diffusion

An exchange in the chemical concentration of two fluids that are divided by a semipermeable membrane. The molecules move from one fluid to the other, with metabolic toxins being transferred through the membrane into the dialysate.

Disease management

Integrated concept of patient care that takes into account all medical aspects of an illness.

E

End-stage renal disease (ESRD)

—— *Chronic kidney failure*.

Erythropoesis-stimulating agents (ESA)

Recombinant human —— *EPO* that is commonly prescribed to patients on dialysis who suffer from anemia.

Erythropoietin (EPO)

Hormone that stimulates red blood cell production.

EuCliD

European Clinical Database. Clinical database for ensuring the quality of dialysis treatment. The database records the treatment data of dialysis patients and allows an efficient comparison of treatment quality among individual dialysis clinics.

F

FDA

The U.S. Food and Drug Administration.

G

Glomerular filtration rate (GFR)

The U.S. National Kidney Foundation categorizes kidney disease into five stages based on the glomerular filtration rate (GFR). The GFR indicates the volume of liquid that the kidneys filter from the blood per minute (primary urine). This ranges from more than 90 ml/min in healthy kidneys (stage 1) to less than 15 ml/min (stage 5) when dialysis or a kidney transplant is needed. Persons with stage 4 chronic kidney disease (CKD) have advanced kidney damage (GFR of 15 to 29 ml/min); it is highly likely that these patients will need dialysis or a kidney transplant in the near future.

stage of chronic kidney disease

Description	*GFR (mL/min/1.73m²)*
1. Kidney damage with normal or ▲ GFR	≥ 90
2. Kidney damage with mild ▼ GFR	60 – 89
3. Moderate[1] ▼ GFR	30 – 59
4. Severe ▼ GFR	15 – 29
5. Kidney failure[2]	<15 (or dialysis)

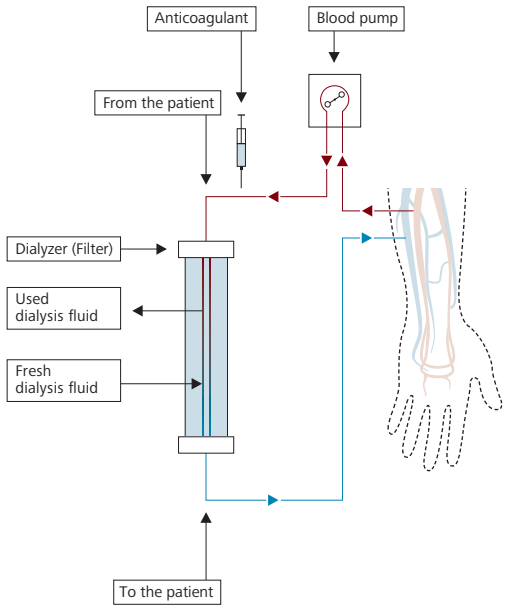
GFR: glomerular filtration rate ▲ increased ▼ decreased
[1] *Treatment: 1–5 T if kidney transplant recipient*
[2] *Treatment: 5 D if dialysis (HD or PD)*

H

Hemodiafiltration (HDF)

Special type of treatment for chronic kidney failure combining the advantages of —— *hemodialysis* and —— *hemofiltration*. High elimination rates are achieved for substances with small and large weight molecules via diffusive and convective mechanisms respectively.

Hemodialysis (HD)



Treatment method for chronic kidney failure where the patient's blood flows outside the body through disposable bloodlines into a special filter, the dialyzer. The dialysis solution carries away waste products and excess water, and the cleaned blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anticoagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.

Hemofiltration (HF)

A type of treatment for chronic kidney failure that does not use dialysate. The solutes are removed using convective forces to filter plasma water through a semipermeable membrane. Substitution fluid is used to replace the volume removed by filtration.

Hemoglobin

Substance in red blood cells that carries oxygen around the body.

Heparin

Universal anticoagulant substance that is administered during hemodialysis to inhibit blood coagulation during dialysis treatment.

I

Iron Compound

Iron product used to treat anemia in dialysis patients resulting from iron deficiency. An example is the product Venofer®.

ISO

International Organization for Standardization.

K

Kidney

Two kidneys are located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. These vital organs are approximately 12 cm long and weigh only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,500 liters of blood normally pass through the kidneys every 24 hours.

Kidney transplantation

A surgical procedure to implant a —— *kidney* from a donor.

Kt/V

Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance (K) and the length of treatment (dialysis time, t) by the filtration rate of certain toxins (the urea distribution volume in the patient, (V).

L

Lean Six Sigma

Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

Liberty Cycler

Innovative device with —— *PIN technology* for —— *automated peritoneal dialysis* marketed exclusively in the U.S. The Liberty Cycler automatically regulates the exchange of used and fresh dialysis fluid. It is equipped with a state-of-the-art pumping mechanism, is easy to set-up and also has an integrated patient data management software.

M

Medicare/Medicaid

A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure (end-stage renal disease, ESRD) or the disabled.

O

ONLINEplus system

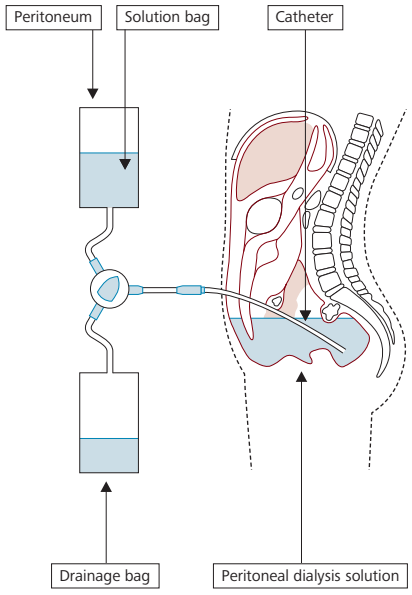
A system for our 4008 and 5008 series hemodialysis machines to perform ONLINE hemodiafiltration and ONLINE hemofiltration. ONLINE means that the dialysis machine automatically produces the infusion solution for treatment. The ONLINE method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

Osmose

Passage of water from the blood through a semipermeable membrane. In osmosis, as opposed to diffusion, molecules move only in one direction.

P

Peritoneal dialysis (PD)



Dialysis treatment method using the patient's peritoneum, i.e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and excess water. Most treatments are supported by a machine, the cycler, and are administered by the patients in their home or workplace several times a day or during the night.

Phosphate binder

Phosphate binders bind excess phosphate that is consumed with food within the intestines. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced through dialysis for patients with chronic kidney failure. Too much phosphate in the blood can have a number of adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo® and OsvaRen® are examples of phosphate binders for patients with chronic kidney disease.

PIN Technology

Unique automatic inline-closing system that eliminates the risk of contamination during disconnection from —— *peritoneal dialysis (PD)* systems.

Polysulfone

A polymer used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

Prevalence

Number of all patients who suffer from a specific disease.

S

Shunt

—— *Arterio-venous (AV) fistula*.

Sorbent systems/SORB technology

Purifies tap water to —— *dialysate* quality and allows dialysate to be regenerated; a water- and space-saving technology very suitable for home-hemodialysis and thus an important step towards a wearable kidney. The technology centers on sorbents, specific substances that bind toxins in liquids so that they can be removed.

Supply chain management

Management of all tasks along the supply chain, ranging from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

T

Terminal kidney failure

Terminal renal failure occurs when —— *kidneys* no longer detoxify the body, have lost this function finally and thus kidney substitute therapies become necessary.

Transplantation

Taking an organ or tissue from the body and grafting it into another area of the same body or into another individual.

V

Vein

A blood vessel that carries blood to the heart.

The financial glossary is included in the financial report

—— *starting on page 275*.

Chapter 3.3

INDEX OF TABLES AND CHARTS
IN CORPORATE REPORT

Chapter 3.4

SUBJECT INDEX
IN CORPORATE REPORT

FINANCIAL REPORT

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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CONSOLIDATED FINANCIAL STATEMENTS

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FURTHER INFORMATION

IMPORTANT EVENTS 2011

OPERATING DATA

Key figures

in $ M

	2010	2009	Change
Selected key figures			
Net revenue	12,053	11,247	7 %
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,427	2,213	10 %
Earnings before interest and taxes (EBIT)	1,924	1,756	10 %
Net income[1]	979	891	10 %
Net cash flow from operating activities	1,368	1,339	2 %
Free cash flow[2]	861	777	11 %
Capital expenditure, net	507	562	–10 %
Acquisitions, investments and purchases of intangible assets, net	618	136	354 %
Earnings per ordinary share *in $*	3.25	2.99	9 %
Dividend per ordinary share[3] *in €*	0.65	0.61	7 %
EBIT margin *in %*	16.0	15.6	–
Return on invested capital (ROIC) *in %*	8.8	8.5	–
Equity to assets *in %*	44.0	43.0	–
Other data			
Employees (full-time equivalents)	73,452	67,988	8 %
Patients	214,648	195,651	10 %
Clinics	2,757	2,553	8 %
Treatments *in M*	31.7	29.4	8 %

NET REVENUE

in $ M

NET INCOME[1]

in $ M

EARNINGS PER SHARE

in $

[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[2] *Before acquisitions and dividends.*
[3] *2010: Proposal to be approved by the Annual General Meeting on May 12, 2011.*

All figures in this report are stated in $ and in conformity with U.S. GAAP, if not indicated otherwise.
Unless specified, all charts refer to fiscal year 2010. For more details please look to the Five-year summary starting on page 280.

Fresenius Medical Care filed an annual report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the Company. Fresenius Medical Care's annual report on Form 20-F may be obtained from the Company.

The audited financial statements of the Group's holding company, Fresenius Medical Care AG & Co. KGaA, will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these financial statements with the Company Register. These financial statements can be obtained from the Company.

The audited consolidated financial statements in accordance with § 315 a Commercial Code (HGB) will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these consolidated financial statements with the Company Register. These financial statements can be obtained from the Company.

The publications can be also accessed on www.fmc-ag.com.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

EFFICIENCY

We are continuously improving our operational processes to deliver high quality to our healthcare partners at an affordable cost.

4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care AG & Co. KGaA and its subsidiaries (FMC AG & CO. KGAA or the Company) in conjunction with our historical consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the management of the Company's General Partner concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward-looking statements express or imply. Such statements include the matters and are subject to the uncertainties that we described in "Outlook" and "Risk Report" in the corporate report as well as —— *in Note 18*.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Chapter 4.1

CRITICAL ACCOUNTING POLICIES

The Company's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our financial statements. The critical accounting policies, the judgments made in the creation and application of these policies, and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with the Company's financial statements, and the discussion below in "Results of Operations".

RECOVERABILITY OF GOODWILL AND INTANGIBLE ASSETS

The growth of our business through acquisitions has created a significant amount of intangible assets, including goodwill, trade names and management contracts. At December 31, 2010, the carrying amount of goodwill amounted to $8,140 M and non-amortizable intangible assets amounted to $215 M representing in total approximately 49% of our total assets.

In accordance with current accounting standards, we perform an impairment test of goodwill and non-amortizable intangible assets at least once a year for each reporting unit, or if we become aware of events that occur or if circumstances change that would indicate the carrying value might be impaired —— *see also Note 1f*.

To comply with the provisions of the current accounting standards for the impairment testing, the fair value of the reporting unit is compared to the reporting unit's carrying amount. We estimate the fair value of each reporting unit using estimated future cash flows for the unit discounted by a weighted average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, treatments and sales volumes and costs. In determining discounted cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, due to the

non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, has been largely independent from the economic cycle. The Company's weighted average cost of capital consisted of a basic rate of 6.38% for 2010. This basic rate is then adjusted by a country specific risk rate within each reporting unit.

If the fair value of the reporting unit is less than its carrying value, a second step is performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than its carrying value, the difference is recorded as an impairment.

A prolonged downturn in the healthcare industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing healthcare services and for procuring and selling products could adversely affect our estimated future cash flows. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in our estimated future cash flows and/or a decline in a reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets which could materially and adversely affect our future financial position and operating results.

LEGAL CONTINGENCIES

We are party to litigation and subject to investigations relating to a number of matters as described —— *in Note 18*. The outcome of these matters may have a material effect on our financial position, results of operations or cash flows.

We regularly analyze current information including, as applicable, our defenses and we provide accruals for probable contingent losses including the estimated legal expenses to resolve the matters. We use the resources of our internal legal department as well as external lawyers for the assessment. In making the decision regarding the need for loss accrual, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not automatically indicate that accrual of a loss may be appropriate.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are a significant asset of ours and the allowance for doubtful accounts is a significant estimate made by management. Trade accounts receivable were $2,573 M and $2,286 M at December 31, 2010 and 2009, respectively, net of allowances for doubtful accounts of $277 M and $266 M at December 31, 2010 and 2009, respectively. Approximately half of our receivables relates to business in our North America segment.

Dialysis care revenues are recognized and billed at amounts estimated to be receivable under reimbursement arrangements with third party payors. Medicare and Medicaid programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Revenues for non-governmental payors where we have contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at our standard rates for services and, in our North America segment, a contractual adjustment is recorded to recognize revenues based on historic reimbursement experience with those payors for which contracted rates are not predetermined. The contractual adjustment and the allowance for doubtful accounts are reviewed quarterly for their adequacy. No material changes in estimates were recorded for the contractual allowance in the periods presented.

The allowance for doubtful accounts is based on local payment and collection experience. We sell dialysis products directly or through distributors in over 120 countries and dialysis services in more than 35 countries through owned or managed clinics. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices. Specifically, public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made. Payment differences are mainly due to the timing of the funding by the local, state or federal government to the agency that is sponsoring the program that purchases our services or products. The collection of accounts receivable from product sales to dialysis clinics is affected by the same underlying causes, since these buyers of our products are reimbursed as well by government institutions or government sponsored programs.

In our U.S. operations, the collection process is usually initiated 30 days after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

For our international operations, a significant number of payors are government entities whose payments are often determined by local laws and regulations. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the U.S.

Due to the number of our subsidiaries and different countries that we operate in, our policy of determining when a valuation allowance is required considers the appropriate local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low credit risks. Accordingly, the length of time to collect does not, in and of itself, indicate an increased credit risk and it is our policy to determine when receivables should be classified as bad debt on a local basis taking into account local practices. In all instances, local review of accounts receivable is performed on a regular basis, generally monthly. When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

Estimates for the allowances for doubtful accounts receivable from the dialysis service business are mainly based on local payment and past collection history. Specifically, the allowances for the North American operations are based on an analysis of collection experience, recognizing the differences between payors and aging of accounts receivable. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances. The allowances in the International segment and the products business are also based on estimates and consider various factors, including aging, creditor and past collection history. Write offs are taken on a claim by claim basis when the collection efforts are exhausted. Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivables will be collectable, albeit potentially more slowly in the International segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis. For a discussion of unfavorable days sales outstanding developments in 2010 —— *see chapter 4.4*. A significant change in our collection experience, a deterioration in the aging of receivables and collection difficulties could require that we increase our estimate of the allowance for doubtful accounts. Any such additional bad debt charges could materially and adversely affect our future operating results.

If, in addition to our existing allowances, 1% of the gross amount of our trade accounts receivable as of December 31, 2010 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2010 would have been reduced by approximately 1.5%.

The following tables show the portion and aging of trade accounts receivable of major debtors or debtor groups at December 31, 2010 and 2009. No single debtor other than U.S. Medicaid and Medicare accounted for more than 5% of total trade accounts receivable in either year. Trade accounts receivable in the International segment are for a large part due from government or government-sponsored organizations that are established in the various countries within which we operate. Amounts pending approval from third party payors represent less than 3% at December 31, 2010.

AGING OF NET TRADE ACCOUNTS RECEIVABLE

Table 4.1.1

in $ M, as of December 31, 2010	*current*	*overdue by up to 3 months*	*overdue by more than 3 months up to 6 months*	*overdue by more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	372	85	41	28	20	546	21
U.S. Commercial Payors	270	152	48	39	22	531	21
U.S. Hospitals	88	28	3	2	3	124	5
Self-Pay of U.S. patients	–	3	3	1	–	7	–
Other North America	1	1	–	–	–	2	–
International product customers and dialysis payors	777	227	116	112	131	1,363	53
TOTAL	**1,508**	**496**	**211**	**182**	**176**	**2,573**	**100**

AGING OF NET TRADE ACCOUNTS RECEIVABLE

Table 4.1.2

in $ M, as of December 31, 2009	*current*	*overdue by up to 3 months*	*overdue by more than 3 months up to 6 months*	*overdue by more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	287	74	32	22	22	437	19
U.S. Commercial Payors	256	140	52	40	30	518	23
U.S. Hospitals	88	19	3	2	2	114	5
Self-Pay of U.S. patients	2	6	6	3	1	18	1
Other North America	2	1	–	–	–	3	–
International product customers and dialysis payors	699	232	106	86	73	1,196	52
TOTAL	**1,334**	**472**	**199**	**153**	**128**	**2,286**	**100**

SELF-INSURANCE PROGRAMS

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, FMCH, our largest subsidiary, is partially self-insured for professional liability claims. For all other coverages we assume 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.

Chapter 4.2

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are engaged primarily in providing dialysis services and manufacturing and distributing products and equipment for the treatment of end-stage renal disease (ESRD). In the U.S., we also perform clinical laboratory testing. We estimate that providing dialysis services and distributing dialysis products and equipment represents an over $69 BN worldwide market with expected annual worldwide value growth of around 6%. Patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants, increasing incidence and better treatment of and survival of patients with diabetes and hypertension, which frequently precede the onset of ESRD; improvements in treatment quality, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success. In addition, the reimbursement and ancillary services utilization environment significantly influences our business. In the past we experienced and also expect in the future generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. The majority of treatments are paid for by governmental institutions such as Medicare in the United States. As a consequence of the pressure to decrease healthcare costs, reimbursement rate increases have historically been limited. Our ability to influence the pricing of our services is limited.

A majority of our U.S. dialysis services is paid for by the Medicare program. Medicare payments for dialysis services provided before January 1, 2011 were based on a composite rate, which included a drug add-on adjustment, case-mix adjustments, and a regional wage index adjustment. The drug add-on adjustment was established under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) to account for differences in Medicare reimbursement for separately billable pharmaceuticals pre-MMA and the new average sales price reimbursement system established by the MMA.

For calendar year 2010, the Centers for CMS kept the drug add-on amount constant at the calendar year 2009 rate of $20.33 per treatment, while it increased the base portion of the composite rate by 1% pursuant to the requirement in MIPPA. As a result, the drug add-on amount, constant in dollar terms, declined to 15% of the total per-treatment payment in 2010 and for 2011 it is 14.7%. The base portion of the composite rate, unlike many other payment rates in Medicare, has not been automatically updated each year. As a result, this portion of the composite payment rate has not received an annual update in the absence of a statutory change. In MIPPA, Congress provided for a 1.0% increase in the base portion of the composite rate in 2010. Further, Congress eliminated a provision that previously paid hospital-based facilities slightly more than independent (or free-standing) facilities. For 2010, the base composite rate was $135.15 for both independent and hospital-based facilities, an increase of 1.0% from the 2009 rate. CMS updated the wage index adjustment applicable to ESRD facilities from the 25/75 blend between adjustments based on old metropolitan statistical areas (MSAs) and those based on new core-based statistical areas (CBSAs) used in 2008. In 2009, CMS completed the transition from the MSA definition to the CBSA definition, and facilities are now paid according to the CBSA rate. For 2010, CMS reduced the wage index floor from 0.70 to 0.65.

Until January 1, 2011 certain other items and services that we furnish at our dialysis centers were included in the composite rate and were eligible for separate Medicare reimbursement. The most significant of these items are drugs or biologicals, such as erythropoietin-stimulating agents (ESAs), vitamin D analogs, and iron, which were reimbursed at 106% of the average sales price as reported to CMS by the manufacturer. Products and support services furnished to ESRD patients receiving dialysis treatment at home were also reimbursed separately under a reimbursement structure comparable to the in-center composite rate.

With the enactment of MIPPA in 2008, Congress mandated the development of an expanded ESRD bundled payment system for services furnished on or after January 1, 2011. On July 26, 2010, CMS issued a final rule implementing the case-mix adjusted bundled prospective payment system (ESRD PPS) for ESRD dialysis facilities in accordance with MIPPA. Under the ESRD PPS, CMS reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the composite rate, (ii) oral vitamin D analogues, oral levocarnitine (an amino acid derivative) and all ESAs and other pharmaceuticals (other than vaccines) furnished to ESRD patients that were previously reimbursed separately under Part B of the Medicare program, (iii) most diagnostic laboratory tests and (iv) other items and services furnished to individuals for the treatment of ESRD. ESRD-related drugs with only an oral form will be reimbursed under the ESRD PPS starting in January 2014 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. The initial ESRD PPS base reimbursement rate is set at $229.63 per dialysis treatment (representing 98% of the estimated 2011 Medicare program costs of dialysis care as calculated under the current reimbursement system). The base ESRD PPS payment is subject to case mix adjustments that take into account individual patient characteristics (e.g., age, body surface area, body mass, time on dialysis) and certain co-morbidities. The base payment is also adjusted for (i) certain high cost patient outliers due to unusual variations in medically necessary care, (ii) disparately high costs incurred by low volume facilities relative to other facilities, (iii) provision of home dialysis training, (iv) wage-related costs in the geographic area in which the provider is located and (v), the Transition Adjustor.

Beginning in 2012, the ESRD PPS payment amount will be subject to annual adjustment based on increases in the costs of a "market basket" of certain healthcare items and services less a productivity adjustment. The ESRD PPS's pay-for-performance standards, also known as the quality improvement program or QIP, focusing in the first year on anemia management and dialysis adequacy, will be fully implemented effective January 1, 2012. Dialysis facilities that fail to achieve the established quality standards will have payments reduced by up to 2%, based on performance in 2010 as an initial performance period.

The ESRD PPS will be phased in over four years with full implementation for all dialysis facilities on January 1, 2014. However, providers could elect in November 2010 to become fully subject to the new system starting in January 2011.

Although, based upon CMS's assessment, we think that the ESRD PPS will result in a lower reimbursement rate on average as a result of the above measures by CMS, nearly all of our U.S. dialysis facilities have elected to be fully subject to the ESRD PPS starting on January 1, 2011. Our plans to mitigate the impact of the ESRD PPS include two broad measures. First, we are working with other providers, CMS and the U.S. Congress toward favorably revising the calculation of the Transition Adjustor for 2011. Second, we are also working with medical directors and treating physicians to make protocol changes used in treating patients and are negotiating pharmaceutical acquisition cost savings. Finally, we are seeking to achieve greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in our clinics. We are currently evaluating the impact of ESRD PPS and the above mitigation plan on our business.

The Patient Protection and Affordable Care Act was enacted in the United States on March 23, 2010 and subsequently amended by the Health Care and Educational Affordability Reconciliation Act (as amended, ACA). ACA will implement broad healthcare system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies starting in 2011 based on sales of brand name pharmaceuticals to government healthcare programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of healthcare program waste and fraud. ACA's medical device excise tax, Medicaid drug rebate increases and annual pharmaceutical industry fees will adversely impact our product business earnings and cash flows. We expect modest favorable impact from ACA's integrated care and commercial insurance consumer protection provisions.

Effective February 15, 2011, the VA adopted payment rules which will reduce its payment rates for non-contracted dialysis services to coincide with those of the Medicare program. As a result of the enactment of these new rules, we expect to experience variability in our aggregated VA reimbursement rates for contracted and non-contracted services. In addition, we may also experience reductions in the volume of VA patients treated in our facilities.

We have identified three operating segments, North America, International, and Asia-Pacific. For reporting purposes, we have aggregated the International and Asia-Pacific segments as "International". We aggregated these segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, same type patient population, similar methods of distribution of products and services and similar economic environments. The general partner's Management Board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the operating segments are the same as those we apply in preparing our consolidated financial statements under accounting principles generally accepted in the United States (U.S. GAAP). Our management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses.

With respect to the performance of our business operations, our management believes the most appropriate measure in this regard is operating income which measures our source of earnings. Financing is a corporate function which segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. We also regard income taxes to be outside the segments' control. Similarly, we do not allocate "corporate costs", which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc. because we believe that these costs are also not within the control of the individual segments. In addition, certain acquisitions and intangible assets are not allocated to a segment but are accounted for as "corporate". Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in the discussion of our consolidated results of operations.

Chapter 4.3

RESULTS OF OPERATIONS

The following tables summarize our financial performance and certain operating results by principal business segment for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies from the International segment to the North America segment. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

SEGMENT DATA

Table 4.3.1

in $ M

	2010	2009
Total revenue		
North America	8,135	7,615
International	4,012	3,713
TOTAL	**12,147**	**11,328**
Inter-segment revenue		
North America	5	3
International	89	78
TOTAL	**94**	**81**
Total net revenue		
North America	8,130	7,612
International	3,923	3,635
TOTAL	**12,053**	**11,247**
Amortization and depreciation		
North America	287	265
International	207	183
Corporate	9	9
TOTAL	**503**	**457**
Operating income		
North America	1,386	1,250
International	678	637
Corporate	(140)	(131)
TOTAL	**1,924**	**1,756**
Interest income	25	21
Interest expense	(305)	(321)
Income tax expense	(578)	(491)
Net Income	1,066	965
Less net income attributable to noncontrolling interests	87	74
NET INCOME ATTRIBUTABLE TO FMC AG & CO. KGAA	**979**	**891**

HIGHLIGHTS

Revenues increased by 7% to $12,053 M (7% at constant rates) mainly due to organic growth of 6%. Operating income (EBIT) increased 10%. Net income increased by 10%.

CONSOLIDATED FINANCIALS

KEY INDICATORS FOR CONSOLIDATED FINANCIALS

Table 4.3.2

	2010	2009	Change as reported	Change at constant exchange rates
Number of treatments	31,670,702	29,425,758	8 %	–
Same market treatment growth	4.6 %	4.1 %	–	–
Revenue *in $ M*	12,053	11,247	7 %	7 %
Gross profit *in % of revenue*	34.4 %	34.1 %	–	–
Selling, general and administrative costs *in % of revenue*	17.6 %	17.6 %	–	–
Net income attributable to FMC AG & CO. KGAA *in $ M*	979	891	10 %	–

Treatments increased by 8% for the year ended December 31, 2010 as compared to the same period in 2009. Same market treatment growth contributed 5% and growth from acquisitions contributed 4%, partially offset by the effect of closed or sold clinics of 1%.

At December 31, 2010, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 2,757 clinics compared to 2,553 clinics at December 31, 2009. During 2010, we acquired 168 clinics, opened 90 clinics and combined or closed 54 clinics. The number of patients treated in clinics that we own, operate or manage (excluding patients of clinics managed but not consolidated in the U.S.) increased by 10% to 214,648 at December 31, 2010 from 195,651 at December 31, 2009. Including 30 clinics managed but not consolidated in the U.S., the total number of patients was 216,286.

Net revenue increased by 7% (7% at constant exchange rates) for the year ended December 31, 2010 over the comparable period in 2009 due to growth in both dialysis care and dialysis products revenues.

Dialysis care revenue grew by 9% to $9,070 M (9% at constant exchange rates) for the year ended December 31, 2010 from $8,350 M in the same period of 2009, mainly due to growth in same market treatments (5%), contributions from acquisitions (3%) and increases in revenue per treatment (2%), partially offset by the effect of closed or sold clinics (1%).

Dialysis product revenue increased by 3% to $2,983 M (3% at constant exchange rates) from $2,897 M in the same period of 2009, driven by increased sales of hemodialysis products, especially of dialyzers, solutions and concentrates and bloodlines as well as products for acute care treatments and dialysis machines, partially offset by lower sales of renal pharmaceuticals.

The increase in gross profit margin reflects an increase in gross profit margin in North America, partially offset by a decrease in the International segment. The increase in North America was due to increased revenue per treatment and favorable costs for pharmaceuticals. The decrease in International was due to the positive effect of an inventory adjustment during the same period of 2009 and lower gross profit margins of recently acquired clinics, partially offset by favorable foreign exchange effects in Europe and Asia-Pacific as well as growth in the product business in China.

Selling, general and administrative (SG&A) expenses increased to $2,124 M in the year ended December 31, 2010 from $1,982 M in the same period of 2009. SG&A expenses as a percentage of sales remained unchanged at 17.6% for the year ended December 31, 2010 in comparison with the same period of 2009 as a result of an increase in North America offset by a decrease in the International segment. The increase in North America was due to higher personnel expenses and donations to U.S. ESRD patient assistance charities, partially offset by economies of scale. The decrease in the International segment was mainly due to economies of scale and the effect of stronger growth in the dialysis care business, which has lower SG&A margins, partially offset by the one-time revaluation of the balance sheet of our operations in Venezuela as a result of the devaluation of the Venezuelan bolivar driven by hyperinflation. Bad debt expense for the year ended December 31, 2010 was $218 M as compared to $210 M for the same period of 2009, representing 1.8% and 1.9% of sales for the years ended December 31, 2010 and 2009, respectively.

R&D expenses increased to $97 M in the year ended December 31, 2010 as compared to $94 M in the same period in 2009.

Operating income increased to $1,924 M in the year ended December 31, 2010 from $1,756 M for the same period in 2009. Operating income margin increased to 16% for the year ended December 31, 2010 from 15.6% for the same period in 2009 as a result of the increase in gross profit margin as noted above.

Interest expense decreased by 5% to $305 M for the year ended December 31, 2010 from $321 M for the same period in 2009 mainly as a result of decreased short-term interest rates.

Income tax expense increased to $578 M for the year ended December 31, 2010 from $491 M for the same period in 2009. The effective tax rate increased to 35.2% from 33.7% for the same period of 2009, mainly due to higher unrecognized tax benefits, lower tax effects related to internal financing and the effect of non deductible losses in Venezuela as a result of inflation accounting. This was partially offset by the release of a valuation allowance in 2010 on deferred taxes for net operating losses due to changes in activities of the respective entities.

Net income attributable to FMC AG & CO. KGAA for the year ended December 31, 2010 increased to $979 M from $891 M for the same period in 2009 as a result of the combined effects of the items discussed above.

We employed 73,452 people (full-time equivalents) as of December 31, 2010 compared to 67,988 as of December 31, 2009, an increase of 8% primarily due to overall growth in our business and acquisitions.

The following discussions pertain to our business segments and the measures we use to manage these segments.

NORTH AMERICA SEGMENT

KEY INDICATORS FOR NORTH AMERICA SEGMENT

Table 4.3.3

	2010	*2009*	*Change*
Number of treatments	20,850,242	19,867,465	5 %
Same market treatment growth	4.3 %	3.5 %	–
Revenue *in $ M*	8,130	7,612	7 %
Depreciation and amortization *in $ M*	287	265	8 %
Operating income *in $ M*	1,386	1,250	11 %
Operating income margin	17 %	16.4 %	–

Revenue

Treatments increased by 5% for the year ended December 31, 2010 as compared to the same period in 2009 mostly due to same market growth (4%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (1%). At December 31, 2010, 137,689 patients (a 4% increase over the same period in the prior year) were being treated in the 1,823 clinics that we own or operate in the North America segment, compared to 132,262 patients treated in 1,784 clinics at December 31, 2009. Average North America revenue per treatment was $349 for the year ended December 31, 2010 and $341 in the same period in 2009. In the U.S., the average revenue per treatment was $356 for the year ended December 31, 2010 and $347 for the same period in 2009. The increase was mainly attributable to increased commercial payor revenue and improvements in the payor mix. In addition, there was an increase of 1% to the 2010 Medicare composite rate.

Net revenue for the North America segment for the year ended December 31, 2010 increased as a result of increases in dialysis care revenue by 7% to $7,303 M from $6,794 M in the same period of 2009 and in dialysis product revenue by 1% to $827 M from $818 M in the year ended December 31, 2009.

The dialysis care revenue increase was driven by same market treatment growth (4%), increased revenue per treatment (3%) and contributions from acquisitions (1%), partially offset by the effect of closed or sold clinics (1%). The administration of EPO represented approximately 19% and 21% of total North America dialysis care revenue for the year ended December 31, 2010 and 2009, respectively.

The dialysis product revenue increase was driven mostly by increased sales of bloodlines, solutions and concentrates as well as dialysis machines, partially offset by lower sales of renal pharmaceuticals.

Operating income

Operating income increased to $1,386 M for the year ended December 31, 2010 from $1,250 M for the same period in 2009. Operating income margin increased to 17.0% for the year ended December 31, 2010 from 16.4% for the same period in 2009, primarily due to higher revenue per treatment and favorable costs for pharmaceuticals, partially offset by an increase in cost per treatment to $285 for the year ended December 31, 2010 from $283 in the same period of 2009 due to higher personnel expenses and donations to U.S. ESRD patient assistance charities.

INTERNATIONAL SEGMENT

KEY INDICATORS FOR INTERNATIONAL SEGMENT

Table 4.3.4

	2010	*2009*	*Change as reported*	*Change at constant exchange rates*
Number of treatments	10,820,460	9,558,293	13 %	–
Same market treatment growth	5.1 %	5.3 %	–	–
Revenue *in $ M*	3,923	3,635	8 %	8 %
Depreciation and amortization *in $ M*	207	183	13 %	–
Operating income *in $ M*	678	637	6 %	–
Operating income margin	17.3 %	17.5 %	–	–

Revenue

Treatments increased by 13% in the year ended December 31, 2010 over the same period in 2009 mainly due to contributions from acquisitions (9%) and same market growth (5%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2010, 76,959 patients (a 21% increase over the same period of the prior year) were being treated at 934 clinics that we own, operate or manage in the International segment compared to 63,389 patients treated at 769 clinics at December 31, 2009. Average revenue per treatment for the year ended December 31, 2010 remained constant at $163 in comparison with the same period of 2009.

Net revenues for the International segment for the year ended December 31, 2010 increased by 8% (8% increase at constant exchange rates) as compared to the same period in 2009 as a result of increases in both dialysis care and dialysis product revenues. Organic growth during the period was 5% and acquisitions during the period contributed 4%, partially offset by the effect of closed or sold clinics of 1%.

Including the effects of acquisitions, European region revenue increased 3% (6% increase at constant exchange rates), Latin America region revenue increased 16% (9% increase at constant exchange rates), and Asia-Pacific region revenue increased 22% (15% increase at constant exchange rates).

Total dialysis care revenue for the International segment increased during the year ended December 31, 2010 by 14% (13% increase at constant exchange rates) to $1,767 M from $1,556 M in the same period of 2009. This increase is a result of increase in contributions from acquisitions (8%), same market treatment growth (5%), the positive impact of increases in revenue per treatment (1%) and the positive effect of exchange rate fluctuations (1%), partially offset by the effect of closed or sold clinics (1%).

Total dialysis product revenue for the year ended December 31, 2010 increased by 4% (4% increase at constant exchange rates) to $2,156 M from $2,079 M in the same period of 2009. The increase in product revenue was driven by increased sales of dialyzers, hemodialysis solutions and concentrates, dialysis machines, bloodlines and products for acute care treatments, partially offset by lower sales of pharmaceuticals.

Operating income

Operating income increased by 6% to $678 M for the year ended December 31, 2010 from $637 M for the same period in 2009. Operating income margin decreased to 17.3% for the year ended December 31, 2010 from 17.5% for the same period in 2009 due to the positive effect of an inventory adjustment in the same period in 2009 and lower margins of recently acquired clinics as well as the one-time revaluation of the balance sheet of our operations in Venezuela which was required as a result of the devaluation of the local currency driven by hyperinflation, partially offset by economies of scale, foreign exchange gains in Europe and Asia-Pacific and growth in the dialysis products business in China.

Chapter 4.4

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have historically been cash from operations, cash from borrowings from third parties and related parties, as well as cash from issuance of equity and debt securities. We require this capital primarily to finance working capital needs, to fund acquisitions and develop free-standing renal dialysis centers, to purchase equipment for existing or new renal dialysis centers and production sites, to repay debt and to pay dividends.

At December 31, 2010, we had cash and cash equivalents of $523 M. For information regarding utilization and availability under our Amended 2006 Senior Credit Agreement —— *see Note 9*.

OPERATIONS

In 2010 and 2009, we generated cash flows from operations of $1,368 M and $1,339 M, respectively. Cash from operations is impacted by the profitability of our business, the development of our working capital, principally receivables, and cash outflows that occur due to a number of singular specific items (especially payments in relation to disallowed tax deductions and legal proceedings). The increase in 2010 versus 2009 was mainly a result of improvements in elements of working capital, including decreased levels of inventory, and increased earnings, partially offset by higher income tax payments. In addition, there was unfavorable days sales outstanding (DSO) development in 2010 as compared to 2009.

The profitability of our business depends significantly on reimbursement rates. Approximately 75% of our revenues are generated by providing dialysis treatment, a major portion of which is reimbursed by either public health care organizations or private insurers. For 2010, approximately 32% of our consolidated revenues were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. In the past we experienced and, after the implementation of the new ESRD PPS in the U.S., also expect in the future generally stable reimbursements for our dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. For a discussion of recent Medicare reimbursement rate changes including provisions for implementation of a "bundled rate" for dialysis services provided after January 1, 2011 —— *see "Overview"*.

Our working capital was $1,363 M at December 31, 2010 which decreased from $2,118 M at December 31, 2009, mainly as a result of the reclassification of the Trust Preferred Securities into short-term debt, increased short-term borrowings under the accounts receivable facility, an increase in accrued expenses and other current liabilities and the recognition of the current portion of long-term debt related to acquisitions, partially offset by an increase in cash and cash equivalents, trade accounts receivable and prepaid expenses and other current assets. Our Trust Preferred Securities are due on June 15, 2011 and as a result, $626 M ($656 M at December 31, 2009 exchange rates) was reclassified as short-term debt during the second quarter of 2010. Our ratio of current assets to current liabilities was 1.4 at December 31, 2010.

Our financing activities are focused on the transition of our debt portfolio to single tier and on lengthening the average maturity of our debt. Furthermore, we intend to maintain sufficient financial resources in the coming years. We obtained long-term financing during the current financial year through the issuance of €250 M principal amount of senior notes and through the amendment and extension of our 2006 Senior

Credit Agreement. We have sufficient financial resources, consisting of only partly drawn credit facilities and our accounts receivable facility, which was recently renewed and increased from $650 M to $700 M. By obtaining additional financing such as the proceeds from the $1,050 M bond offering closed on February 3, 2011 —— *see "Financing"*, we aim to preserve financial resources with a minimum of $300 to $500 M of committed and unutilized credit facilities.

Cash from operations depends on the collection of accounts receivable. Customers and governments generally have different payment cycles. A lengthening of their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems. Accounts receivable balances at December 31, 2010 and December 31, 2009, net of valuation allowances, represented DSO of approximately 76 and 72, respectively.

The development of DSO by operating segment is shown in the table below:

DEVELOPMENT OF DAYS SALES OUTSTANDING

Table 4.4.1

in days, December 31	***2010***	*2009*
North America	54	52
International	116	110
TOTAL	**76**	**72**

DSO performance in the North America segment continued to be strong between December 31, 2009 and 2010. The increase in DSO for the International segment mainly reflects average payment delays, mostly in Europe, by government and private entities most recently impacted by the worldwide financial crises. Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivables will be collectable, albeit potentially more slowly in the International segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis. Interest and income tax payments also have a significant impact on our cash from operations. We anticipate a slight increase in DSO in the North America segment in 2011 as a result of the implementation of the ESRD PPS for dialysis services provided after January 1, 2011 due to the coordination of insurance coverage between the U.S. federal and state governments.

There are a number of tax and other items we have identified that will or could impact our cash flows from operations in the immediate future as follows:

We filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by Fresenius Medical Care Holdings, Inc. (FMCH) in prior year tax returns. As a result of a settlement agreement with the IRS, we received a partial refund in September 2008 of $37 M, inclusive of interest and preserved our right to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, we filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On June 24, 2010, the court denied FMCH's motion for summary judgment and the litigation is proceeding towards trial.

For the tax year 1997, we recognized an impairment of one of our subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. We have filed a complaint with the appropriate German court to challenge the tax authority's decision. In January 2011, we reached an agreement with the tax authorities, estimated to be slightly more favorable than the tax benefit recognized previously. The additional benefit will be recognized in 2011.

The IRS tax audits of FMCH for the years 2002 through 2006 have been completed. The IRS has disallowed all deductions taken during these audit periods related to intercompany mandatorily redeemable preferred shares. We have protested the disallowed deductions and will avail ourselves of all remedies. An adverse determination with respect to the disallowed deductions related to intercompany mandatorily redeemable preferred shares could have a material adverse effect on our results of operations and liquidity. In addition, the IRS proposed other adjustments which have been recognized in our financial statements.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits, including those described above. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, where tentative agreement has been reached, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

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. The settlement agreement with the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate —— *see Note 18* provides for payment by the Company of $115 M upon approval of the settlement agreement by the U.S. District Court, which has occurred, and confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that includes the settlement. On January 31, 2011, the U.S. Bankruptcy Court approved W.R. Grace & Co.'s plan of reorganization, including the settlement agreement, and recommended approval of the plan to the U.S. District Court. The $115 M obligation was included in the special charge we recorded in 2001 to address 1996 merger-related legal matters. The payment obligation is not interest-bearing.

If the potential additional tax payments discussed above and the Grace Chapter 11 Proceedings settlement payment were to occur contemporaneously, there could be a material adverse impact on our operating cash flow in the relevant reporting period. Nonetheless, we anticipate that cash from operations and, if required, our senior credit agreement and other sources of liquidity will be sufficient to satisfy all such obligations if and when they come due.

INVESTING

We used net cash of $1,125 M and $698 M in investing activities in 2010 and 2009, respectively.

Capital expenditures for property, plant and equipment, net of disposals were $507 M in 2010 and $562 M in 2009. In 2010, capital expenditures were $286 M in the North America segment and $221 M for the International segment. Capital expenditures in 2009 were $295 M in the North America segment and $267 M for the International segment. The majority of our capital expenditures was used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities primarily in North America and Germany and capitalization of machines provided to our customers, primarily in the International segment. Capital expenditures were approximately 4% and 5% of total revenue for 2010 and 2009, respectively.

We invested approximately $632 M cash in 2010, primarily for acquisitions of dialysis clinics, the formation of a new renal pharmaceutical company with Galenica Ltd. (subject to final anti-trust approval in certain regions), the acquisition of licenses, and the acquisition of Gambro's peritoneal dialysis business outside the United States ($237 M in the North America segment, $373 M in the International segment and $22 M at Corporate), as compared to $188 M cash in 2009 ($124 M in the North America segment and $64 M in the International segment). In addition, we invested €100 M ($133 M at September 30, 2010) in short-term investments with banks during 2010, which were divested during the fourth quarter of 2010. We also received $14 M and $2 M in conjunction with divestitures in 2010 and 2009, respectively. In 2008, we granted a loan of $50 M to Fresenius SE & Co. KGaA (until January 27, 2011 Fresenius SE), Bad Homburg v.d.H., Germany (Fresenius SE), our parent, which they repaid on April 30, 2009.

We anticipate capital expenditures of approximately 5% of revenues and expect to make acquisitions of approximately $1,200 M in 2011, including the €485 M acquisition of International Dialysis Centers, the dialysis service business of Euromedic International, which we announced on January 4, 2011.

FINANCING

Net cash used in financing was $15 M in 2010 compared to net cash used in financing of $558 M in 2009, respectively.

In 2010, cash was used to reduce borrowings under our credit facilities and to pay dividends. This was partially offset by the issuance of 5.5% Senior Notes in January 2010, drawings under our accounts receivable facility and other short term borrowings. In 2009, cash was mainly used for the repayment of the current portion of long-term debt including the Euro Notes in the amount of $279 M (€200 M) that were due and repaid on July 27, 2009, reducing the amount outstanding under our accounts receivable securitization facility (A/R Facility), and the payment of dividends partially offset by the issuance of long-term debt and borrowings under other existing long-term debt facilities.

The following table summarizes the Company's available sources of liquidity at December 31, 2010:

AVAILABLE SOURCES OF LIQUIDITY

Table 4.4.2

in $ M

	Total	*Expiration per period of*	
		1 Year	*2–5 Years*
Accounts receivable facility[1]	190	190	–
Amended 2006 Senior Credit Agreement	997	–	997
Other Unused Lines of Credit	234	234	–
TOTAL	**1,421**	**424**	**997**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria.*

The amount of guarantees and other commercial commitments at December 31, 2010 is not significant.

At December 31, 2010, we have short-term borrowings, excluding the current portion of long-term debt of $671 M.

The following table summarizes, as of December 31, 2010, our obligations and commitments to make future payments under our long-term debt, trust preferred securities and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit.

CONTRACTUAL CASH OBLIGATIONS AND COMMITMENTS

Table 4.4.3

in $ M

	Total	*Payments due by period of*		
		1 Year	*2–5 Years*	*Over 5 Years*
Trust Preferred Securities	650	650	–	–
Long Term Debt[1,2]	5,142	435	3,770	937
Capital Lease Obligations	16	5	8	3
Operating Leases	2,796	490	1,396	910
Unconditional Purchase Obligations	2,164	374	1,071	719
Other Long-term Obligations	33	24	9	–
Letters of Credit	122	–	122	–
TOTAL	**10,923**	**1,978**	**6,376**	**2,569**

[1] *Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Prime), the applicable margins, and the effects of related interest rate swaps.*
[2] *Excludes our 5.75 % and 5.25 % Senior Notes due 2021 issued on February 3, 2011.*

Our obligations under the Amended 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries, including FMCH and D-GmbH, in favor of the lenders. Our Amended 2006 Senior Credit Agreement, EIB agreements, Euro Notes, Senior Notes and the indentures relating to our Trust Preferred Securities include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our Amended 2006 Senior Credit Agreement, we are obligated to maintain a minimum consolidated fixed charge ratio [ratio of consolidated EBITDAR (sum of EBITDA plus Rent expense under operation leases) to Consolidated Fixed Charges as these terms are defined in the 2006 Senior Credit Agreement] and a maximum consolidated leverage ratio (ratio of consolidated funded debt to consolidated EBITDA as these terms are defined in the Amended 2006 Senior Credit Agreement). Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends and make other restricted payments, create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our long-term debt – the Amended 2006 Senior Credit Agreement, the EIB agreements, the Euro Notes, the Senior Notes or the notes underlying our Trust Preferred Securities – could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the Amended 2006 Senior Credit Agreement becomes due at the option of the lenders under that agreement, and the "cross default" provisions in our other long-term debt permit the lenders to accelerate the maturity of the debt upon such a default as well. As of December 31, 2010, we are in compliance with all covenants under the Amended 2006 Senior Credit Agreement and our other financing agreements. For information regarding our Amended 2006 Senior Credit Agreement, EIB agreements, Euro Notes, Senior Notes and the indentures relating to our Trust Preferred Securities —— *see Note 9 and Note 11*.

Although we are not immune from the global financial crisis, we believe that we are well positioned to continue to grow our business while meeting our financial obligations as they come due. Our business is generally not cyclical. A substantial portion of our accounts receivable are generated by governmental payers. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low credit risks. However, limited or expensive

access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our dialysis products; —— *see "Results of Operations" above*. If the current conditions in the credit and equity markets continue, or worsen, they could also increase our financing costs and limit our financial flexibility.

Following our earnings-driven dividend policy, our General Partner's Management Board will propose to the shareholders at the Annual General meeting on May 12, 2011, a dividend with respect to 2010 and payable in 2011, of €0.65 per ordinary share (for 2009 paid in 2010: €0.61) and €0.67 per preference share (for 2009 paid in 2010: €0.63). The total expected dividend payment is approximately €197 M (approximately $263 M based upon the December 31, 2010 spot rate) compared to dividends of €183 M ($232 M) paid in 2010 with respect to 2009. Our Amended 2006 Senior Credit Agreement limits disbursements for dividends and other payments for the acquisition of our equity securities (and rights to acquire them, such as options or warrants) during 2011 to $330 M in total.

On February 3, 2011, our wholly owned subsidiaries, Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A., issued $650 M and €300 M (approximately $412 M at the date of issuance) of 5.75% Senior Notes and 5.25% Senior Notes, respectively. The 5.75% Senior Notes had an issue price of 99.06% and have a yield to maturity of 5.875%. The 5.25% Senior Notes were issued at par. Both the 5.75% Senior Notes and the 5.25% Senior Notes are due February 15, 2021. Net proceeds were or will be used to repay indebtedness outstanding under our A/R Facility and the revolving credit facility of the Amended 2006 Senior Credit Agreement, for acquisitions, including payments under our recent acquisition of International Dialysis Centers announced on January 4, 2011, and for general corporate purposes to support our renal dialysis products and services business. Both the 5.75% and the 5.25% Senior Notes are guaranteed on a senior basis jointly and severally by us, FMCH and Fresenius Medical Care Deutschland GmbH.

On September 29, 2010, we amended and extended the 2006 Senior Credit Agreement (as amended to-date and as it may be further modified or amended, our Amended 2006 Senior Credit Agreement). The significant changes are as follows:

▸ The $1,000 M revolving credit facility has been increased to $1,200 M and is now due and payable on March 31, 2013, an extension from the original due date of March 31, 2011.

▸ The Term Loan A facility was increased by $50 M to $1,365 M and its maturity extended from March 31, 2011 to March 31, 2013, and will be repaid in quarterly payments of $30 M which started on December 31, 2010, with the remaining balance due and payable in full on March 31, 2013.

▸ The early repayment requirement for the Term Loan B, which stipulated that Term Loan B was subject to early retirement if the Trust Preferred Securities due June 15, 2011 were not paid, refinanced or extended prior to March 1, 2011, has been removed.

▸ The definition of the Company's Consolidated Leverage Ratio, which is used to determine the applicable margin, was amended to allow for the reduction of up to $250 M (increased from $30 M) of cash and cash equivalents from Consolidated Funded Debt, as defined in the initial 2006 Senior Credit Agreement. The applicable margin is then added to LIBOR to determine the interest rate for the appropriate period. In addition, the Amended 2006 Senior Credit Agreement includes increases in certain types of permitted borrowings outside of the Amended 2006 Senior Credit Agreement and provides further flexibility for certain types of investments.

▸ The limitation on dividends and other restricted payments ($300 M for dividends in 2010 under the 2006 Senior Credit Agreement) has been set for up to $330 M in 2011 and increases by $30 M each year through 2013.

On September 28, 2010, we renewed our accounts receivable facility and increased available borrowings under the facility from $650 M to $700 M.

On February 17, 2010, a €50 M ($67 M at December 31, 2010) loan was disbursed from our 2009 agreement with the European Investment Bank (EIB). The loan is due in 2014. In addition, on March 15, 2010, we drew down the remaining $80.8 M available on our 2005 revolving credit agreement with the EIB, maturing in 2013. Both loans bear variable interest rates which are based on EURIBOR or LIBOR, as applicable, plus an applicable margin. These interest rates change every three months.

On January 20, 2010, our wholly owned subsidiary, FMC Finance VI S.A., issued €250 M ($353.3 M at date of issuance) aggregate principal amount of 5.50% Senior Notes at an issue price of 98.6636% of the principal amount. The 5.50% Senior Notes had a yield to maturity of 5.75% and are due July 15, 2016. Proceeds were used to repay short-term indebtedness and for general corporate purposes. The 5.50% Senior Notes are guaranteed on a senior basis jointly and severally by us, FMCH and D-GmbH.

In addition to the annual renewal of our accounts receivable facility described above, our 2011 financing needs are limited to the €485 M payment for our acquisition of International Dialysis Centers, which we announced on January 4, 2011, the dividend payment of approximately $263 M in May 2011, which is expected to be covered by cash flow from operations and from existing credit facilities, and the amount due upon maturity of our Trust Preferred Securities in June 2011 of approximately $626 M at December 31, 2010, which we expect to meet by entering into diverse capital market transactions —— *see Note 11*. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

DEBT COVENANT DISCLOSURE – EBITDA

EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $2,427 M, 20.1% of revenues for 2010, and $2,213 M, 19.7% of revenues for 2009. EBITDA is the basis for determining compliance with certain covenants contained in our Amended 2006 Senior Credit Agreement, Euro Notes, EIB, and the indentures relating to our Senior Notes and our outstanding Trust Preferred Securities. You should not consider EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail elsewhere in this report. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of EBITDA to cash flow provided by operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

RECONCILIATION OF MEASURES FOR CONSOLIDATED TOTALS

Table 4.4.4

in $ THOUS

	2010	*2009*
Total EBITDA	2,427,029	2,212,681
Interest expense (net of interest income)	(280,064)	(299,963)
Income tax expense, net	(578,345)	(490,413)
Change in deferred taxes, net	14,687	22,002
Changes in operating assets and liabilities	(236,647)	(139,494)
Stock compensation expense	27,981	33,746
Other items, net	(6,516)	58
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,368,125**	**1,338,617**

Chapter 4.5

RECENTLY ISSUED AND IMPLEMENTED ACCOUNTING STANDARDS

For a discussion of recently issued and implemented accounting standards —— *see Note 1t*.

Chapter 4.6

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Our businesses operate in highly competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- changes in reimbursement rates,
- intense competition,
- foreign exchange rate and interest rate fluctuations,
- varying degrees of acceptance of new product introductions,
- technological developments in our industry,
- uncertainties in litigation or investigative proceedings and regulatory developments in the health care sector, and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings; see "Risk report" —— *starting on page 104*. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Reimbursement rates

We obtained approximately 32% of our worldwide revenue for 2010 from sources subject to regulations under U.S. government health care programs. In the past, U.S. budget deficit reduction and health care reform measures have changed the reimbursement rates under these programs, including the Medicare composite rate, the reimbursement rate for EPO, and the reimbursement rates for other dialysis and non-dialysis related services and products, as well as other material aspects of these programs, and they may change in the future. Effective January 1, 2011, the Medicare reimbursement rate for dialysis services is determined on the basis of a case-mix adjusted "blended" prospective payment system for ESRD dialysis facilities.

We also obtain a significant portion of our net revenues from reimbursement by non-government payors. Historically, these payors' reimbursement rates generally have been higher than government program rates in their respective countries. However, non-governmental payors are imposing cost containment measures that are creating significant downward pressure on reimbursement levels that we receive for our services and products.

Inflation

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, a major portion of our net revenues from dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

Management of foreign exchange and interest rate risks

We are primarily exposed to market risk from changes in foreign exchange rates and changes in interest rates. In order to manage the risks from these foreign exchange rate and interest rate fluctuations, we enter into various hedging transactions, as authorized by the Management Board of the general partner, with banks which generally have ratings in the "A" Category or better. We do not use financial instruments for trading or other speculative purposes.

Fresenius SE, as provided for under a service agreement, conducts financial instrument activity for us and its other subsidiaries under the control of a single centralized department. Fresenius SE has established guidelines, that we have agreed to, for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk

We conduct our business on a global basis in various currencies, although our operations are located principally in the United States and Germany. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures we enter into foreign exchange forward contracts and, on a small scale, foreign exchange options. Our policy, which has been consistently followed, is that foreign exchange rate derivatives be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

In connection with intercompany loans in foreign currency, we normally use foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

The Company is exposed to potential losses in the event of non-performance by counterparties to financial instruments. We do not expect any counterparty to fail to meet its obligations. The current credit exposure of foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date. The table below provides information about our foreign exchange forward contracts at December 31, 2010. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts by year of maturity, the fair values of the contracts, which show the unrealized net gain (loss) on existing contracts as of December 31, 2010, and the credit risk inherent to those contracts with positive market values as of December 31, 2010. All contracts expire within 59 months after the reporting date.

FOREIGN CURRENCY RISK MANAGEMENT

Table 4.6.1

in $ M, December 31	*Nominal amount*						*Fair value*	*Credit risk*
	2011	*2012*	*2013*	*2014*	*2015*	*Total*		
Purchase of € against $	725	20	–	–	–	745	(42)	3
Sale of € against $	421	–	–	–	–	421	(5)	–
Purchase of € against others	781	102	33	31	29	976	(19)	3
Sale of € against others	249	89	60	31	29	458	1	1
Others	33	1	–	–	–	34	–	1
TOTAL	**2,209**	**212**	**93**	**62**	**58**	**2,634**	**(65)**	**8**

A summary of the high and low exchange rates for the euro to U.S. dollars and the average exchange rates for the last five years is set forth below. The European Central Bank (ECB) determines such rates (Reference Rates) based on the regular daily averaging of rates between central banks within and outside the European banking system. The ECB normally publishes the Reference Rates daily at 2:15 p.m. (CET). In preparing our consolidated financial statements and in converting certain U.S. dollar amounts in this report, we have used the Year's Average Reference Rate of $1.3259 or Year's Close Reference Rate of $1.3362 per €1.00.

EXCHANGE RATES

Table 4.6.2

$ per €	*Year's high*	*Year's low*	*Year's average*	*Year's close*
2010	**1.4563**	**1.1942**	**1.3259**	**1.3362**
2009	1.5120	1.2555	1.3948	1.4406
2008	1.5990	1.2460	1.4713	1.3917
2007	1.4874	1.2893	1.3705	1.4721
2006	1.3331	1.1826	1.2558	1.3170

The Reference Rate on February 18, 2011 was $1.3627 per €1.00.

Foreign exchange sensitivity analysis

In order to estimate and quantify the transaction risks from foreign currencies, the Company considers the cash flows reasonably expected for the three months following the reporting date as the relevant assessment basis for a sensitivity analysis. For this analysis, the Company assumes that all foreign exchange rates in which the Company had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Company's results of operations would be $13 M.

Interest rate risk

We are exposed to changes in interest rates that affect our variable-rate borrowings. We enter into debt obligations including accounts receivable securitizations to support our general corporate purposes such as capital expenditures and working capital needs. Consequently, we enter into derivatives, particularly interest rate swaps to protect interest rate exposures arising from borrowings at floating rates by effectively swapping them into fixed rates.

These interest rate derivatives are designated as cash flow hedges. The majority of these interest rate swap agreements effectively convert the major part of payments based on variable interest rates applicable to the Company's Amended 2006 Senior Credit Agreement, denominated in U.S. dollars, into payments at a fixed rate. The remaining interest rate swaps have been entered into in anticipation of future debt issuances.

Swap agreements in notional amounts of $3,175 M expire at various dates in 2011 and 2012 and bear an average interest rate of 4.26%. Interest payable and interest receivable under the swap agreements are accrued and recorded as an adjustment to interest expense at each reporting date. At December 31, 2010, the negative fair value of these agreements is $125 M.

The table below presents principal amounts and related weighted average interest rates by year of maturity for interest rate swaps and for our significant debt obligations.

INTEREST RATE EXPOSURE

Table 4.6.3

in $ M

	2011	*2012*	*2013*	*2014*	*2015*	*Thereafter*	*Total*	*Fair value Dec. 31, 2010*
Floating rate $ debt								
Principal payments on Senior Credit Agreement Variable interest rate = 1.77 %	217	1,262	1,475	–	–	–	2,954	2,938
Accounts receivable securitization programs Variable interest rate = 0.33 %	510	–	–	–	–	–	510	510
EIB loans Variable interest rate = 0.43 %	–	–	165	–	–	–	165	165
Floating rate € debt								
Euro Notes 2009/2012 Variable interest rate = 6.253 %	–	160	–	–	–	–	160	162
Euro Notes 2009/2014 Variable interest rate = 6.753 %	–	5	5	31	–	–	41	41
EIB loan Variable interest rate = 1.8176 %	–	–	–	187	–	–	187	187
Fixed rate $ debt								
Company obligated mandatorily redeemable preferred securities of subsidiaries Fresenius Medical Care Capital Trusts Fixed interest rate = 7.375 % Issued in 2001	225	–	–	–	–	–	225	239
Senior Notes 2007/2017 Fixed interest rate = 6.875 %	–	–	–	–	–	494	494	531
Fixed rate € debt								
Company obligated mandatorily redeemable preferred securities of subsidiaries Fresenius Medical Care Capital Trusts Fixed interest rate = 7.375 % Issued in 2001	401	–	–	–	–	–	401	415
Euro Notes 2009/2012 Fixed interest rate = 7.4065 %	–	47	–	–	–	–	47	52
Euro Notes 2009/2014 Fixed interest rate = 8.3835 %	–	2	2	15	–	–	19	22
Senior Notes 2010/2016 Fixed interest rate = 5.50 %	–	–	–	–	–	330	330	349
Interest rate derivatives								
$ payer swaps notional amount	1,650	1,525	–	–	–	–	3,175	(125)
Average fixed pay rate = 4.26 %	4.08 %	4.45 %	–	–	–	–	4.26 %	–
Receive rate = 3-month $LIBOR	–	–	–	–	–	–	–	–

All variable interest rates depicted above are as of December 31, 2010.

Interest rate sensitivity analysis

For purposes of analyzing the impact of changes in the relevant reference interest rates on the Company's results of operations, the Company calculates the portion of financial debt which bears variable interest 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 Company assumes an increase in the reference rates of 0.5% compared to the actual rates as of reporting date. The corresponding additional annual interest expense is then compared to the Company's net income. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1% on the consolidated net income of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

CONFIDENCE

Our successful performance in recent years and the stable economic environment in which we operate enable us to look to the future with confidence.

5

Chapter 5.1

CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME

Table 5.1.1

in $ THOUS, except share data	*Note*	***2010***	*2009*
Net revenue			
Dialysis care	*1 I*	9,070,546	8,350,233
Dialysis products		2,982,944	2,897,244
TOTAL	*21*	**12,053,490**	**11,247,477**
Costs of revenue			
Dialysis care		6,345,135	5,945,724
Dialysis products		1,563,634	1,470,241
TOTAL		**7,908,769**	**7,415,965**
Gross profit		4,144,721	3,831,512
Operating expenses			
Selling, general and administrative		2,124,384	1,982,106
Research and development	*1 J*	96,532	93,810
OPERATING INCOME		**1,923,805**	**1,755,596**
Other (income) expense			
Interest income		(25,409)	(21,397)
Interest expense		305,473	321,360
Income before income taxes		1,643,741	1,455,633
Income tax expense	*1 K, 16*	578,345	490,413
Net income		1,065,396	965,220
Less: Net income attributable to noncontrolling interests		86,879	74,082
NET INCOME ATTRIBUTABLE TO FMC AG & CO. KGAA		**978,517**	**891,138**
BASIC INCOME PER ORDINARY SHARE	*14*	**3.25**	**2.99**
FULLY DILUTED INCOME PER ORDINARY SHARE	*14*	**3.24**	**2.99**

See accompanying notes to consolidated financial statements.

Chapter 5.2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Table 5.2.1

in $ THOUS

	Note	2010	2009
NET INCOME		**1,065,396**	**965,220**
(Loss) gain related to cash flow hedges	19, 20	(8,109)	30,082
Actuarial (loss) gain on defined benefit pension plans	20	(35,654)	9,708
(Loss) gain related to foreign currency translation	20	(110,888)	82,545
Income tax benefit (expense) related to components of other comprehensive income	19, 20	12,821	(18,971)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	20	**(141,830)**	**103,364**
TOTAL COMPREHENSIVE INCOME		**923,566**	**1,068,584**
Comprehensive income attributable to noncontrolling interests		89,370	75,886
COMPREHENSIVE INCOME ATTRIBUTABLE TO FMC AG & CO. KGAA		**834,196**	**992,698**

See accompanying notes to consolidated financial statements.

Chapter 5.3

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

Table 5.3.1

in $ THOUS, except share data, at December 31

	Note	2010	2009
Assets			
Current assets			
Cash and cash equivalents	1 B	522,870	301,225
Trade accounts receivable less allowance for doubtful accounts of $277,139 in 2010 and $266,449 in 2009		2,573,258	2,285,909
Accounts receivable from related parties		113,976	272,886
Inventories	4	809,097	821,654
Prepaid expenses and other current assets		783,231	729,306
Deferred taxes	1 K, 16	350,162	316,820
TOTAL CURRENT ASSETS		**5,152,594**	**4,727,800**
Property, plant and equipment, net	1 E, 5	2,527,292	2,419,570
Intangible assets	1 F, 6	692,544	859,195
Goodwill	1 F, 6	8,140,468	7,511,434
Deferred taxes	1 K, 16	93,168	64,749
Investment in equity method investees	21	250,373	5,795
Other assets		238,222	232,772
TOTAL ASSETS		**17,094,661**	**15,821,315**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Table 5.3.2

in $ THOUS, except share data, at December 31	Note	2010	2009
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		420,637	362,407
Accounts payable to related parties		121,887	277,429
Accrued expenses and other current liabilities	7	1,537,423	1,335,553
Short-term borrowings and other financial liabilities	8	670,671	316,344
Short-term borrowings from related parties	8	9,683	10,440
Current portion of long-term debt and capital lease obligations	9	263,982	157,634
Company-obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company-guaranteed debentures of subsidiaries, current portion	11	625,549	–
Income tax payable	1 K, 16	117,542	116,978
Deferred taxes	1 K, 16	22,349	32,930
TOTAL CURRENT LIABILITIES		**3,789,723**	**2,609,715**
Long-term debt and capital lease obligations, less current portion	9	4,309,676	4,427,921
Other liabilities		294,015	307,112
Pension liabilities	10	190,150	147,327
Income tax payable	1 K, 16	200,581	215,921
Deferred taxes	1 K, 16	506,896	427,530
Company-obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company-guaranteed debentures of subsidiaries	11	–	656,096
TOTAL LIABILITIES		**9,291,041**	**8,791,622**
Noncontrolling interests subject to put provisions	12	279,709	231,303
Shareholders' equity			
Preference shares, no par value, € 1.00 nominal value, 12,356,880 shares authorized, 3,957,168 issued and outstanding		4,440	4,343
Ordinary shares, no par value, € 1.00 nominal value, 373,436,220 shares authorized, 298,279,001 issued and outstanding		369,002	365,672
Additional paid-in capital		3,339,781	3,243,466
Retained earnings		3,858,080	3,111,530
Accumulated other comprehensive (loss)	20	(194,045)	(49,724)
TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY	13	**7,377,258**	**6,675,287**
Noncontrolling interests not subject to put provisions		146,653	123,103
TOTAL EQUITY	13	**7,523,911**	**6,798,390**
TOTAL LIABILITIES AND EQUITY		**17,094,661**	**15,821,315**

See accompanying notes to consolidated financial statements.

Chapter 5.4

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 5.4.1

in $ THOUS

	Note	2010	2009
Operating Activities			
Net income		1,065,396	965,220
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22	503,224	457,085
Change in deferred taxes, net		14,687	22,002
Gain on sale of investments		(5,888)	(1,250)
(Gain) loss on sale of fixed assets		(628)	1,308
Compensation expense related to stock options	15	27,981	33,746
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(300,274)	(41,994)
Inventories	4	18,326	(88,933)
Prepaid expenses, other current and non-current assets		(60,305)	(147,105)
Accounts receivable from related parties		125,962	(144,224)
Accounts payable to related parties		(135,001)	138,506
Accounts payable, accrued expenses and other current and non-current liabilities		124,279	71,092
Income tax payable	1 K, 16	(9,634)	73,164
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,368,125**	**1,338,617**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 5.4.2

in $ THOUS

	Note	2010	2009
Investing Activities			
Purchases of property, plant and equipment	1E,5,21	(523,629)	(573,606)
Proceeds from sale of property, plant and equipment	1E,5,21	16,108	11,730
Acquisitions and investments, net of cash acquired, and net purchases of intangible assets	22, 23	(764,338)	(188,113)
Proceeds from divestitures		146,835	51,965
NET CASH (USED IN) INVESTING ACTIVITIES		**(1,125,024)**	**(698,024)**
Financing Activities			
Proceeds from short-term borrowings and other financial liabilities	8	281,022	107,192
Repayments of short-term borrowings and other financial liabilities	8	(258,561)	(169,175)
Proceeds from short-term borrowings from related parties	8	–	18,830
Repayments of short-term borrowings from related parties	8	–	(118,422)
Proceeds from long-term debt and capital lease obligations (net of debt issuance costs of $31,458 in 2010)	9	947,346	709,540
Repayments of long-term debt and capital lease obligations		(1,072,941)	(566,241)
Increase (decrease) of accounts receivable securitization program		296,000	(325,000)
Proceeds from exercise of stock options	15	109,518	72,394
Dividends paid	13	(231,967)	(231,940)
Distributions to noncontrolling interests		(111,550)	(68,004)
Contributions from noncontrolling interests		26,416	12,699
NET CASH (USED IN) FINANCING ACTIVITIES		**(14,717)**	**(558,127)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(6,739)**	**(2,825)**
Cash and Cash Equivalents			
Net increase in cash and cash equivalents		221,645	79,641
Cash and cash equivalents at beginning of period		301,225	221,584
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**522,870**	**301,225**

See accompanying notes to consolidated financial statements.

Chapter 5.5

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Table 5.5.1

in $ THOUS, except share data	Note	Preference shares		Ordinary shares	
		Number of shares	No par value	Number of shares	No par value
BALANCE AT DECEMBER 31, 2008		**3,810,540**	**4,240**	**293,932,036**	**363,076**
Proceeds from exercise of options and related tax effects	15	73,788	103	1,814,599	2,596
Compensation expense related to stock options	15	–	–	–	–
Dividends paid	13	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	12	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
BALANCE AT DECEMBER 31, 2009		**3,884,328**	**4,343**	**295,746,635**	**365,672**
Proceeds from exercise of options and related tax effects	15	72,840	97	2,532,366	3,330
Compensation expense related to stock options	15	–	–	–	–
Dividends paid	13	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	12	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
BALANCE AT DECEMBER 31, 2010		**3,957,168**	**4,440**	**298,279,001**	**369,002**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Table 5.5.2

in $ THOUS, except share data	Note	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMC AG & CO.KGAA shareholders' equity	Noncontrolling interests not subject to put provisions	Total
BALANCE AT DECEMBER 31, 2008		**3,188,089**	**2,452,332**	**(151,284)**	**5,856,453**	**104,167**	**5,960,620**
Proceeds from exercise of options and related tax effects	15	64,585	–	–	67,284	–	67,284
Compensation expense related to stock options	15	33,746	–	–	33,746	–	33,746
Dividends paid	13	–	(231,940)	–	(231,940)	(44,569)	(276,509)
Purchase/sale of noncontrolling interests		(3,138)	–	–	(3,138)	12,929	9,791
Contributions from noncontrolling interests		–	–	–	–	3,285	3,285
Changes in fair value of noncontrolling interests subject to put provisions	12	(39,816)	–	–	(39,816)	–	(39,816)
Net income		–	891,138	–	891,138	45,487	936,625
Other comprehensive income (loss)	20	–	–	101,560	101,560	1,804	103,364
Comprehensive income		–	–	–	992,698	47,291	1,039,989
BALANCE AT DECEMBER 31, 2009		**3,243,466**	**3,111,530**	**(49,724)**	**6,675,287**	**123,103**	**6,798,390**
Proceeds from exercise of options and related tax effects	15	98,819	–	–	102,246	–	102,246
Compensation expense related to stock options	15	27,981	–	–	27,981	–	27,981
Dividends paid	13	–	(231,967)	–	(231,967)	(58,617)	(290,584)
Purchase/sale of noncontrolling interests		(6,263)	–	–	(6,263)	17,295	11,032
Contributions from noncontrolling interests		–	–	–	–	4,392	4,392
Changes in fair value of noncontrolling interests subject to put provisions	12	(24,222)	–	–	(24,222)	–	(24,222)
Net income		–	978,517	–	978,517	58,040	1,036,557
Other comprehensive income (loss)	20	–	–	(144,321)	(144,321)	2,440	(141,881)
Comprehensive income		–	–	–	834,196	60,480	894,676
BALANCE AT DECEMBER 31, 2010		**3,339,781**	**3,858,080**	**(194,045)**	**7,377,258**	**146,653**	**7,523,911**

See accompanying notes to consolidated financial statements.

Chapter 5.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except share data.

1. THE COMPANY, BASIS OF PRESENTATION, HEALTH CARE REFORM AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Fresenius Medical Care AG & Co. KGaA (FMC AG & CO. KGAA or the Company together with its subsidiaries on a consolidated basis, as the context requires), a German partnership limited by shares (Kommanditgesellschaft auf Aktien), is the world's largest kidney dialysis company, operating in both the field of dialysis services and the field of dialysis products for the treatment of end-stage renal disease (ESRD). The Company's dialysis business is vertically integrated, providing dialysis treatment at dialysis clinics it owns or operates and supplying these clinics with a broad range of products. In addition, the Company sells dialysis products to other dialysis service providers. In the United States, the Company also performs clinical laboratory testing and provides inpatient dialysis services and other services under contract to hospitals.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Company has reclassified and revalued noncontrolling interests subject to put provisions in the Consolidated Balance Sheets. As a result, at December 31, 2009 and 2008, the Company reclassified $85,658 and $56,337, respectively, from "Noncontrolling interests" and $145,645 and $105,829, respectively, from "Additional paid in capital" to "noncontrolling interests subject to put provisions". The Company has also renamed the remaining balance of "noncontrolling interests" as "noncontrolling interests not subject to put provisions". The Consolidated Statement of Shareholders' Equity has been adjusted accordingly. There is no impact on the Consolidated Statements of Income.

Certain other items in the prior year's comparative consolidated financial statements have been reclassified to conform to the current year's presentation.

United States health care reform

The Patient Protection and Affordable Care Act was enacted in the United States on March 23, 2010 and subsequently amended by the Health Care and Educational Affordability Reconciliation Act (as amended, ACA). ACA will implement broad healthcare system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies starting in 2011 based on sales of brand name pharmaceuticals to government healthcare programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of healthcare program waste and fraud. ACA's medical device excise tax, Medicaid drug rebate increases and annual pharmaceutical industry fees will adversely impact the Company's product business earnings and cash flows. The Company expects modest favorable impact from ACA's integrated care and commercial insurance consumer protection provisions.

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include all companies in which the Company has legal or effective control. In addition, the Company consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary. In accordance with current accounting principles, the Company also consolidates certain clinics that it manages and financially controls. The equity method of accounting is used for investments

in associated companies (20% to 50% owned). Noncontrolling interests represent the proportionate equity interests of owners in the Company's consolidated entities that are not wholly owned. All significant intercompany transactions and balances have been eliminated.

The Company entered into various arrangements with certain dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product distributor have either negative equity or are unable to provide their own funding and operations. Therefore, the Company has agreed to fund their operations through loans. The compensation for the funding can carry interest, exclusive product supply agreements or the Company is entitled to a pro rata share of profits, if any, and has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately $132,697 and $112,573 in revenue in 2010 and 2009, respectively. The Company provided funding to these VIEs through loans and accounts receivable of $110,600 and $42,300 in 2010 and 2009, respectively. The table below shows the carrying amounts of the assets and liabilities of these VIEs at December 31, 2010 and 2009:

CARRYING AMOUNTS VIES

Table 5.6.1

in $ THOUS	***2010***	*2009*
Trade accounts receivable, net	60,070	50,730
Other current assets	26,981	20,029
Property, plant and equipment, intangible assets & other non-current assets	29,597	13,841
Goodwill	56,883	21,606
Accounts payable, accrued expenses and other liabilities	(105,662)	(42,931)
Non-current loans to related parties	(12,998)	(17,016)
Equity	(54,870)	(46,258)

b) 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.

c) Allowance for doubtful accounts

Estimates for the allowances for accounts receivable from the dialysis care business are based mainly on past collection history. Specifically, the allowances for the North America services division are based on an analysis of collection experience, recognizing the differences between payors and aging of accounts receivable. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances. The allowances in the International Segment and the products business are based on estimates and consider various factors, including aging, debtor and past collection history.

d) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value —— *see Note 4*. Costs included in inventories are based on invoiced costs and/or production costs as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

e) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation —— *see Note 5*. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years for buildings and improvements with a weighted average life of 12 years and 3 to 15 years for machinery and equipment with a weighted average life of 10 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment. The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2010 and 2009 was $5,918 and $10,395, respectively.

f) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, trade names, management contracts, application software, acute care agreements, lease agreements, and licenses acquired in an acquisition method business combination are recognized and reported apart from goodwill —— *see Note 6*.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified trade names and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their average useful life of 8 years. Technology is amortized over its useful life of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over their average useful life of 13 years. All other intangible assets are amortized over their weighted average useful lives of 6 years. The average useful life of all amortizable intangible assets is 11 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identified its reporting units and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. A reporting unit is usually defined one level below the segment level based on regions or legal entities. Two reporting units were identified in the segment North America (Renal Therapy Group and Fresenius Medical Services). The segment International is divided into two reporting units (Europe and Latin America), while only one reporting unit exists in the segment Asia Pacific.

In a first step, the Company compares the fair value of a reporting unit to its carrying amount. Fair value is determined using estimated future cash flows for the unit discounted by an after-tax weighted average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, due to the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, has been largely independent of the economic cycle. The reporting units' respective expected growth rates for

the period beyond ten years are: Renal Therapy Group 1%, Fresenius Medical Services 1%, Europe 0%, Latin America 4%, and Asia Pacific 4%. The discount factor is determined by the WACC of the respective reporting unit. The Company's WACC consists of a basic rate of 6.38% for 2010. The basic rate is then adjusted by a country-specific risk rate within each reporting unit. In 2010, WACCs for the reporting units ranged from 6.38% to 13.56%.

In the case that the fair value of the reporting unit is less than its book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the book value, the difference is recorded as an impairment.

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

g) Derivative financial instruments

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 —— *see Note 19.* 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. The ineffective portion of cash flow hedges is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting are recorded in the income statement and usually offset the changes in value recorded in the income statement for the underlying asset or liability.

h) Foreign currency translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the parent company and all non-U.S. subsidiaries are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for 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 reported in accumulated other comprehensive income (loss).

i) Revenue recognition policy

Dialysis care revenues are recognized on the date services and related products are provided and the payor is obligated to pay at amounts estimated to be received under reimbursement arrangements with third party payors. Medicare and Medicaid in North America and programs involving other government payors in the International Segment are billed at pre-determined rates per treatment that are established by statute or regulation. Most non-governmental payors are billed at our standard rates for services net of contractual allowances to reflect the estimated amounts to be received under reimbursement arrangements with these payors.

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

A minor portion of International Segment product revenues is generated from arrangements which give the customer, typically a health care provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. In this type of contract, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables. In certain other contracts of this type, the contract is structured as a sales type lease whereby ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for sales type leases.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from revenues and the related revenue is reported on a net basis.

j) Research and development expenses
Research and development expenses are expensed as incurred.

k) Income taxes
The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Company and implemented tax strategies. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized —— *see Note 16*.

It is the Company's policy to recognize interest and penalties related to its tax positions as income tax expense.

l) Impairment
The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

For the Company's policy related to goodwill impairment —— *see Note 1f*.

m) Debt issuance costs
Costs related to the issuance of debt are amortized over the term of the related obligation —— *see Note 9*.

n) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the Company's largest subsidiary is partially self-insured for professional liability claims. For all other coverages, the Company 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.

o) Use of estimates

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

p) Concentration of risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to health care providers throughout the world, and in providing kidney dialysis treatment, clinical laboratory testing, and other medical ancillary services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Approximately 32% and 33% of the Company's worldwide revenues were earned and subject to regulations under Medicare and Medicaid, governmental health care programs administered by the United States government in 2010 and 2009, respectively; For concentration of supplier risks —— *see Note 4*.

q) Legal contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business —— *see Note 18*. The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company 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 assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

r) Earnings per ordinary share and preference share

Basic earnings per ordinary share and basic earnings per preference share for all years presented have been calculated using the two-class method based upon the weighted average number of ordinary and preference shares outstanding. Basic earnings per share is computed by dividing net income 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 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 year.

The awards granted under the Company's stock incentive plans, are potentially dilutive equity instruments —— *see Note 15*.

s) Employee Benefit Plans

The Company recognizes the underfunded status of its defined benefit plans, measured as the difference between plan assets at fair value and the benefit obligation, as a liability. Changes in the funded status of a plan, net of tax, resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost will be recognized through accumulated other comprehensive income in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost when realized. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

t) Recent pronouncements: Recently implemented accounting statements

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-20 (ASU 2010-20), Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. ASU 2010-20 is an update of Accounting Standards Codification Topic 310, Receivables. This update requires enhanced disclosures on a disaggregated basis about:

- the nature of the credit risk inherent in the portfolio of financing receivables,
- how that risk is analyzed and assessed in arriving at the allowance for credit losses and
- the changes and reasons for those changes in the allowance for credit losses.

The disclosures required under ASU 2010-20 as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. Disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company adopted the provisions of ASU 2010-20 as of December 31, 2010.

In June 2009, the FASB issued Accounting Standards Update 2009-17 (ASU 2009-17) (originally issued as FASB Statement No.167), ASC 810, Consolidations-Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 requires reporting entities to evaluate former Qualifying Special Purpose Entities (QSPE) for consolidation and changes the approach to determining a VIE's primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. In addition, ASU 2009-17 increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. It also clarifies, but does not significantly change, the characteristics that identify a VIE. ASU 2009-17 also requires additional year-end and interim disclosures about risks related to continuing involvement in transferred financial assets.

The amendments contained in ASU 2009-17 are effective as of the beginning of a company's first fiscal year that begins after November 15, 2009 and for subsequent interim and annual reporting periods. All former QSPEs and other variable interest entities needed to be reevaluated under the amended consolidation requirements as of the beginning of the first annual reporting period that began after November 15, 2009. Early adoption was prohibited. The Company implemented the amendments prescribed by ASU 2009-17 as of January 1, 2010.

In June 2009, the FASB issued Accounting Standards Update 2009-16 (ASU 2009-16) (originally issued as FASB Statement No.166), ASC 860, Transfers and Servicing – Accounting for Transfers of Financial Assets. ASU 2009-16 eliminates the QSPE concept, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies the derecognition criteria, revises how retained interests are initially measured, and removes the guaranteed mortgage securitization recharacterization provisions. ASU 2009-16 also requires additional year-end and interim disclosures about risks related to variable interest entities.

ASU 2009-16 is effective as of the beginning of a company's first fiscal year that begins after November 15, 2009, and for subsequent interim and annual reporting periods. ASU 2009-16's disclosure requirements must be applied to transfers that occurred before and after its effective date. Early adoption is prohibited. The Company adopted provisions of ASU 2009-16 as of January 1, 2010.

2. SUBSEQUENT EVENTS

On February 3, 2011, Fresenius Medical Care US Finance, Inc. (US Finance), a wholly-owned subsidiary of the Company, issued $650,000 aggregate principal amount of senior unsecured notes with a coupon of 5.75% (the 5.75% Senior Notes) at an issue price of 99.060% and FMC Finance VII S.A. (Finance VII), a wholly-owned subsidiary of the Company, issued €300,000 aggregate principal amount ($412,350 at date of issuance) of senior unsecured notes with a coupon 5.25% (the 5.25% Senior Notes) at par. The 5.75% Senior Notes have a yield to maturity of 5.875% and are due February 15, 2021. The 5.25% Senior Notes are due February 15, 2021. US Finance and Finance VII may redeem the 5.75% Senior Notes and 5.25% Senior Notes, respectively, at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the applicable indenture. The holders of the 5.75% Senior Notes and the 5.25% Senior Notes have a right to request that the respective issuers of the notes repurchase the applicable issue of notes at 101% of principal plus accrued interest upon the occurrence of a change of control of the Company followed by a decline in the rating of the respective notes. The Company used or will use the net proceeds of approximately $1,035,000 to repay indebtedness outstanding under its A/R Facility and the revolving credit facility of the Amended 2006 Senior Credit Agreement, for acquisitions, including payments under our recent acquisition of International Dialysis Centers announced on January 4, 2011 and for general corporate purposes to support our renal dialysis products and services business. The 5.75% Senior Notes and the 5.25% Senior Notes are guaranteed on a senior basis jointly and severally by the Company, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH.

On January 4, 2011, the Company announced the signing of a purchase agreement to acquire International Dialysis Centers (IDC), Euromedic International's (Euromedic) dialysis service business for €485,000 (approximately $650,000 as of January 4, 2011). IDC currently treats over 8,200 hemodialysis patients predominantly in Central and Eastern Europe and operates a total of 70 clinics in 9 countries. Closing is subject to necessary regulatory approvals by the relevant anti-trust authorities and is expected to occur in the first half of 2011.

3. RELATED PARTY TRANSACTIONS

a) Service and lease agreements

The Company's parent, Fresenius SE & Co. KGaA, is a German partnership limited by shares resulting from the change of legal form effective January 28, 2011, from Fresenius SE, a European Company (Societas Europaea, SE), and which, prior to July 13, 2007, was called Fresenius AG, a German stock corporation. In these Consolidated Financial Statements, Fresenius SE refers to that company as a partnership limited by shares, effective on and after January 28, 2011, as well as both before and after the conversion of Fresenius AG from a stock corporation into a European Company. Fresenius SE owns 100% of the share capital of Fresenius Medical Care Management AG (Management AG), the Company's general partner and is the Company's largest shareholder owning approximately 35.7% of the Company's voting shares as of December 31, 2010.

The Company is party to service agreements with Fresenius SE & Co. KGaA and certain of its affiliates (collectively the Fresenius SE Companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, IT services, tax services and treasury management services. During 2010 and 2009, amounts charged by Fresenius SE to the Company under the terms of these agreements were $59,501 and $68,234, respectively. The Company also provides certain services to the Fresenius SE Companies, including research and development, central purchasing and warehousing. The Company charged $6,115 and $13,540 for services rendered to the Fresenius SE Companies during year of 2010 and 2009, respectively.

Under operating lease agreements for real estate entered into with the Fresenius SE Companies, which are leases for the corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany, the Company paid the Fresenius SE Companies $23,807 and $23,109 during 2010 and 2009, respectively. The majority of the leases expire in 2016 and contain renewal options.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the General Partner's management board. The aggregate amount reimbursed to the General Partner for 2010 and 2009 was $16,123 and $7,783, respectively, for its management services during the years and included $80 and $84 as compensation for their exposure to risk as General Partner for 2010 and 2009, respectively. The Company's Articles of Association set the annual compensation for assuming unlimited liability at 4% of the amount of the General Partner's invested capital (€1,500).

b) Products

For 2010 and 2009, the Company sold products to the Fresenius SE Companies for $15,413 and $13,601, respectively. During 2010 and 2009, the Company made purchases from the Fresenius SE Companies in the amount of $43,474 and $43,320, respectively.

In addition to the purchases noted above, the Company currently purchases heparin supplied by APP Pharmaceuticals Inc. (APP Inc.), through an independent group purchasing organization (GPO). In September 2008, Fresenius Kabi AG, a wholly-owned subsidiary of Fresenius SE, acquired 100% of APP Inc. The Company has no direct supply agreement with APP Inc. and does not submit purchase orders directly to APP Inc. During 2010 and 2009, Fresenius Medical Care Holdings, Inc. (FMCH) acquired approximately $30,703 and $31,300, respectively, of heparin from APP Inc. through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

c) Financing provided by and to Fresenius SE and the General Partner

Throughout 2010, the Company, under its cash pooling agreement, made cash advances to Fresenius SE. The balance outstanding at December 31, 2010 of €24,600 ($32,871 as of December 31, 2010) was fully repaid on January 3, 2011 at an interest rate of 1.942%.

On August 19, 2009, the Company borrowed €1,500 ($2,004 as of December 31, 2010) from the General Partner at 1.335%. The loan repayment, originally due on August 19, 2010, was extended until August 19, 2011.

During the second quarter of 2009, the Company reclassified an account payable to Fresenius SE in the amount of €77,745 ($109,885 at June 30, 2009) from accounts payable to related parties to short-term borrowings from related parties. The amount represents taxes payable by the Company arising from the period 1997-2001 during which German trade taxes were paid by Fresenius SE on behalf of the Company. Of this amount, €5,747 ($7,679 at December 31, 2010) was outstanding at December 31, 2010 at an interest rate of 6% and will be repaid in 2011.

The Company is party to an Amended and Restated Subordinated Loan Note with Fresenius SE under which the Company or it`s subsidiaries may request and receive one or more advances up to an aggregate amount of $400,000 during the period ending March 31, 2013 — *see Note 8*. During 2010, we received advances between €10,000 and €86,547 which carried interest at rates between 0.968% and 1.879% per annum. On December 31, 2010, the Company had no advances outstanding due to Fresenius SE.

d) Other

During the third quarter of 2009, the Company acquired production lines from the Fresenius SE Companies for a purchase price of $3,416, net or value added tax (VAT).

The Chairman of the Company's Supervisory Board is also the Chairman of the Supervisory Board of Fresenius SE. He is also a member of the Supervisory Board of the Company's General Partner.

The Vice Chairman of the Company's Supervisory Board is a member of the Supervisory Board of the general partner of Fresenius SE and Vice Chairman of the Supervisory Board of the Company's General Partner. He is also a partner in a law firm which provided services to the Company and certain of its subsidiaries. The Company and certain of its subsidiaries paid the law firm approximately $1,601 and $1,445 in 2010 and 2009, respectively. Five of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the Supervisory Board of the Company's General Partner.

4. INVENTORIES

As of December 31, 2010 and 2009, inventories consisted of the following:

INVENTORIES
Table 5.6.2

in $ THOUS	***2010***	*2009*
Raw materials and purchased components	158,163	154,599
Work in process	56,345	63,683
Finished goods	475,641	481,047
Health care supplies	118,948	122,325
TOTAL	**809,097**	**821,654**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately $2,164,532 of materials, of which $374,083 is committed at December 31, 2010 for 2011. The terms of these agreements run 1 to 8 years. At December 31, 2009, the Company was obligated to purchase approximately $2,414,214 of materials, of which $407,889 was committed at that date for 2010. The Company has a contingent liability of up to $60,400, subject to renegotiation of certain supply contracts.

Inventories as of December 31, 2010 and 2009 include $32,987 and $34,788, respectively, of Erythropoietin (EPO), which is supplied by a single source supplier in the United States. In October 2006, the Company entered into a five-year exclusive sourcing and supply agreement with its EPO supplier. Revenues from administration of EPO accounted for approximately 19% and 21% of total dialysis care revenue in the North America segment for 2010 and 2009, respectively. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of the Company.

5. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2010 and 2009, property, plant and equipment consisted of the following:

ACQUISITION OR MANUFACTURING COSTS

Table 5.6.3

in $ THOUS

	Jan. 1, 2010	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2010
Land and improvements	44,837	1,838	949	2,826	55	–	50,505
Buildings and improvements	1,727,681	(9,561)	20,514	42,519	113,435	(37,620)	1,856,968
Machinery and equipment	2,630,925	(42,755)	54,254	313,883	68,969	(131,633)	2,893,643
Machinery, equipment and rental equipment under capitalized leases	29,557	250	55	1,774	(1,081)	(2,149)	28,406
Construction in progress	259,711	(5,144)	16,019	154,586	(183,913)	(2,447)	238,812
PROPERTY, PLANT AND EQUIPMENT	**4,692,711**	**(55,372)**	**91,791**	**515,588**	**(2,535)**	**(173,849)**	**5,068,334**

DEPRECIATION

Table 5.6.4

in $ THOUS

	Jan. 1, 2010	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2010
Land and improvements	–	–	–	–	–	–	–
Buildings and improvements	768,458	(4,615)	521	141,275	(1,056)	(31,443)	873,140
Machinery and equipment	1,490,673	(33,021)	21,057	288,158	700	(114,631)	1,652,936
Machinery, equipment and rental equipment under capitalized leases	14,010	182	–	3,497	(977)	(1,746)	14,966
Construction in progress	–	–	–	–	–	–	–
PROPERTY, PLANT AND EQUIPMENT	**2,273,141**	**(37,454)**	**21,578**	**432,930**	**(1,333)**	**(147,820)**	**2,541,042**

NET BOOK VALUE

Table 5.6.5

in $ THOUS, December 31

	2010	2009
Land and improvements	50,505	44,837
Buildings and improvements	983,828	959,223
Machinery and equipment	1,240,707	1,140,252
Machinery, equipment and rental equipment under capitalized leases	13,440	15,547
Construction in progress	238,812	259,711
PROPERTY, PLANT AND EQUIPMENT	**2,527,292**	**2,419,570**

Depreciation expense for property, plant and equipment amounted to $432,930 and $396,860 for the years ended December 31, 2010 and 2009, respectively.

Included in property, plant and equipment as of December 31, 2010 and 2009 were $416,392 and $364,118, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $14,966 and $14,010 at December 31, 2010 and 2009, respectively.

6. INTANGIBLE ASSETS AND GOODWILL

As of December 31, 2010 and 2009, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

ACQUISITION COSTS

Table 5.6.6

in $ THOUS

	Jan. 1, 2010	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2010***
Amortizable intangible assets							
Non-compete agreements	224,579	(346)	26,239	189	–	(7,086)	243,575
Technology	100,016	25	10,809	–	–	–	110,850
Licences and distribution agreements	184,219	(8,054)	5,014	51,414	867	–	233,460
Construction in progress	67,113	(631)	–	8,004	(5,707)	(12,998)	55,781
Self-developed software	31,230	(284)	–	10,558	5,451	–	46,955
Other	277,468	(1,932)	18,344	6,672	1,328	(15,859)	286,021
TOTAL	**884,625**	**(11,222)**	**60,406**	**76,837**	**1,939**	**(35,943)**	**976,642**
Non-amortizable intangible assets							
Tradename	241,673	77	–	–	–	–	241,750
Management contracts	241,522	149	–	–	(236,614)	–	5,057
TOTAL	**483,195**	**226**	**–**	**–**	**(236,614)**	**–**	**246,807**
INTANGIBLE ASSETS	**1,367,820**	**(10,996)**	**60,406**	**76,837**	**(234,675)**	**(35,943)**	**1,223,449**
GOODWILL	**7,960,502**	**(16,984)**	**429,665**	**–**	**214,706**	**–**	**8,587,889**

AMORTIZATION

Table 5.6.7

in $ THOUS	Jan. 1, 2010	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2010
Amortizable intangible assets							
Non-compete agreements	157,717	(232)	–	16,818	–	(6,502)	167,801
Technology	18,109	–	–	7,237	–	–	25,346
Licences and distribution agreements	59,677	(3,202)	–	12,918	–	796	70,189
Construction in progress	–	–	–	–	–	–	–
Self-developed software	9,405	(223)	–	12,684	–	(5)	21,861
Other	210,484	(1,408)	64	20,637	1,130	(16,525)	214,382
TOTAL	**455,392**	**(5,065)**	**64**	**70,294**	**1,130**	**(22,236)**	**499,579**
Non-amortizable intangible assets							
Tradename	31,325	1	–	–	–	–	31,326
Management contracts	21,908	–	–	–	(21,908)	–	–
TOTAL	**53,233**	**1**	**–**	**–**	**(21,908)**	**–**	**31,326**
INTANGIBLE ASSETS	**508,625**	**(5,064)**	**64**	**70,294**	**(20,778)**	**(22,236)**	**530,905**
GOODWILL	**449,068**	**(1,802)**	**155**	**–**	**–**	**–**	**447,421**

NET BOOK VALUE

Table 5.6.8

in $ THOUS, December 31	***2010***	*2009*
Amortizable intangible assets		
Non-compete agreements	75,774	66,862
Technology	85,504	81,907
Licences and distribution agreements	163,271	124,542
Construction in progress	55,781	67,113
Self-developed software	25,094	21,825
Other	71,639	66,984
TOTAL	**477,063**	**429,233**
Non-amortizable intangible assets		
Tradename	210,424	210,348
Management contracts	5,057	219,614
TOTAL	**215,481**	**429,962**
INTANGIBLE ASSETS	**692,544**	**859,195**
GOODWILL	**8,140,468**	**7,511,434**

The amortization on intangible assets amounted to $70,294 and $60,225 for the years 2010 and 2009, respectively. The table shows the estimated amortization expense of these assets for the following five years:

ESTIMATED AMORTIZATION EXPENSE

Table 5.6.9

in $ THOUS	*2011*	*2012*	*2013*	*2014*	*2015*
Estimated amortization expense	67,585	61,644	58,389	57,353	53,260

Goodwill

A change in New York state regulations allowed for the direct ownership of facilities in that state, which had previously been prohibited by state law. Due to this prohibition, the Company had historically used a combination of administrative service contracts, stock option agreements, and asset acquisitions to qualify for consolidation of such facilities under guidance originally issued as Emerging Issues Task Force 97-2, Application of FASB Statement No. 94 and APB Opinion No. 16 to Physicians Practice Management Entities and Certain Other Entities with Contractual Management Arrangements which is now included within FASB Accounting Standards Codification Topic 810-10, Consolidation: Overall. In such qualifying transactions, a portion of the purchase price was allocated to identifiable intangible assets with the remainder classified as an "Administrative Services Agreement" intangible asset that was accounted for in the same manner as goodwill and was shown on our Balance Sheet at December 31, 2009, under the category Management Contracts within Intangible Assets. With the regulatory approval gained on April 1, 2010, the Company obtained the full ownership of these facilities and reclassified the $214,706 of Administrative Services Agreement intangible asset to goodwill within our North America segment, effective April 1, 2010, to be consistent with other clinic acquisitions where the Company obtained control via legal ownership.

Other than the above, changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2010 and 2009, the Company's acquisitions consisted primarily of clinics in the normal course of operations and the acquisition of Gambro's worldwide peritoneal dialysis business. The segment detail is as follows:

GOODWILL

Table 5.6.10

in $ THOUS

	North America	*International*	*Corporate*	*Total*
BALANCE AS OF JANUARY 1, 2009	**6,571,411**	**578,682**	**159,817**	**7,309,910**
Goodwill acquired	123,303	52,011	–	175,314
Reclassifications	–	–	–	–
Foreign currency translation adjustment	(3)	26,213	–	26,210
BALANCE AS OF DECEMBER 31, 2009	**6,694,711**	**656,906**	**159,817**	**7,511,434**
Goodwill acquired	115,040	314,338	132	429,510
Reclassifications	214,706	–	–	214,706
Foreign currency translation adjustment	288	(15,470)	–	(15,182)
BALANCE AS OF DECEMBER 31, 2010	**7,024,745**	**955,774**	**159,949**	**8,140,468**

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At December 31, 2010 and 2009, accrued expenses and other current liabilities consisted of the following:

ACCRUED EXPENSES AND OTHER CURRENT LIABLILITIES

Table 5.6.11

in $ THOUS	*2010*	*2009*
Accrued salaries, wages and incentive plan compensations	389,434	334,227
Unapplied cash and receivable credits	169,657	192,626
Accrued insurance	163,240	169,866
Derivative financial instruments	124,171	15,773
Special charge for legal matters	115,000	115,000
Other	575,921	508,061
TOTAL	**1,537,423**	**1,335,553**

In 2001, the Company recorded a $258,159 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 SE (the Merger), estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (the 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 the Company, the committees representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, the Company will pay $115,000, without interest, upon plan confirmation —— *see Note 18*. With the exception of the proposed $115,000 payment under the Settlement Agreement, all other matters included in the special charge have been resolved.

The other item in the table above includes accruals for operating expenses, interest, withholding tax, value added tax, legal and compliance costs, physician compensation, commissions, short-term portion of pension liabilities, bonuses and rebates, and accrued rents.

8. SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES, AND SHORT-TERM BORROWINGS FROM RELATED PARTIES

As of December 31, 2010 and 2009, short-term borrowings, other financial liabilities, and short-term borrowings from related parties consisted of the following:

SHORT TERM BORROWINGS

Table 5.6.12

in $ THOUS

	2010	2009
Borrowings under lines of credit	131,791	95,720
Accounts receivable facility	510,000	214,000
Other financial liabilities	28,880	6,624
SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES	**670,671**	**316,344**
Short-term borrowings from related parties, see Note 3c	9,683	10,440
SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES	**680,354**	**326,784**

Short-term borrowings and other financial liabilities

Lines of credit

Short-term borrowings of $131,791 and $95,720 at December 31, 2010 and 2009, respectively, represented amounts borrowed by the Company and certain of its subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2010 and 2009 were 4.19% and 2.94%, respectively.

Excluding amounts available under the Amended 2006 Senior Credit Agreement — *see Note 9,* at December 31, 2010 and 2009, the Company had $234,370 and $208,952 available under other commercial bank agreements. In some instances, lines of credit are secured by assets of the Company's subsidiary that is party to the agreement or may require the Company's guarantee. In certain circumstances, the subsidiary may be required to meet certain covenants.

Accounts receivable facility

The Company has an asset securitization facility (the A/R Facility) which is typically renewed in October of each year and was most recently renewed and increased from $650,000 to $700,000 on September 28, 2010. Under the A/R Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's Consolidated Balance Sheet and the proceeds from the transfer of percentage ownership interests are recorded as short-term borrowings.

At December 31, 2010 there are outstanding short-term borrowings under the A/R Facility of $510,000. NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2010 was 1.86%. Annual refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other financial liabilities

At December 31, 2010 and 2009, the Company had $28,880 and $6,624 of other financial liabilities which were mainly related to the Company's purchase of noncontrolling interests and to the signing of licensing and distribution agreements for Venofer® —— *see Note 9*.

Short-term borrowings from related parties

From time to time during each of the years presented, the Company received advances under the existing loan agreements with Fresenius SE for those years. During the year ended December 31, 2010, the Company received advances ranging from €10,000 to €86,547 with interest rates ranging from 0.968% to 1.879%. During the year ended December 31, 2009, the Company received advances ranging from €1,300 to €72,000 with interest rates ranging from 1.05% to 2.05%. On December 31, 2010 and 2009, the Company had advances outstanding with Fresenius SE in the amount of $7,679 (€5,747) and $8,279 (€5,747) with an interest rate of 6%. Furthermore, the Company had advances outstanding with the Company's general partner in the amount of $2,004 (€1,500) and $2,161 (€1,500) with an interest rate of 1.421% and 1.335% on December 31, 2010 and 2009, respectively. Annual interest expense on the borrowings during the years presented was $179 and $188 for the years 2010 and 2009, respectively.

9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, 2010 and 2009, long-term debt and capital lease obligations consisted of the following:

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Table 5.6.13

in $ THOUS

	2010	*2009*
Amended 2006 Senior Credit Agreement	2,953,890	3,522,040
Senior Notes	824,446	493,344
Euro Notes	267,240	288,120
EIB Agreements	351,686	213,460
Capital lease obligations	15,439	17,600
Other	160,957	50,991
	4,573,658	**4,585,555**
Less current maturities	(263,982)	(157,634)
TOTAL	**4,309,676**	**4,427,921**

Senior debt

The Company's senior debt consists mainly of borrowings related to its Amended 2006 Senior Credit Agreement, its Senior Notes, its Euro Notes and borrowings under its European Investment Bank Agreements as follows:

Amended 2006 Senior Credit Agreement

The Company, FMCH, and certain other subsidiaries of the Company that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH (D-GmbH), entered into a $4,600,000 syndicated credit facility (the 2006 Senior Credit Agreement) with Bank of America, N.A.; 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 its prior credit agreement.

Since entering into the 2006 Senior Credit Agreement, the Company arranged several amendments with the lenders and effected voluntary prepayments of the term loans, which led to a change in the total amount available under this facility. Pursuant to an amendment together with an extension arranged on September 29, 2010 the revolving facility was increased from $1,000,000 to $1,200,000 and the Term Loan A facility by $50,000 to $1,365,000. The maturity for both tranches was extended from March 31, 2011 to March 31, 2013 (a 2 year extension). Additionally, the early repayment requirement for the Term Loan B, which stipulated that Term Loan B was subject to early retirement if the Trust Preferred Securities due June 15, 2011 were not paid, refinanced or extended prior to March 1, 2011, has been removed. The definition of the Company's Consolidated Leverage Ratio, which is used to determine the applicable margin, was amended to allow for the reduction of up to $250,000 (increased from $30,000) of cash and cash equivalents from Consolidated Funded Debt, as defined in the initial 2006 Senior Credit Agreement. In addition, the amendment includes increases in certain types of permitted borrowings outside of the Amended 2006 Senior Credit Agreement and provides further flexibility for certain types of investments. Furthermore, the parties agreed to change the limitation on dividends and other restricted payments for up to $330,000 in 2011. Thereafter, these limitations increase by $30,000 each year through 2013.

As of December 31, 2010, the Amended 2006 Senior Credit Agreement consists of:

▸ a $1,200,000 revolving credit facility (of which up to $400,000 is available for letters of credit, up to $400,000 is available for borrowings in certain non-U.S. currencies, up to $150,000 is available as swing line loans in US dollars, up to $250,000 is available as a competitive loan facility and up to $50,000 is available as swing line loans in certain non-U.S. currencies, the total of which cannot exceed $1,200,000) which will be due and payable on March 31, 2013,

▸ a term loan facility (term loan A) of $1,335,000, also scheduled to mature on March 31, 2013. Quarterly repayments of $30,000 are required at the end of each quarter with the remaining balance outstanding due on March 31, 2013,

▸ a term loan facility (term loan B) of $1,537,764 scheduled to mature on March 31, 2013 with 5 quarterly repayments of $4,036 followed by 4 quarterly repayments of $379,396 each due at the end of its respective quarter.

Interest on these facilities will be, at the Company'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 the Company's consolidated leverage ratio which is a ratio of its consolidated funded debt less up to $250,000 cash and cash equivalents to consolidated EBITDA (as these terms are defined in the Amended 2006 Senior Credit Agreement).

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

Obligations under the Amended 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the lenders. The Amended 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Company and investments by the Company, and require the Company to maintain certain financial ratios defined in the agreement. Additionally, the Amended 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is $330,000 for dividends in 2011, and increases by $30,000 in each of the subsequent years. The Company paid dividends of $231,967 in May of 2010 which was in compliance with the restrictions set forth in the 2006 Senior Credit Agreement. In default, the outstanding balance under the Amended 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2010, the Company is in compliance with all covenants under the Amended 2006 Senior Credit Agreement.

The Company incurred fees of approximately $85,828 in conjunction with the 2006 Senior Credit Agreement and fees of approximately $21,115 in conjunction with the Amended 2006 Senior Credit Agreement which are being amortized over the life of this agreement.

The following table shows the available and outstanding amounts under the Amended 2006 Senior Credit Agreement at December 31, 2010 and 2009, respectively:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.14

in $ THOUS, December 31	2010	2009
Maximum amount available		
Revolving Credit	1,200,000	1,000,000
Term Loan A	1,335,000	1,373,418
Term Loan B	1,537,764	1,553,908
TOTAL	**4,072,764**	**3,927,326**
Balance outstanding		
Revolving Credit	81,126	594,714
Term Loan A	1,335,000	1,373,418
Term Loan B	1,537,764	1,553,908
TOTAL	**2,953,890**	**3,522,040**

In addition, at December 31, 2010 and 2009, respectively, $121,518 and $97,287 were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

Senior Notes

As of December 31, 2010, the Company's Senior Notes consisted of the following:

SENIOR NOTES

Table 5.6.15

in $ THOUS, except stated amounts, in $	Notional amount	Maturity	Coupon	Book value
Issuer/Transaction				
FMC Finance III S.A. 2007/2017	$500,000	July 15, 2017	6⅞%	494,231
FMC Finance VI S.A. 2010/2016	€250,000	July 15, 2016	5.50%	330,215
TOTAL				**824,446**

In January 2010, €250,000 ($353,300 at date of issuance) of senior notes was issued with a coupon of 5.50% at an issue price of 98.6636%. These Senior Notes had a yield to maturity of 5.75% and are due July 15, 2016. Proceeds were used to repay short-term indebtedness and for general corporate purposes.

In July 2007, $500,000 of senior notes was issued with a coupon of 6⅞% at discount, resulting in an effective interest rate of 7⅛%.

All Senior Notes are unsecured and guaranteed on a senior basis jointly and severally by the Company and its subsidiaries, FMCH and D-GmbH. The issuers may redeem the Senior Notes at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the credit agency ratings of the respective Senior Notes.

The Company has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2010, the Company was in compliance with all of its covenants under the Senior Notes.

Euro Notes

On April 27, 2009, the Company issued euro denominated notes (Euro Notes) totaling €200,000 ($267,240 at December 31, 2010), which are senior, unsecured and guaranteed by FMCH and D-GmbH, consisting of 4 tranches having terms of 3.5 and 5.5 years with floating and fixed interest rate tranches. Proceeds were used to retire the 2005 Euro Notes.

European Investment Bank agreements

The Company entered into various credit agreements with the European Investment Bank (EIB) in 2005, 2006 and 2009. The EIB is a not-for-profit long-term lending institution of the European Union and lends funds at favourable rates for the purpose of capital investment and R&D projects, normally for up to half of the funds required for such projects.

The borrowings under the four EIB credit facilities available at December 31, 2010 and 2009 are shown below:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.16

	Maturity	*Maximum amount available December 31, in € THOUS*		*Balance outstanding December 31, in $ THOUS*	
		2010	*2009*	***2010***	*2009*
Revolving Credit	2013	90,000	90,000	115,812	35,000
Loan 2005	2013	41,000	41,000	48,806	48,806
Loan 2006	2014	90,000	90,000	120,258	129,654
Loan 2009	2014	50,000	50,000	66,810	–
TOTAL		**271,000**	**271,000**	**351,686**	**213,460**

The borrowings under the Revolving Credit and Loan 2005 are denominated in U.S. dollars while the borrowings under Loan 2006 and Loan 2009 are denominated in euro.

In December 2009, the Company entered into a €50,000 term-loan agreement with the EIB. The disbursement took place on February 17, 2010. The loan has a four-year term and is guaranteed by FMCH and D-GmbH.

On March 15, 2010, the Company drew down the remaining available balance of $80,812 on the 2005 Revolving Credit Facility. Under the terms of the agreement, the Company could effect borrowings under this facility only until March 15, 2010 and could drawdown only up to €90,000 in total, which at the time of the initial borrowing equaled $115,800.

Loan 2006 was fully drawn down in February 2008 and Loan 2005 was fully drawn down in September 2005.

All agreements with the EIB have variable interest rates that change quarterly. The Company's U.S. dollar borrowings had an interest rate of 0.432% and 0.384%, and the euro borrowings had interest rates of 1.018% and 3.257% at December 31, 2010 and 0.695% at December 31, 2009.

All EIB facilities were fully utilized at December 31, 2010. Borrowings under the 2005 and 2006 agreements are secured by bank guarantees while the 2009 agreement is guaranteed by FMCH and D-GmbH. All EIB agreements have customary covenants. As of December 31, 2010, the Company is in compliance with the respective covenants.

Other

In conjunction with certain acquisitions and investments entered into in 2010, including the joint venture with Galenica, Ltd. (Galenica), the Company incurred debt totaling approximately $139,277 of which $119,090 was classified as the current portion of long-term debt at December 31, 2010. The Galenica joint venture, announced in December 2010, is intended to expand on our agreements with Galenica by forming a new renal pharmaceutical company, Vifor Fresenius Medical Care Renal Pharma Ltd., to develop and distribute products to treat iron deficiency anemia and bone mineral metabolism for pre-dialysis and dialysis patients. Galenica will contribute licenses (or the commercial benefit in the U.S.) to the new company for its Venofer® and Ferinject® products for use in the dialysis and pre-dialysis market (Chronic Kidney Disease (CKD) stages III to V). Commercialization of both of these products outside the field of CKD stages III to V will remain fully the responsibility of Galenica and its existing key partners. Galenica will also contribute to the new company exclusive worldwide rights for PA21, a novel iron-based phosphate binder currently in preparation for phase III clinical studies, but will maintain a recently announced agreement to develop and market this product in Japan through another partner. Fresenius Medical Care owns 45% of the new company which is headquartered in Switzerland.

Annual payments

Aggregate annual payments applicable to the Amended 2006 Senior Credit Agreement, Senior Notes, Euro Notes, EIB agreements, capital leases and other borrowings (excluding the Company's trust preferred securities —— *see Note 11*) for the five years subsequent to December 31, 2010 are:

ANNUAL PAYMENTS

Table 5.6.17

in $ THOUS	*2011*	*2012*	*2013*	*2014*	*2015*	*Thereafter*	*Total*
Annual payments	263,982	1,500,184	1,734,568	236,368	1,631	846,528	**4,583,261**

10. EMPLOYEE BENEFIT PLANS

General

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Company 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 Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company has two major defined benefit plans, one funded plan in North America and an unfunded plan in Germany.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the Company'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. The Company's pension liability is impacted by these actuarial gains or losses.

In the case of the Company's funded plan, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the balance sheet if the defined benefit obligation exceeds the fair value of plan assets. A pension 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 Company has a right of reimbursement against the fund or a right to reduce future payments to the fund.

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

Defined benefit pension plans

During the first quarter of 2002, FMCH, the Company's North America subsidiary, curtailed its defined benefit and supplemental executive retirement 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. The Company 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 2010. FMCH voluntarily contributed $600 during 2010. Expected funding for 2011 is $661.

The benefit obligation for all defined benefit plans at December 31, 2010, is $425,472 (2009: $386,852) which consists of the benefit obligation of $282,792 (2009: $261,282) for the North America plan, which is funded by plan assets, and the benefit obligation of $142,680 (2009: $125,570) for the German unfunded plan.

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 the Company's funded benefit plan.

FUNDED STATUS OF EMPLOYEE BENEFIT PLANS

Table 5.6.18

in $ THOUS

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	386,852	353,961
Foreign currency translation	(8,898)	4,235
Service cost	7,982	7,500
Interest cost	22,615	21,397
Transfer of plan participants	181	96
Actuarial (gain) loss	26,655	13,216
Benefits paid	(9,915)	(7,560)
Curtailments and settlements	–	(5,993)
BENEFIT OBLIGATION AT END OF YEAR	**425,472**	**386,852**
Change in plan assets		
Fair value of plan assets at beginning of year	236,633	214,616
Actual return on plan assets	3,191	29,382
Employer contributions	600	759
Benefits paid	(8,099)	(6,063)
Settlements	–	(2,061)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**232,325**	**236,633**
FUNDED STATUS AT END OF YEAR	**193,147**	**150,219**

The Company had a pension liability of $193,147 and $150,219 at December 31, 2010 and 2009, respectively. The pension liability consists of a current portion of $2,997 (2009: $2,892) which is recognized as a current liability in the line item "accrued expenses and other current liabilities" in the balance sheet. The non-current portion of $190,150 (2009: $147,327) is recorded as non-current pension liability in the balance sheet. Approximately 85% of the beneficiaries are located in North America with the majority of the remaining 15% located in Germany.

The accumulated benefit obligation for all defined benefit pension plans was $394,276 and $367,182 at December 31, 2010 and 2009, respectively. The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $394,276 and $367,182 at December 31, 2010 and 2009, respectively; the related plan assets had a fair value of $232,325 and $236,633 at December 31, 2010 and 2009, respectively.

The pre-tax changes reflect actuarial losses (gains) in other comprehensive income relating to pension liabilities. As of December 31, 2010, there are no cumulative effects of prior service costs included in other comprehensive income.

OTHER COMPREHENSIVE INCOME (LOSS) RELATED TO PENSION LIABILITIES

in $ THOUS

Table 5.6.19

	Actuarial losses (gains)
ADJUSTMENTS RELATED TO PENSIONS AT JANUARY 1, 2009	**76,926**
Additions	(4,331)
Releases	(5,404)
Foreign currency translation adjustment	27
ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2009	**67,218**
Additions	40,917
Releases	(5,313)
Foreign currency translation adjustment	50
ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2010	**102,872**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $8,086.

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. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2010. The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

WEIGHTED AVERAGE ASSUMPTIONS FOR BENEFIT OBLIGATIONS

in %

Table 5.6.20

	2010	2009
Discount rate	5.70	6.00
Rate of compensation increase	4.00	4.01

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for each of the years ended December 31:

COMPONENTS OF NET PERIODIC BENEFIT COST

Table 5.6.21

in $ THOUS

	2010	2009
Service cost	7,982	7,500
Interest cost	22,615	21,397
Expected return on plan assets	(17,453)	(15,767)
Amortization of unrealized losses, net	5,313	4,592
Settlement loss	–	812
NET PERIODIC BENEFIT COSTS	**18,457**	**18,534**

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

WEIGHTED AVERAGE ASSUMPTIONS FOR NET PERIODIC BENEFIT COSTS

Table 5.6.22

in %

	2010	2009
Discount rate	6.00	6.15
Expected return of plan assets	7.50	7.50
Rate of compensation increase	4.01	4.19

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

EXPECTED BENEFIT PAYMENTS

Table 5.6.23

in $ THOUS

	2011	2012	2013	2014	2015	2016 through 2020
Expected benefit payments	11,224	12,489	13,462	14,796	16,304	108,387

Plan assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2010 and 2009.

PLAN ASSETS

Table 5.6.24

in $ THOUS

	Total	Fair value measurements at **December 31, 2010**	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Asset category			
Equity investments			
Common stocks	2,565	2,565	–
Index funds[1]	65,621	–	65,621
Fixed income investments			
Government securities[2]	4,479	1,967	2,512
Corporate bonds[3]	152,564	–	152,564
Other bonds[4]	2,442	–	2,442
U.S. Treasury Money Market Funds[5]	4,232	4,232	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	422	422	–
TOTAL	**232,325**	**9,186**	**223,139**

	Total	Fair value measurements at December 31, 2009	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Asset category			
Equity investments			
Common stocks	5,904	5,904	–
Index funds[1]	71,406	–	71,406
Fixed income investments			
Government securities[2]	3,655	394	3,261
Corporate bonds[3]	149,367	–	149,367
Other bonds[4]	163	–	163
U.S. Treasury Money Market Funds[5]	5,776	5,776	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	362	362	–
TOTAL	**236,633**	**12,436**	**224,197**

[1] *This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, the MSCI EAFE Index and the MSCI Emerging Markets Index for both 2010 and 2009 as well as the Barclays Capital Long Corporate Index in 2009.*
[2] *This category primarily comprises fixed income investments by the U.S. government and government sponsored entities.*
[3] *This category primarily represents investment grade bonds of U.S. issuers from diverse industries.*
[4] *This category comprises private placement bonds as well as collateralized mortgage obligations.*
[5] *This category represents funds that invest in treasury obligations directly or in treasury backed obligations.*
[6] *This category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.*

The methods and inputs used to measure the fair value of plan assets are as follows:

- Common stocks are valued at their market prices as of the balance sheet date.
- Index funds are valued based on market quotes.
- The majority of the fair values of the government bonds are measured based on market quotes. The remaining government bonds are valued at their market prices.
- Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy

For the North America funded plan, the Company periodically reviews the assumption 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 Company's expected rate of return on pension plan assets was 7.50% for 2010.

The Company´s overall investment strategy is to achieve a mix of approximately 98% of investments for long-term growth and 2% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The investment policy, utilizing a revised target investment allocation of 35% equity and 65% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than 5 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 the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year US Treasury Strip Index.

Defined contribution plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $16.5 if under 50 years old ($22.00 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2010 and 2009 was $31,583 and $28,567, respectively.

11. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES

In June 2001, the Company issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware. 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, 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 the Company, FMCH and D-GmbH.

The trust preferred securities entitle the holders to distributions at a fixed annual rate of the stated amount and are mandatorily redeemable after 10 years, which is scheduled to occur on June 15, 2011. 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 the Company and its subsidiaries and other payment restrictions. Some of the covenants limit the Company's indebtedness and its investments, and require the Company to maintain certain ratios defined in the indentures. As of December 31, 2010, the Company is in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2010 and 2009 are as follows:

TRUST PREFERRED SECURITIES

Table 5.6.25

in THOUS, except stated amounts, in $	*Year issued*	*Stated amount*	*Interest rate*	*Mandatory redemption date*	***2010***	*2009*
Fresenius Medical Care Capital Trust IV	2001	$ 225,000	7⅞ %	Jun. 15, 2011	224,835	224,451
Fresenius Medical Care Capital Trust V	2001	€ 300,000	7⅜ %	Jun. 15, 2011	400,714	431,645
TOTAL					**625,549**	**656,096**

12. NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

As of December 31, 2010 and 2009 the Company's potential obligations under these put options are $279,709 and $231,303, respectively, of which, at December 31, 2010, $95,159 were exercisable. In the last three fiscal years ending December 31, 2010, three puts have been exercised for a total consideration of $6,535.

Following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31:

NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

Table 5.6.26

in $ THOUS

	2010	*2009*
BEGINNING BALANCE	**231,303**	**162,166**
Dividends paid	(38,964)	(16,930)
Purchase/sale of noncontrolling interests	28,969	12,548
Contributions from noncontrolling interests	5,289	5,108
Changes in fair value of noncontrolling interests	24,222	39,816
Net income	28,839	28,595
Other comprehensive income (loss)	51	–
ENDING BALANCE	**279,709**	**231,303**

13. SHAREHOLDERS' EQUITY

Capital stock

The General Partner has no equity interest in the Company and, therefore, does not participate in either the assets or the profits and losses of the Company. However, the General Partner is compensated for all outlays in connection with conducting the Company's business, including the remuneration of members of the management board and the supervisory board —— *see Note 3*.

The general meeting of a partnership limited by shares may approve Authorized Capital (genehmigtes Kapital). The resolution creating Authorized Capital requires the affirmative vote of a majority of three quarters of the capital represented at the vote and may authorize the management board to issue shares up to a stated amount for a period of up to five years. The nominal value of the Authorized Capital may not exceed half of the issued capital stock at the time of the authorization.

In addition, the general meeting of a partnership limited by shares may create Conditional Capital (bedingtes Kapital) for the purpose of issuing (i) shares to holders of convertible bonds or other securities which grant a right to shares, (ii) shares as the consideration in a merger with another company, or (iii) shares offered to management or employees. In each case, the authorizing resolution requires the affirmative vote of a majority of three quarters of the capital represented at the vote. The nominal value of the Conditional Capital may not exceed half or, in the case of Conditional Capital created for the purpose of issuing shares to management and employees, 10% of the company's issued capital at the time of the resolution.

All resolutions increasing the capital of a partnership limited by shares also require the consent of the General Partner for their effectiveness.

Authorized capital

By resolution of the Annual General Meeting (AGM) of shareholders on May 11, 2010, Management AG was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the Company's share capital until May 10, 2015 up to a total of €35,000 through issue of new bearer ordinary shares for cash contributions, "Authorized Capital 2010/I". The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such an exclusion of pre-emption rights will be permissible for fractional amounts. Additionally, the newly issued shares may be taken up by financial institutions nominated by the General Partner with the obligation to offer them to the shareholders of the company (indirect pre-emption rights). A further resolution of the AGM also cancelled Authorized Capital I which was approved by resolution of the AGM of shareholders on August 30, 2005. No Authorized Capital 2010/I has been issued as of December 31, 2010.

In addition, by resolution of the AGM of shareholders on May 11, 2010, the General Partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the share capital of the Company until May 10, 2015 up to a total of €25,000 through the issue of new bearer ordinary shares for cash contributions or contributions in kind, "Authorized Capital 2010/II". The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such

exclusion of pre-emption rights will be permissible only if (i) in case of a capital increase against cash contributions, the nominal value of the issued shares does not exceed 10% of the nominal share value of the Company's share capital and the issue price for the new shares is at the time of the determination by the General Partner not significantly lower than the stock price in Germany of the existing listed shares of the same class and with the same rights or, (ii) in case of a capital increase against contributions in kind, the purpose of such increase is to acquire an enterprise, parts of an enterprise or an interest in an enterprise. A further resolution of the AGM also cancelled Authorized Capital II which was approved by resolution of the AGM of shareholders on August 30, 2005. No Authorized Capital 2010/II has been issued as of December 31, 2010.

Authorized Capital 2010/I and Authorized Capital 2010/II became effective upon registration with the commercial register of the local court in Hof an der Saale on May 25, 2010.

Conditional capital

By resolution of the Company's Annual General Meeting of shareholders (AGM) on May 9, 2006, as amended by the AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a nominal value of €1.00. This conditional capital increase can only be effected by the exercise of stock options under the Company's Stock Option Plan 2006 with each stock option awarded exercisable for one ordinary share —— *see Note 15*. The Company has the right to deliver ordinary shares that it owns or purchases in the market in place of increasing capital by issuing new shares.

Through the Company's other employee participation programs, the Company has issued convertible bonds and stock option/subscription rights (Bezugsrechte) to employees and the members of the Management Board of the General Partner and employees and members of management of affiliated companies that entitle these persons to receive preference shares or, following the conversion offer in 2005, ordinary shares. At December 31, 2010, 58,663 convertible bonds or options for preference shares remained outstanding with a remaining average term of 3.38 years and 12,152,108 convertible bonds or options for ordinary shares remained outstanding with a remaining average term of 4.8 years under these programs. For the year ending December 31, 2010, 72,840 options for preference shares and 2,532,366 options for ordinary shares had been exercised under these employee participation plans —— *see Note 15*.

As the result of the Company's three-for-one stock split for both preference and ordinary shares on June 15, 2007, and with the approval of the shareholders as the AGM on May 15, 2007, the Company's conditional capital was increased by $6,557 (€4,454). Conditional Capital available for all programs at December 31, 2010 is $31,477 (€23,557) which includes $17,476 (€13,079) for the 2006 Plan and $14,001 (€10,478) for all other plans.

Dividends

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of FMC AG & CO. KGAA as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch).

If no dividends on the Company's preference shares are declared for two consecutive years after the year for which the preference shares are entitled to dividends, then the holders of such preference shares would be entitled to the same voting rights as holders of ordinary shares until all arrearages are paid. In addition, the payment of dividends by FMC AG & CO. KGAA is subject to limitations under the Amended 2006 Senior Credit Agreement —— *see Note 9*.

Cash dividends of $231,967 for 2009 in the amount of €0.63 per preference share and €0.61 per ordinary share were paid on May 12, 2010.

Cash dividends of $231,940 for 2008 in the amount of €0.60 per preference share and €0.58 per ordinary share were paid on May 8, 2009.

14. EARNINGS PER SHARE

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for 2010 and 2009:

RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE

in $ THOUS, except per share data

Table 5.6.27

	2010	2009
Numerators		
Net income attributable to FMC AG & CO. KGAA	978,517	891,138
Less: Dividend preference on preference shares	104	107
INCOME AVAILABLE TO ALL CLASSES OF SHARES	**978,413**	**891,031**
Denominators		
Weighted average number of:		
Ordinary shares outstanding	296,808,978	294,418,795
Preference shares outstanding	3,912,348	3,842,586
Total weighted average shares outstanding	300,721,326	298,261,381
Potentially dilutive ordinary shares	1,311,042	–
Potentially dilutive preference shares	35,481	66,314
Total weighted average ordinary shares outstanding assuming dilution	298,120,020	294,418,795
Total weighted average preference shares outstanding assuming dilution	3,947,829	3,908,900
Basic income per ordinary share	3.25	2.99
Plus preference per preference share	0.03	0.03
Basic income per preference Share	3.28	3.02
Fully diluted income per ordinary share	3.24	2.99
Plus preference per preference share	0.03	0.03
Fully diluted income per preference share	3.27	3.02

15. STOCK OPTIONS

In connection with its stock option program, the Company incurred compensation expense of $27,981 and $33,746 for the years ending December 31, 2010 and 2009, respectively. There were no capitalized compensation costs in any of the three years presented. The Company also recorded a related deferred income tax of $8,020 and $9,740 for the years ending December 31, 2010 and 2009, respectively.

Stock options and other share-based plans

At December 31, 2010, the Company has awards outstanding under various stock-based compensation plans.

Incentive plan

In 2010, Management Board members were eligible for performance-related compensation that depended upon achievement of targets. The targets are measured by reference to operating profit margin, growth of group-wide after-tax earnings (EAT) as well as the development of free cash flow (cash flow before acquisitions), and are derived from the comparison of targeted and actually achieved current year figures. Targets are divided into Group level targets and those to be achieved in individual regions.

The bonus for fiscal year 2010 will consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component was or will be paid after the end of 2010. The share-based component is subject to a three-year vesting period, although a shorter period may apply in special cases. The amount of cash payment relating to the share-based component will correspond to the share price of FMC AG & CO. KGAA ordinary shares upon exercise after the three-year vesting period. The amount of the maximum achievable bonus for each of the members of the Management Board is capped.

In 2006, Fresenius Medical Care Management AG adopted a three-year performance related compensation plan for fiscal years 2008, 2007 and 2006, for the members of its management board in the form of a variable bonus. A special bonus component (award) for some of the management board members consists in equal parts of cash payments and a share-based compensation based on development of the share price of FMC AG & CO. KGAA's ordinary shares. The amount of the award in each case depends on the achievement of certain performance targets. The targets are measured by reference to revenue growth, operating income, consolidated net income, and cash flow development. Annual targets have been achieved, the cash portion of the award has been paid after the end of the respective fiscal year. The share-based compensation portion of the award has been granted but subject to a three-year vesting period beginning after the respective fiscal year in which the target has been met and is amortized over the same three-year vesting period. The payment of the share-based compensation portion corresponds to the share price of FMC AG & CO. KGAA's ordinary shares on exercise, i.e. at the end of the vesting period, and is also made in cash. The share-based compensation is revalued each reporting period during the vesting period to reflect the market value of the stock as of the reporting date with any changes in value recorded in the reporting period.

The share-based compensation incurred under these plans for years 2010 and 2009 was $2,603 and $1,537, respectively.

Fresenius Medical Care AG & Co. KGaA stock option plan 2006

On May 9, 2006, as amended on May 15, 2007, the FMC AG & CO. KGAA stock option plan 2006 (the Amended 2006 Plan) was established by resolution of the Company's AGM with a conditional capital increase up to €15,000 subject to the issue of up to fifteen M no par value bearer ordinary shares with a nominal value of €1.00 each. Under the Amended 2006 Plan, up to 15 M options can be issued, each of which can be exercised to obtain one ordinary share, with up to 3 M options designated for members of the Management Board of the General Partner, up to 3 M options designated for members of management boards of direct or indirect subsidiaries of the Company and up to 9 M options designated for managerial staff members of the Company and such subsidiaries. With respect to participants who are members of the General Partner's Management Board, the general partner's Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the Amended 2006 Plan (including decisions regarding certain adjustments and forfeitures). The General Partner has such authority with respect to all other participants in the Amended 2006 Plan.

Options under the Amended 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the Amended 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of the Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the Amended 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets measured over a three-year period from the grant date. For each such year, the performance target is achieved if the Company's adjusted basic income per ordinary share (EPS), as calculated in accordance with the Amended 2006 Plan, increases by at least 8% year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the Amended 2006 Plan excluded, among other items, the costs of the transformation of the Company's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8% target. The performance targets for 2010, 2009 and 2008 were met. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the entire three-year vesting period.

During 2010, the Company awarded 2,817,879 options under the Amended 2006 Plan, including 423,300 options granted to members of the Management Board of Fresenius Medical Care Management AG, the Company's general partner, at a weighted average exercise price of $57.07 (€42.71), a weighted average fair value of $10.47 each and a total fair value of $29,515 which will be amortized over the three year vesting period. As of December 2010, no further grants will be issued under the Amended 2006 Plan.

During 2009, the Company awarded 2,585,196 options under the Amended 2006 Plan, including 348,600 options granted to members of the Management Board of Fresenius Medical Care Management AG, the Company's general partner, at a weighted average exercise price of $46.22 (€32.08), a weighted average fair value of $10.95 each and a total fair value of $28,318 which will be amortized over the three year vesting period.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

Fresenius Medical Care 2001 International stock option plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (the 2001 Plan), options in the form of convertible bonds with a principal of up to €10,240 were issued to the members of the Management Board and other employees of the Company representing grants for up to 4 M non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split effected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. The Company 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 the Company 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 the Company are recognized as a liability on the Company'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.

At December 31, 2010, the Management Board members of the General Partner held 2,178,699 stock options for ordinary shares and employees of the Company held 9,973,409 stock options for ordinary shares and 58,663 stock options for preference shares, under the various stock-based compensation plans of the Company. The table below provides reconciliations for options outstanding at December 31, 2010, as compared to December 31, 2009.

RECONCILIATION OF OPTIONS OUTSTANDING

Table 5.6.28

	Number of options in THOUS	Weighted average exercise in €	Weighted average exercise in $
Ordinary shares			
BALANCE AT DECEMBER 31, 2009	**11,894**	**30.50**	**40.75**
Granted	2,818	42.71	57.07
Exercised	2,532	28.38	37.92
Forfeited	28	30.35	40.55
BALANCE AT DECEMBER 31, 2010	**12,152**	**33.78**	**45.14**
Preference shares			
BALANCE AT DECEMBER 31, 2009	**147**	**18.35**	**24.52**
Exercised	73	18.57	24.81
Forfeited	15	13.95	18.64
BALANCE AT DECEMBER 31, 2010	**59**	**19.19**	**25.64**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2010:

FULLY VESTED OUTSTANDING AND EXERCISABLE OPTIONS

Table 5.6.29

	Number of options in THOUS	Weighted average remaining contractual life in years	Weighted average exercise price in €	Weighted average exercise price in $	Aggregate intrinsic value in €	Aggregate intrinsic value in $
Options						
for preference shares	59	3.38	19.19	25.65	940	1,255
for ordinary shares	4,316	3.29	27.99	37.40	65,785	87,902

At December 31, 2010, there was $43,604 of total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted-average period of 1.6 years.

During the years ended December 31, 2010 and 2009, the company received cash of $96,204 and $64,271, respectively, from the exercise of stock options —— *see Note 13*. The intrinsic value of options exercised for the twelve-month periods ending December 31, 2010 and 2009 was $50,921 and $28,170, respectively. The Company recorded a related tax benefit of $13,313 and $8,123 for the years ending December 31, 2010 and 2009, respectively.

Fair value information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2006 Plan. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. 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 155% of the exercise price. The Company'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 assumptions used to determine the fair value of the 2010 and 2009 grants are as follows:

ASSUMPTIONS
Table 5.6.30

	2010	2009
Expected dividend yield	1.98 %	2.39 %
Risk-free interest rate	2.28 %	3.11 %
Expected volatility	22.92 %	25.85 %
Expected life of options	7 years	7 years
Weighted average exercise price *in €*	42.71	32.08
Weighted average exercise price *in $*	57.07	46.22

16. INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

INCOME BEFORE INCOME TAXES
Table 5.6.31

in $ THOUS

	2010	2009
Germany	303,954	296,326
United States	1,084,756	904,083
Other	255,031	255,224
TOTAL	**1,643,741**	**1,455,633**

Income tax expense (benefit) for the years ended December 31, 2010 and 2009 consisted of the following:

EXPENSE (BENEFIT) FOR INCOME TAXES

Table 5.6.32

in $ THOUS	2010	2009
Current		
Germany	100,635	68,442
United States	355,739	318,589
Other	101,206	81,236
TOTAL CURRENT	**557,580**	**468,267**
Deferred		
Germany	(16,479)	5,041
United States	52,648	22,498
Other	(15,404)	(5,393)
TOTAL DEFERRED	**20,765**	**22,146**
TOTAL	**578,345**	**490,413**

In 2010 and 2009, the Company is subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rates are 28.71% and 29.13% for the fiscal years ended December 31, 2010 and 2009, respectively.

RECONCILIATION OF INCOME TAXES

Table 5.6.33

in $ THOUS	2010	2009
Expected corporate income tax expense	471,836	423,953
Tax free income	(24,088)	(33,284)
Tax rate differentials	117,946	96,237
Non-deductible expenses	6,934	3,947
Taxes for prior years	11,994	6,663
Change in valuation allowance	(2,259)	8,950
Noncontrolling partnership interests	(26,870)	(26,876)
Other	22,852	10,823
ACTUAL INCOME TAX EXPENSE	**578,345**	**490,413**
EFFECTIVE TAX RATE	**35.2%**	**33.7%**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2010 and 2009, are presented below:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

Table 5.6.34

in $ THOUS

	2010	2009
Deferred tax assets		
Accounts receivable, primarily due to allowance for doubtful accounts	28,538	37,571
Inventory, primarily due to additional costs capitalized for tax purposes, and inventory reserve accounts	35,172	33,798
Plant, equipment, intangible assets and other non current assets, principally due to differences in depreciation and amortization	79,244	50,925
Accrued expenses and other liabilities for financial accounting purposes, not currently tax deductible	310,730	291,767
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	93,165	78,730
Derivatives	60,199	52,283
Stock-based compensation expense	24,112	22,981
Other	12,626	21,530
TOTAL DEFERRED TAX ASSETS	**643,786**	**589,585**
Less: valuation allowance	(71,799)	(63,497)
NET DEFERRED TAX ASSETS	**571,987**	**526,088**
Deferred tax liabilities		
Accounts receivable	12,549	10,670
Inventory, primarily due to inventory reserve accounts for tax purposes	7,730	9,643
Accrued expenses and other liabilities deductible for tax prior to financial accounting recognition	45,370	14,941
Plant, equipment and intangible assets, principally due to in depreciation an amortization	510,284	513,254
Derivatives	–	3,128
Other	81,969	53,343
TOTAL DEFERRED TAX LIABILITIES	**657,902**	**604,979**
NET DEFERRED TAX LIABILITIES	**(85,915)**	**(78,891)**

The valuation allowance increased by $8,302 in 2010 and by $7,328 in 2009.

The expiration of net operating losses is as follows:

NET OPERATING LOSS CARRYFORWARDS

Table 5.6.35

in $ THOUS	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020 and thereafter*	*Without expiration date*	*Total*
	6,919	17,067	13,949	19,539	20,078	27,730	9,444	13,201	4,507	5,476	155,064	**292,974**

In assessing the realizability of deferred taxes, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized or whether deferred tax liabilities will be reversed. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. 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, management believes it is more-likely-than-not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2010.

The Company provides for income taxes on the cumulative earnings of foreign subsidiaries that will not be reinvested. At December 31, 2010, the Company provided for $11,603 of deferred tax liabilities associated with earnings that are likely to be distributed in 2011 and the following years. Provision has not been made for additional taxes on $3,411,518 undistributed earnings of foreign subsidiaries as these earnings are considered permanently reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends; however calculation of such additional tax is not practical. These taxes would predominantly comprise foreign withholding tax on dividends of foreign subsidiaries, and German income tax of approximately 1.4% on all dividends and capital gains.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, the tax audit for the years 1998 until 2001 has been finalized. The Company recognized and recorded the results of the audit in 2006 and thereafter paid all amounts due to the tax authorities. Fiscal years 2002 through 2005 are currently under audit. As of December 31, 2010, all proposed adjustments are deemed immaterial and have been recognized in the financial statements. Fiscal years 2006, 2007, 2008, 2009 and 2010 are open to audit.

For the tax year 1997, the Company recognized an impairment of one of its subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. The Company filed a complaint with the appropriate German court to challenge the tax authority's decision. In January 2011, the Company reached an agreement with the tax authorities, estimated to be slightly more favorable than the tax benefit recognized previously. The additional benefit will be recognized in 2011.

In the U.S., the Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of

a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved the right to continue to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, we filed a complaint for a complete refund in the United States District Court for the District of Massachusetts, styled as FMCH v. United States. On June 24, 2010, the court denied FMCH's motion for summary judgment and the litigation is proceeding towards trial. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted below.

The IRS tax audits of FMCH for the years 2002 through 2006 have been completed. The IRS has disallowed all deductions taken during these audit periods related to intercompany mandatorily redeemable preferred shares. The Company has protested the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to the disallowed deductions related to the intercompany mandatorily redeemable preferred shares could have a material adverse effect on the results of operations and liquidity. In addition, the IRS proposed other adjustments which have been recognized in the financial statements.

Fiscal years 2007 and 2008 are currently under audit and 2009 and 2010 are open to audit. There are a number of state audits in progress and various years are open to audit in various states. All expected results have been recognized in the financial statements.

Subsidiaries of FMC AG & CO. KGAA in a number of countries outside of Germany and the U.S. are also subject to tax audits. The Company estimates that the effects of such tax audits are not material to these consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

RECONCILIATION OF UNRECOGNIZED TAX BENEFITS (NET OF INTEREST)

in $ THOUS

Table 5.6.36

	2010	*2009*
BALANCE AT JANUARY 1, 2010	**410,016**	**379,327**
Increases in unrecognized tax benefits prior periods	12,782	59,833
Decreases in unrecognized tax benefits prior periods	(11,429)	(13,911)
Increases in unrecognized tax benefits current period	13,588	7,587
Changes related to settlements with tax authorities	(34,410)	(8,599)
Reductions as a result of a lapse of the statute of limitations	(129)	–
Foreign currency translation	(14,518)	(14,221)
BALANCE AT DECEMBER 31, 2010	**375,900**	**410,016**

Included in the balance at December 31, 2010 are $347,081 of unrecognized tax benefits which would affect the effective tax rate if recognized. As a result of the settlement agreement for 1997 noted above, the Company estimates that the unrecognized tax benefits at December 31, 2010 could be reduced by approximately $196,000 in 2011 with a small portion of reduction being realized as an additional tax benefit in 2011. The Company is currently not in a position to forecast the timing and magnitude of changes in other unrecognized tax benefits.

During the year ended December 31, 2010 the Company recognized $10,650 in interest and penalties. The Company had a total accrual of $57,378 of tax related interest and penalties at December 31, 2010.

17. OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2034. Rental expense recorded for operating leases for the years ended December 31, 2010 and 2009 was $563,182 and $532,465, respectively. For information regarding intercompany operating leases —— *see Note 3a*.

Future minimum rental payments under noncancelable operating leases for the five years succeeding December 31, 2010 and thereafter are:

FUTURE MINIMUM RENTAL PAYMENTS

Table 5.6.37

in $ THOUS	*2011*	*2012*	*2013*	*2014*	*2015*	*Thereafter*	*Total*
Future minimum rental payments	489,481	427,901	376,255	319,724	272,369	910,381	**2,796,111**

18. LEGAL PROCEEDINGS

The Company 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 Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

The Company was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify the Company, 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, the Company 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 the Company that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and the Company 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, the Company will pay a total of $115,000 without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. On January 31, 2011, the U.S. Bankruptcy Court approved W.R. Grace & Co.'s plan of reorganization, including the Settlement Agreement, and recommended approval of the plan to the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). The Company is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by the Company relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon final confirmation of a plan of reorganization that satisfies the conditions of the Company'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 asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than $140,000 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 $14,300. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. The Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, the Company completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court, although funds already contributed will remain in escrow until the case is finally concluded. On March 18, 2010, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled in reexamination that the remaining Baxter patent is invalid. On October 5, 2010, Baxter appealed the Board's ruling to the Federal Circuit.

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

On October 17, 2006, Baxter and DEKA Products Limited Partnership (DEKA) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleged that FMCH's Liberty™ cycler infringes nine patents owned by or licensed to Baxter. During and after discovery, seven of the asserted patents were dropped from the suit. On July 28, 2010, at the conclusion of the trial, the jury returned a verdict in favor of FMCH finding that the Liberty™ cycler does not infringe any of the asserted claims of the Baxter patents. Baxter has asked the District Court to overturn the jury verdict.

A patent infringement action had been pending in Germany between Gambro Industries (Gambro) on the one side and D-GmbH and FMC AG & CO. KGAA on the other side (hereinafter collectively Fresenius Medical Care). Fresenius Medical Care and Gambro have resolved this and other current patent infringement lawsuits between the parties by entering into respective settlements and a series of patent licenses between the parties.

Other litigation and potential exposures

Renal Care Group, Inc. (RCG) is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have claims for indemnification and reimbursement of expenses against the Company. The Company expects to continue as a defendant in the litigation, which is proceeding toward trial in the Chancery Court, and believes that defendants will prevail.

On July 17, 2007, resulting from an investigation begun in 2005, the United States Attorney filed a civil complaint in the United States District Court for the Eastern District of Missouri (St. Louis) against Renal Care Group, Inc., its subsidiary RCG Supply Company, and FMCH in its capacity as RCG's current corporate parent. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to FMCH's acquisition of RCG in 2006. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. On August 11, 2009, the Missouri District Court granted RCG's motion to transfer venue to the United States District Court for the Middle District of Tennessee (Nashville). On March 22, 2010, the Tennessee District Court entered judgment against defendants for approximately $23,000 in damages and interest under the unjust enrichment count of the complaint but denied all relief under the six False Claims Act counts of the complaint. The Company appealed the Tennessee District Court's decision to the United States Court of Appeals for the Sixth Circuit and secured a stay of enforcement of the judgment pending appeal. The United States Attorney filed a cross appeal, but also asked the Tennessee District Court for an indicative or supplemental ruling. On June 23, 2010, the Tennessee District Court issued an indicative ruling to the effect that, if the case were remanded to the District Court, it would expect to enter a judgment under the False Claims Act against the Company for approximately $104,000. On September 23, 2010, the Court of Appeals remanded the case to the Tennessee District Court to permit revision or supplementation of the original judgment, after which the Company may pursue its appeals to the Court of Appeals. The Company believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, and that its position in the litigation will ultimately be sustained.

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee. The first complaint alleged that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleged that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. On March 30, 2010, the District Court issued final judgment in favor of defendants on all counts based on a jury verdict rendered on February 25, 2010 and on rulings of law made by the Court during the trial. The plaintiff has appealed from the District Court judgment.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved our right to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, the Company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v United States. On June 24, 2010, the court denied FMCH's motion for summary judgment and the litigation is proceeding towards trial.

For the tax year 1997, the Company recognized an impairment of one of our subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. The Company has filed a complaint with the appropriate German court to challenge the tax authority's decision. In January 2011, the Company reached an agreement with the tax authorities, estimated to be slightly more favorable than the tax benefit recognized previously. The additional benefit will be recognized in 2011.

The IRS tax audits of FMCH for the years 2002 through 2006 have been completed. The IRS has disallowed all deductions taken during these audit periods related to intercompany mandatorily redeemable preferred shares. The Company has protested the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to the disallowed deductions related to intercompany mandatorily redeemable preferred shares could have a material adverse effect on our results of operations and liquidity. In addition, the IRS proposed other adjustments which have been recognized in the financial statements.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Company must also comply with the Anti-Kickback Statute, the False Claims Act, the Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states.

In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company operates many facilities throughout the United States. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees, deliberately or inadvertently, have submitted inadequate or false billings. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law and the False Claims Act, among other laws.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

Accrued special charge for legal matters

At December 31, 2001, the Company recorded a pre-tax special charge of $258,159 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 $115,000 payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While the Company 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.

19. FINANCIAL INSTRUMENTS

As a global supplier of dialysis services and products in more than 120 countries throughout the world, the Company is faced with a concentration of credit risks due to the nature of the reimbursement systems which are often provided by the governments of the countries in which the Company operates. Changes in reimbursement rates or the scope of coverage could have a material adverse effect on the Company's business, financial condition and results of operations and thus on its capacity to generate cash flow. In the past we experienced and, after the implementation of the new bundled reimbursement system in the U.S., also expect in the future generally stable reimbursements for our dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. Due to the fact that a large portion of the Company's reimbursement is provided by public health care organizations and private insurers, the Company expects that most of its accounts receivables will be collectable, albeit somewhat more slowly in the International segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis.

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the Company's non-derivative financial instruments at December 31, 2010, and December 31, 2009.

CARRYING AMOUNT AND FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

Table 5.6.38

in $ THOUS, December 31	*2010*		*2009*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Cash and cash equivalents	522,870	522,870	301,225	301,225
Accounts receivable	2,687,234	2,687,234	2,558,795	2,558,795
Liabilities				
Accounts payable	542,524	542,524	639,836	639,836
Short-term borrowings	670,671	670,671	316,344	316,344
Short-term borrowings from related parties	9,683	9,683	10,440	10,440
Long term debt, excluding amended 2006 Senior Credit Agreement, Euro Notes and Senior Notes	528,082	528,082	282,051	282,051
Amended 2006 Senior Credit Agreement	2,953,890	2,937,504	3,522,040	3,429,470
Euro Notes	267,240	276,756	288,120	299,621
Senior Notes	824,446	880,366	493,344	498,750
Trust preferred securities	625,549	643,828	656,096	688,026
Noncontrolling interests subject to put provisions	279,709	279,709	231,303	231,303

The carrying amounts in the table are included in the consolidated balance sheet under the indicated captions or in the case of long-term debt, as noted in the captions shown — *in Note 9*.

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

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

Short-term financial instruments such as accounts receivable, accounts 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 the major long-term financial liabilities are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs (Level 3). For a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations —— *see Note 12*.

The credit risk exposure related to the company's financing receivables is insignificant and any impact on our operating results from allowances on credit losses of financing receivables can be considered immaterial.

Derivative financial instruments

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. In order to manage the risk of interest rate and currency exchange rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the Company's General Partner. On a quarterly basis the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk management

The Company conducts business on a global basis in various currencies, though its operations are mainly in Germany and the United States. For financial reporting purposes, the Company has chosen the U.S. dollar as its reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of the Company's international operations are maintained affect its results of operations and financial position as reported in its consolidated financial statements.

The Company's exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. The Company has significant amounts of sales of products invoiced in euro from its European manufacturing facilities to its other international operations and, to a lesser extent, sales of products invoiced in other non-functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the Company enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. As of December 31, 2010 the Company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in accumulated other comprehensive income (loss) (AOCI). Additionally, in connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenues for those contracts that hedge product purchases or SG&A for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled $1,026,937 and $1,076,217 at December 31, 2010 and December 31, 2009, respectively.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currency that do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totaled $1,607,312 and $750,812 at December 31, 2010 and December 31, 2009, respectively.

Interest rate risk management

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to protect against the risk of changes in interest rates. These interest rate derivatives are designated as cash flow hedges. The majority of the interest rate swap agreements effectively convert the major part of payments based on variable interest rates applicable to the Company's Amended 2006 Senior Credit Agreement denominated in US dollars into payments at a fixed interest rate. The remaining interest rate swaps have been entered into in anticipation of future debt issuances. The swap agreements, all of which expire at various dates in 2011 and 2012, bear an average interest rate of 4.26%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

As of December 31, 2010 and 2009, the notional amounts of interest rate swaps in place were $3,175,000 and $2,400,000, respectively.

Derivative financial instruments valuation

The following table shows the Company's derivatives at December 31, 2010 and December 31, 2009.

DERIVATIVE FINANCIAL INSTRUMENTS VALUATION

Table 5.6.39

in $ THOUS, December 31	*2010*		*2009*	
	Assets[2]	*Liabilities*[2]	*Assets*[2]	*Liabilities*[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	3,703	(51,816)	8,899	(9,251)
Interest rate contracts *in $*	–	(51,604)	–	(305)
Interest rate contracts *in Yen*	–	(0)	–	–
Non-current				
Foreign exchange contracts	810	(486)	5,284	(830)
Interest rate contracts *in $*	–	(73,221)	–	(105,810)
Interest rate contracts *in Yen*	–	–	–	(3)
TOTAL	**4,513**	**(177,127)**	**14,183**	**(116,199)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	3,517	(20,751)	7,696	(6,217)
Non-current				
Foreign exchange contracts	509	(213)	9	–
TOTAL	**4,026**	**(20,964)**	**7,705**	**(6,217)**

[1] *As of December 31, 2010 and December 31, 2009 the valuation of the Company's derivatives was determined using Significant Other Observable Inputs (Level 2) in accordance with the fair value hierarchy levels established in the codification.*

[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in Prepaid expenses and other current assets in the Consolidated Balance Sheets while the current portion of those indicated as liabilities are included in Accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the consolidated balance sheets in other assets or other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are 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 applicable currency.

The Company includes its own credit risk for financial instruments deemed liabilities and counterparty-credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments.

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ THOUS

Table 5.6.40

	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) for the year ended December 31		*Location of (gain) or loss reclassified from AOCI in income (effective portion)*	*Amount of (gain) or loss reclassified from AOCI in income (effective portion) for the year ended December 31*	
	2010	*2009*		***2010***	*2009*
Derivatives in cash flow hedging relationships					
Interest rate contracts *in $*	(18,710)	42,832	Interest income/expense	–	(33)
Interest rate contracts *in Yen*	2	6	Interest income/expense	–	–
Foreign exchange contracts	3,046	(6,785)	Costs of revenue	7,553	(5,938)
TOTAL	**(15,662)**	**36,053**		**7,553**	**(5,971)**

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ THOUS

Table 5.6.41

	Location of (gain) or loss recognized in income on derivative	*Amount of (gain) or loss recognized in income on derivatives for the year ended December 31*	
		2010	*2009*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	72,454	(3,309)
Foreign exchange contracts	Interest income/expense	(8,622)	3,883
TOTAL		**63,832**	**574**

For foreign exchange derivatives, the Company expects to recognize $3,745 of losses deferred in accumulated other comprehensive income at December 31, 2010, in earnings during the next twelve months.

The Company expects to incur additional interest expense of $63,812 over the next twelve months which is currently deferred in accumulated other comprehensive income. This amount reflects the current fair value at December 31, 2010, of expected additional interest payments resulting from interest rate swaps entered into to reduce the volatility of interest payments for certain parts of the Amended 2006 Credit Agreement and for future debt issuances.

As of December 31, 2010, the Company had foreign exchange derivatives with maturities of up to 59 months and interest rate swaps with maturities of up to 20 months.

20. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2010 and 2009 are as follows:

OTHER COMPREHENSIVE INCOME (LOSS)

in $ THOUS

Table 5.6.42

	2010			2009		
	Pretax	*Tax effect*	*Net*	*Pretax*	*Tax effect*	*Net*
Other comprehensive income (loss) relating to cash flow hedges						
Changes in fair value of cash flow hedges during the period	(15,662)	2,241	(13,421)	36,053	(16,419)	19,634
Reclassification adjustments	7,553	(1,928)	5,625	(5,971)	1,375	(4,596)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) RELATING TO CASH FLOW HEDGES	**(8,109)**	**313**	**(7,796)**	**30,082**	**(15,044)**	**15,038**
Foreign-currency translation adjustment	(110,888)	–	(110,888)	82,545	–	82,545
Adjustments related to pension obligations	(35,654)	12,508	(23,146)	9,708	(3,927)	5,781
OTHER COMPREHENSIVE INCOME (LOSS)	**(154,651)**	**12,821**	**(141,830)**	**122,335**	**(18,971)**	**103,364**

21. BUSINESS SEGMENT INFORMATION

The Company has identified three business segments, North America, International, and Asia Pacific, which were determined based upon how the Company manages its businesses. All segments are primarily engaged in providing dialysis services and manufacturing and distributing products and equipment for the treatment of end-stage renal disease. In the US, the Company also engages in performing clinical laboratory testing and providing inpatient dialysis services, and other services under contract to hospitals. The Company has aggregated the International and Asia Pacific operating segments as "International". The segments are aggregated due to their similar economic characteristics. These characteristics include the same services provided and the same products sold, the same type patient population, similar methods of distribution of products and services and similar economic environments.

Management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. Management believes that the most appropriate measure in this regard is operating income which measures the Company's source of earnings. Financing is a corporate function, which the Company's segments do not control. Therefore, the Company does not include interest expense relating to financing as a segment measure. Similarly, the Company does not allocate "corporate costs" which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc., because the Company believes that these costs are also not within the control of the individual segments. The Company also regards income taxes to be outside the segment's control. In addition, certain acquisitions and intangible assets are not allocated to a segment but are accounted for as "corporate".

SEGMENT INFORMATION

Table 5.6.43

in $ THOUS

	North America	International	Segment Total	Corporate	Total
2010					
Net revenue external customers	8,129,737	3,923,301	12,053,038	452	12,053,490
Inter segment revenue	5,419	88,965	94,384	(94,384)	–
REVENUE	**8,135,156**	**4,012,266**	**12,147,422**	**(93,932)**	**12,053,490**
Depreciation and amortization	(287,062)	(207,072)	(494,134)	(9,090)	(503,224)
OPERATING INCOME	**1,385,651**	**677,630**	**2,063,281**	**(139,476)**	**1,923,805**
Segment assets	11,720,495	4,787,479	16,507,974	586,687	17,094,661
thereof investments in equity method investees	243,452	6,921	250,373	–	250,373
Capital expenditures, acquisitions and investments[1]	524,330	608,263	1,132,593	155,374	1,287,967
2009					
Net revenue external customers	7,611,500	3,635,373	11,246,873	604	11,247,477
Inter segment revenue	2,752	77,856	80,608	(80,608)	–
REVENUE	**7,614,252**	**3,713,229**	**11,327,481**	**(80,004)**	**11,247,477**
Depreciation and amortization	(264,785)	(183,405)	(448,190)	(8,895)	(457,085)
OPERATING INCOME	**1,249,769**	**636,665**	**1,886,434**	**(130,838)**	**1,755,596**
Segment assets	11,202,999	4,253,058	15,456,057	365,258	15,821,315
thereof investments in equity method investees	–	5,795	5,795	–	5,795
Capital expenditures, acquisitions and investments[2]	422,537	338,000	760,537	1,182	761,719

[1] *North America, International and Corporate acquisitions exclude $ 122,847, $ 32,935 and $ 2,125, respectively, of non-cash acquisitions and investments.*

[2] *International acquisitions exclude $ 4,151 of non-cash acquisitions for 2009.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

GEOGRAPHIC DIVISION

Table 5.6.44

in $ THOUS

	2010		2009	
	Net revenue	Long-lived assets	Net revenue	Long-lived assets
Germany	374,883	471,537	358,060	350,194
North America	8,129,737	9,236,166	7,611,500	8,864,165
Rest of the World	3,548,870	2,139,877	3,277,917	1,809,114
TOTAL	**12,053,490**	**11,847,580**	**11,247,477**	**11,023,473**

22. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to the consolidated statements of cash flows:

SUPPLEMENTARY CASH FLOW INFORMATION

Table 5.6.45

in $ THOUS

	2010	2009
Supplementary cash flow information		
Cash paid for interest	264,525	332,731
Cash paid for income taxes[1]	520,766	425,945
Cash inflow for income taxes from stock option exercises	13,313	8,123
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(668,198)	(241,745)
Liabilities assumed	102,698	20,574
Noncontrolling interests	36,141	35,448
Notes assumed in connection with acquisition	31,666	4,151
Cash paid	(497,693)	(181,572)
Less cash acquired	16,318	7,059
NET CASH PAID FOR ACQUISITIONS	**(481,375)**	**(174,513)**

[1] *Net of tax refund.*

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15 f. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2010, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment follows the guidance for management of the evaluation of internal controls over financial reporting released by the Securities and Exchange Commission on May 23, 2007. Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2010.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that the Company's transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's internal control over financial reporting as of December 31, 2010, has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included —— *on page 272*.

February 23, 2011

Fresenius Medical Care AG & Co. KGaA, a partnership limited by shares, represented by
Fresenius Medical Care Management AG, its General Partner

DR. BEN J. LIPPS
Chief Executive Officer

MICHAEL BROSNAN
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the internal control over financial reporting of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Fresenius Medical Care's management is responsible for maintaining effective internal control over financial reporting and its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresenius Medical Care maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresenius Medical Care as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 23, 2011 expressed an unqualified opinion on those consolidated financial statements.

February 23, 2011
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

Chapter 5.9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2010 and 2009 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresenius Medical Care as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresenius Medical Care's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2011 expressed an unqualified opinion on the effectiveness of the Company's of internal control over financial reporting.

February 23, 2011
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

FURTHER INFORMATION

MOTIVATION

As a globally leading dialysis company, continuously improving the quality of life of kidney patients is and will remain our greatest incentive.

Chapter 6.1

FINANCIAL GLOSSARY

A

American Depositary Receipt (ADR)

Physical certificate proving ownership in one or several American Depositary Shares (ADS). Fresenius Medical Care's ordinary and preference shares are listed on the New York Stock Exchange (NYSE) in the form of ADR.

D

Days Sales Outstanding (DSO)

Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

DAX

Acronym for "German stock index" – calculated on the basis of the weighted prices of the 30 largest (by market capitalization and market turnover) German stock corporations.

Debt/EBITDA ratio

Important indicator in corporate management. It compares a company's debt to earnings before interest, tax, depreciation and amortization and other noncash charges.

Dividend

Portion of a company's profits. The profit to be distributed divided by the number of outstanding shares shows the dividend per share. The dividend is paid to shareholders usually once a year in the form of cash, stock or tangible assets.

E

EBIT (Earnings Before Interest and Taxes)

This is used to assess the company's earnings position. More precisely, it is the operating result before earnings from financial activities and investments.

EBITDA
(Earnings Before Interest, Taxes, Depreciation and Amortization)

Corresponds to operative cash flow before taxes.

Economies of scale

Reduction in cost per unit resulting from increased production. Economies of scale can be accomplished because as production increases, the cost of producing each additional unit falls.

F

Free float

The proportion of a company's listed shares that are freely available for trading. According to the definition of Deutsche Börse, block ownership (as opposed to free float) is considered to be shares held by a shareholder which, cumulatively, make up at least five percent of the registered share capital in one class of share.

K

Kommanditgesellschaft auf Aktien (KGaA)

A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

M

Market capitalization

Total value of all outstanding shares of a company calculated by the number of shares multiplied by the share price.

O

Operating margin

Earnings before interest and taxes (EBIT) divided by revenues.

Ordinary and preference shares

The capital stock of the Company consists of ordinary and preference shares, both of which are bearer shares. Preference shares are non-voting, but are entitled to a dividend exceeding that of ordinary shares. The distribution of the minimum dividend on preference shares takes precedence over the distribution of a dividend on ordinary shares.

R

Rating

The rating is a classification of the creditworthiness of a company accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

Return on Equity (ROE)

The Return on Equity is an indicator of company profitability related to the shareholders' financing.

Return On Invested Capital (ROIC)

The return on a Company's adjusted invested capital divided by average invested capital. Invested capital consists of current and noncurrent assets plus accumulated goodwill amortization less cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and other liabilities (including income tax accruals).

Return On Operating Assets (ROOA)

EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current assets, noncurrent assets, less noncurrent deferred tax assets and accounts payable (including those due to related parties).

S

Sarbanes-Oxley Act (SOX)

A law aimed at corporations and their auditors designed to improve financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders by extending regulations which relate to financial reporting and internal monitoring systems. SOX requirements include strict obligations for a company's management regarding the provision of complete and correct information. The new and expanded rules apply for all U.S. exchange-listed companies.

Securities and Exchange Commission (SEC)

A federal agency that regulates and monitors the U.S. financial markets.

Share index

Indicates the development of the stock market as a whole and/or of individual groups of shares (e. g. DAX, DOW JONES, STOXX). Share indices act as a guide for investors to help them identify trends in the stock market. The index calculation is based on a weighted value for the average development of the stock corporations that make up the index. Share indices can be calculated as price indices or performance indices.

U

U.S. GAAP

United States Generally Accepted Accounting Principles.

V

Volatility

This means the price fluctuation of a security or currency. Often this is calculated from the form of standard deviation from the share price history or implicit from a price-setting formula.

W

Working capital

Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity position.

Chapter 6.2

REGIONAL ORGANIZATION

EUROPE/MIDDLE EAST/AFRICA

Table 6.2.1

Production
Selling
Dialysis services

Germany	Fresenius Medical Care Deutschland GmbH	Bad Homburg v.d.H.		100 %
France	Fresenius Medical Care Groupe France S.A.S.	Fresnes		100 %
Great Britain	Fresenius Medical Care (U.K.) Ltd.	Nottinghamshire		100 %
Serbia	Fresenius Medical Care Serbjia d.o.o.	Vrsac		100 %
Italy	Fresenius Medical Care Italia S.p.A.	Cremona		100 %
Spain	National Medical Care of Spain, S.A.	Madrid		100 %
South Africa	Fresenius Medical Care South Africa (PTY) Ltd.	Gauteng		100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul		100 %
Belgium	Fresenius Medical Care Belgium N.V.	Antwerp		100 %
Morocco	Fresenius Medical Care Maroc S.A.	Casablanca		100 %
Ireland	Fresenius Medical Care (Ireland) Limited	Dublin		100 %
Poland	Fresenius Medical Care Polska S.A.	Poznan		100 %
Portugal	NephroCare Portugal S.A.	Lisbon		100 %
Romania	Fresenius Medical Care Romania Srl	Bucharest		100 %
Russia	ZAO Fresenius SP	Moscow		100 %
Slovakia	Fresenius Medical Care Slovensko, spol. s.r.o.	Pieštany		100 %
Slovenia	Fresenius Medical Care Slovenija d.o.o.	Zrece		100 %
Czech Republic	Fresenius Medical Care Ceska republika spol. s r.o.	Prague		100 %
Hungary	FMC Dializis Center Kft	Budapest		100 %
Sweden	Fresenius Medical Care Sverige AB	Stockholm		100 %
Ukraine	Fresenius Medical Care Ukraine TOV	Kiev		100 %
Finland	Fresenius Medical Care Suomi Oy	Helsinki		100 %
Lebanon	Fresenius Medical Care Lebanon s.a.r.L.	Beirut		99 %
The Netherlands	Fresenius Medical Care Nederland B.V.	Nieuwkuijk		100 %
Austria	Fresenius Medical Care Austria GmbH	Vienna		100 %
Denmark	Fresenius Medical Care Danmark A/S	Albertslund		100 %
Switzerland	Fresenius Medical Care (Schweiz) AG	Stans		100 %
Bosnia & Herzegowina	Fresenius Medical Care BH d.o.o.	Sarajevo		100 %
Estonia	OÜ Fresenius Medical Care Estonia	Tartu		100 %

NORTH AMERICA

US	Fresenius Medical Care Holdings Inc.	New York		100 %
	National Medical Care Inc.	Delaware		100 %
	Fresenius U.S.Inc.	Massachusetts		100 %
	Renal Care Group Inc.	Delaware		100 %
Mexico	Fresenius Medical Care Mexico S.A.	Guadalajara		100 %

LATIN AMERICA

Argentina	Fresenius Medical Care Argentina S.A.	Buenos Aires		100 %
Colombia	Fresenius Medical Care Colombia S.A.	Bogotà		100 %
Brazil	Fresenius Medical Care Ltda.	Sao Paulo		100 %
Chile	Fresenius Medical Care Chile S.A.	Santiago de Chile		100 %
Venezuela	Fresenius Medical Care de Venezuela C.A.	Caracas		100 %
Peru	Fresenius Medical Care del Peru S.A.	Lima		100 %

ASIA-PACIFIC

Australia	Fresenius Medical Care Australia PTY Ltd.	Sydney		100 %
Japan	Fresenius-Kawasumi Co. Ltd.	Tokyo		70 %
China	Fresenius Medical Care (Shanghai) Co., Ltd.	Shanghai		100 %
	Fresenius Medical Care Hong Kong Limited	Hong Kong		100 %
Singapore	Fresenius Medical Care Singapore Pte. Ltd.	Singapore		100 %
Taiwan	Fresenius Medical Care Taiwan Co., Ltd.	Taipei		100 %
India	Fresenius Medical Care India Private Limited	New Delhi		100 %
Indonesia	PT Fresenius Medical Care Indonesia	Jakarta		100 %
Malaysia	Fresenius Medical Care Malaysia Sdn. Bhd.	Kuala Lumpur		100 %
Philippines	Fresenius Medical Care Philippines, Inc.	Makati City		100 %
South Korea	Fresenius Medical Care Korea Ltd.	Seoul		100 %
Thailand	Fresenius Medical Care (Thailand) Ltd.	Bangkok		100 %
Pakistan	Fresenius Medical Care Pakistan (Private) Ltd.	Lahore		100 %

Simplified chart of Fresenius Medical Care's regional organization. Line of Business in 2010 in respective country.
Some percentage of subsidiaries represent direct and indirect shareholdings.

Chapter 6.3

MAJOR SUBSIDIARIES

MAJOR SUBSIDIARIES 2010

Table 6.3.1

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[4]
Europe/Middle East/Africa						
Germany	FMC Deutschland GmbH. Bad Homburg v. d. H.	100	1,590.3	0.0	806.9	3,068
	FMC GmbH, Bad Homburg v. d. H.	100	325.0	0.0	60.5	254
France	FMC France S.A.S., Fresnes	100	126.3	3.2	20.6	190
	FMC SMAD S.A., Savigny	100	117.5	11.0	44.5	341
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	99.2	8.0	28.6	203
Italy	FMC Italia S.p.A., Palazzo Pignano/Cremona	100	128.8	10.1	63.9	183
	SIS-TER S.p.A., Palazzo Pignano/Cremona	100	76.6	4.5	22.0	274
Spain	FMC Espana S.A., Madrid	100	117.4	3.6	46.5	170
	NMC of Spain S.A., Madrid	100	12.7	(4.2)	77.5	1,538
South Africa	FMC South Africa (Pty.) Ltd., Johannesbourg	100	33.7	1.3	15.2	333
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	108.8	0.2	47.3	237
Belgium	FMC Belgium N.V., Antwerp	100	40.9	2.4	11.6	53
Marocco	FMC Maroc S.A., Casablanca	100	20.0	3.1	9.0	60
Serbia	FMC Srbija d.o.o., Vrsac	100	55.4	6.7	35.0	428
Poland	FMC Polska S.A., Poznan	100	44.3	4.2	16.5	62
	Fresenius Nephrocare Polska Sp.z.o.o., Poznan	100	74.5	0.5	20.0	863
Portugal	FMC Portugal S.A., Maia	100	48.2	3.1	12.4	46
	Nephrocare Portugal S.A., Lisbon	100	158.2	23.6	55.0	964
Romania	FMC Romania Srl, Bucharest	100	30.7	0.8	12.8	67
Slovakia	FMC Slovensko spol s.r.o., Piestany	100	18.7	0.9	11.4	23
Slovenia	FMC Slovenija d.o.o., Zrece	100	8.8	0.5	3.5	11
	Nefrodial d.o.o., Zrece	100	13.2	0.5	4.2	96
Czech Republic	FMC Ceska Republika spol. s.r.o., Prague	100	46.8	4.4	22.8	60
Hungary	FMC Hungary Ltd., Budapest	100	34.7	1.0	26.2	44
	FMC Dializis Center Kft., Budapest	100	47.5	0.3	1.1	667
Denmark	FMC Danmark A/S, Albertslund	100	11.3	0.7	2.9	25
Finland	FMC Suomi OY, Helsinki	100	17.9	0.6	5.0	25
Lebanon	FMC Lebanon S.a.r.l., Beirut	99	3.8	0.1	0.9	11
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	26.1	1.2	6.8	39
Austria	FMC Austria GmbH, Vienna	100	26.5	1.6	3.8	27
Russia	ZAO Fresenius S.P., Moscow	100	62.0	5.2	16.8	150
Sweden	FMC Sverige AB, Stockholm	100	20.3	1.8	5.6	29
Switzerland	FMC (Schweiz) AG, Stans	100	34.4	3.8	10.1	42
Estonia	OÜ FMC Estonia, Tartu	100	2.1	(0.4)	0.8	22
Ukraine	Fresenius Medical Care Ukraine TOV, Kiev	100	9.1	0.2	5.5	88

MAJOR SUBSIDIARIES 2010

Table 6.3.1

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[4]
North America						
US	FMC Holdings Inc., New York	100	8,025.1	597.5	4,723.1	42,585
Mexico	FMC de Mexico S.A., Guadalajara[3]	100	118.7	(6.1)	26.7	1,543
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	160.6	13.6	71.3	2,518
Colombia	FMC Colombia S.A., Bogota	100	117.4	11.0	110.1	1,169
Brazil	FMC Ltda., Sao Paulo	100	142.4	16.2	99.0	553
Chile	Pentafarma S.A., Santiago de Chile	100	14.2	1.6	7.3	59
Venezuela	FMC de Venezuela C.A., Caracas	100	22.9	(2.8)	10.3	579
Peru	FMC del Peru S.A., Lima	100	5.0	0.7	0.2	21
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	99.1	(1.5)	48.9	368
Japan	FMC Japan K.K., Tokyo	100	64.3	(7.1)	(23.3)	596
	Fresenius-Kawasumi Co. Ltd., Tokyo	70	11.0	0.7	24.1	62
China	FMC Shanghai Co. Ltd., Shanghai	100	115.4	14.8	49.1	177
	Fresenius Medical Care (Jiangsu) Co. Ltd., Changshu	100	13.6	(1.7)	16.8	353
	FMC Hong Kong Ltd., Hong Kong	100	25.7	(0.1)	44.7	40
	BioCare Technology Co. Ltd., Hong Kong	100	25.5	(0.7)	17.8	11
	Excelsior Renal Service Co. Ltd., Hong Kong	51	30.2	2.7	5.7	809
Singapore	FMC Singapore Pte. Ltd., Singapore	100	7.7	0.3	4.7	62
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	55.6	4.6	23.3	96
	Jiate Excelsior Co., Ltd., Taipei	51	10.0	0.2	10.7	147
India	FMC India Pvt. Ltd., New Dehli	100	17.0	1.8	2.3	80
Indonesia	PT FMC Indonesia, Jarkata	100	10.2	1.9	8.0	35
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	19.3	3.1	14.1	147
Philippines	FMC Philippines Inc., Makati City	100	12.9	3.2	9.7	40
	FMC Renalcare Corp., Makati City	100	0.4	(0.1)	0.3	17
South Korea	FMC Korea Ltd., Seoul	100	82.7	2.4	51.5	163
	Fresenius Medical Korea Ltd., Seoul	100	12.9	(0.4)	5.2	17
	NephroCare Korea Inc., Seoul	100	6.1	0.7	1.9	6
Thailand	FMC (Thailand) Ltd., Bangkok	100	18.8	0.1	8.9	41
Pakistan	FMC Pakistan (Private) Limited, Lahore	100	4.8	0.7	1.7	30

[1] *Direct and indirect interest.*
[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated Financial Statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*
[3] *Included in U.S. GAAP-closing of FMC Holdings Inc.*
[4] *Full-time equivalents.*

Chapter 6.4

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

Table 6.4.1

$ in THOUS, except share data

	2010	2009	2008	2007	2006
Statements of Income					
Net revenue	12,053,490	11,247,477	10,612,323	9,720,314	8,499,038
Cost of revenue	7,908,769	7,415,965	6,983,475	6,364,519	5,621,482
Gross profit	4,144,721	3,831,512	3,628,848	3,355,795	2,877,556
Selling, general and administrative expenses	2,124,384	1,982,106	1,876,177	1,709,150	1,548,369
Gain on sale of legacy clinics	–	–	–	–	(40,233)
Research and development expenses	96,532	93,810	80,239	66,523	51,293
Operating income (EBIT)	1,923,805	1,755,596	1,672,432	1,580,122	1,318,127
Interest expenses, net	280,064	299,963	336,742	371,047	351,246
Income before income taxes and noncontrolling interests	1,643,741	1,455,633	1,335,690	1,209,075	966,881
Income tax expense[1]	578,345	490,413	475,702	453,765	404,467
Less: Net income attributable to noncontrolling interests[1]	86,879	74,082	42,381	38,180	25,668
NET INCOME ATTRIBUTABLETO FMC AG & CO. KGAA	**978,517**	**891,138**	**817,607**	**717,130**	**536,746**
Income per ordinary share	3.25	2.99	2.75	2.43	1.82
Income per preference share	3.28	3.02	2.78	2.45	1.85
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,427,029	2,212,681	2,088,103	1,943,451	1,626,825
Personnel expenses	3,967,732	3,708,951	3,506,423	3,189,348	2,766,599
Depreciation	432,909	396,838	368,304	329,327	265,488
Amortization	70,315	60,247	47,367	34,002	43,210
Before one-time costs[2]					
EBITDA	2,427,029	2,212,681	2,088,103	1,943,451	1,623,503
EBIT	1,923,805	1,755,596	1,672,432	1,580,122	1,314,805
Net income attributable to FMC AG & CO. KGAA	978,517	891,138	817,607	717,130	574,386
Earnings per share	3.25	2.99	2.75	2.43	1.95
Balance Sheet					
Current assets	5,152,594	4,727,800	4,211,997	3,859,472	3,411,916
Non-current assets	11,942,067	11,093,515	10,707,679	10,310,793	9,632,765
TOTAL ASSETS	**17,094,661**	**15,821,315**	**14,919,676**	**14,170,265**	**13,044,681**
Short-term debt	1,569,885	484,418	1,139,599	974,387	495,941
Other current liabilities	2,219,838	2,125,297	2,004,813	2,052,106	1,879,764
Current liabilities	3,789,723	2,609,715	3,144,412	3,026,493	2,375,705
Long-term debt	4,309,676	5,084,017	4,598,075	4,668,008	5,083,169
Other non-current liabilities[1]	1,191,642	1,097,890	1,054,403	792,321	629,771
Non-current liabilities[1]	5,501,318	6,181,907	5,652,478	5,460,329	5,712,940
Total liabilities[1,3]	9,291,041	8,791,622	8,796,890	8,486,822	8,088,645
Noncontrolling interests subject to put provisions[3]	279,709	231,303	162,166	116,539	92,309
Shareholders' equity[1,3]	7,523,911	6,798,390	5,960,620	5,566,904	4,863,727
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,094,661**	**15,821,315**	**14,919,676**	**14,170,265**	**13,044,681**
Total debt	5,879,561	5,568,435	5,737,674	5,642,395	5,579,110
Working capital[4]	3,047,756	2,717,503	2,322,184	1,922,366	1,647,152
Credit Rating					
Standard & Poor's[5]					
Corporate credit rating	BB	BB	BB	BB	BB
Subordinated debt	BB	BB	BB	B+	B+
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba2	Ba2
Subordinated debt	Ba3	Ba3	Ba3	B1	B1
Fitch					
Corporate credit rating	BB	BB	BB		
Subordinated debt	B+	B+	B+		

FIVE-YEAR SUMMARY

Table 6.4.1

$ in THOUS, except share data	**2010**	2009	2008	2007	2006
Cash Flow					
Net cash provided by operating activities	1,368,125	1,338,617	1,016,398	1,199,574	907,830
Capital expenditures, net[6]	(507,521)	(561,876)	(673,510)	(543,053)	(445,627)
Free cash flow[6]	860,604	776,741	342,888	656,521	462,203
Acquisitions and investments, net of cash acquired and net purchases of intangible assets[6]	(764,338)	(188,113)	(276,473)	(263,395)	(4,311,190)
Proceeds from divestitures	146,835	51,965	58,582	29,495	515,705
Share data					
Year-end share price Frankfurt, Xetra *in €*					
Ordinary shares	43.23	36.94	33.31	36.69	33.66
Preference shares	35.21	33.31	33.50	35.39	31.67
Year-end ADS share price New York *in $*					
Ordinary shares	57.66	53.01	47.18	52.75	44.43
Preference shares	48.00	45.60	43.00	46.84	40.00
Weighted average number of ordinary shares	296,808,978	294,418,795	293,233,477	291,929,141	290,621,904
Weighted average number of preference shares	3,912,348	3,842,586	3,795,248	3,739,470	3,575,376
Total dividend amount *in € THOUS*	196,533	182,853	172,767	160,220	138,800
Dividend per ordinary share[7] *in €*	0.65	0.61	0.58	0.54	0.47
Dividend per preference share[7] *in €*	0.67	0.63	0.60	0.56	0.49
Employees					
Full-time equivalents	73,452	67,988	64,666	61,406	56,803
Operational ratios *in %*					
EBITDA margin[8]	20.1	19.7	19.7	20.0	19.1
EBIT margin[8]	16.0	15.6	15.8	16.3	15.5
EPS growth	8.9	8.5	13.5	32.9	17.0
Organic revenue growth (currency-adjusted)	5.6	8.1	7.3	6.4	10.2
Return on invested capital (ROIC)[9]	8.8	8.5	8.6	8.4	7.4
Return on operating assets (ROOA)[9]	12.5	12.2	12.3	12.5	11.3
Return on equity before taxes[1,3,9,10]	22.3	21.8	22.8	22.0	20.3
Return on equity after taxes[1,3,9,10]	13.3	13.3	14.0	13.1	11.9
Cash flow return on invested capital (CFROIC)[9]	14.3	14.4	14.5	14.4	16.0
Leverage ratio (total debt/EBITDA)[11]	2.4	2.5	2.7	2.8	3.2
Gearing ((total debt – cash)/equity)[1,3]	0.7	0.8	0.9	1.0	1.1
EBITDA/Interest expenses, net	8.7	7.4	6.2	5.2	4.6
Cash from operating activities in percent of revenue	11.4	11.9	9.6	12.3	10.7
Equity ratio (equity/total assets)[1,3]	44.0	43.0	40.0	39.3	37.3
Dialysis Care Data					
Treatments *(in M)*	31.7	29.4	27.9	26.4	23.7
Patients	214,648	195,651	184,086	173,863	163,517
Clinics	2,757	2,553	2,388	2,238	2,108

[1] Due to the adoption of the new accounting rule ASC 810 (U.S. GAAP) in 2009, tax expenses related to minority interests of partnerships were reclassified to noncontrolling interest in the years 2008, 2007 and 2006. The effect is neutral to net income attributable to FMC AG & CO. KGAA. In the balance sheet noncontrolling interests are presented in equity. The previous year's periods of 2008, 2007 and 2006 have been adjusted accordingly.

[2] In 2006 excluding restructuring costs and in-process R & D, one-time costs associated with the transformation of legal form, the gain from the sale of dialysis clinics and the write-off of deferred financing costs related to the 2003 senior credit facility.

[3] The Company has reclassified noncontrolling interests, which are subject to put provisions from equity into a mezzanine positon in the Consolidated Balance Sheets. The Consolidated Statement of Shareholders' Equity has been adjusted till year 2006 retrospectively.

[4] Current assets less current liabilities (excluding current debt and accruals for special charge included in accrued expenses and other current liabilities).

[5] Standard & Poor's lowered the corporate credit rating to ‚BB' and the subordinated debt rating to ‚B+' relates to completion of the Renal Care Group acquisition in 2006.

[6] 2007, 2006: Capital expenditures, net, have been restated to exclude spendings for purchases of intangible assets. Acquisitions and investments, net of cash acquired, and net purchases of intangible assets have been restated accordingly.

[7] 2010: Proposal to be approved by the Annual General Meeting on May 12, 2011.

[8] 2006: EBITDA margin of 19.1% and EBIT margin of 15.5% before restructuring costs and in-process R & D, before one-time costs associated with the transformation of legal form and the gain from the sale of dialysis clinics.

[9] 2006: Pro forma including RCG, after FTC mandated divestitures, excluding restructuring costs and in process R & D, excluding gain from divested clinics and excluding the write-off of deferred financing costs related to the 2003 senior credit facility.

[10] Return of Equity has been calculated based on the net income attributable to FMC AG & CO. KGAA and the total FMC AG & CO. KGAA shareholders' equity.

[11] Correction of non-cash charges of $ 44.6 M in 2010, $ 50.8 M in 2009, $ 44.4 M in 2008, $ 40.7 M in 2007, $ 35.0 M pro forma incl. RCG, after FTC mandated divestitures, excluding restructuring costs and in-process R & D and excluding gain from divested clinics in 2006.

Chapter 6.5

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Chapter 6.8

IMPRINT

Subject to change.

This annual report is also available in German and may be obtained from the Company upon request.

Annual reports, interim reports, and further information on the Company are also available on our website: www.fmc-ag.com.

Printed reports can be ordered online, by phone or in writing from Investor Relations.

Published by: Fresenius Medical Care AG & Co. KGaA
Editorial office: Investor Relations
Editorial deadline: March 11, 2011
Concept and design: häfelinger + wagner design, Munich
Photography: Matthias Ziegler, David Maupilé (Magazine page 26 – 39)
Copy editing: Textpertise, Heike Virchow
Produced by: Eberl Print GmbH, Immenstadt i. Allgäu

This report contains forward-looking statements that are based on plans, projections and estimates and subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors. The risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this report.

Fresenius Medical Care AG & Co. KGaA
Registered seat and commercial register: Hof an der Saale (Germany), HRB 4019
Chairman of the Supervisory Board: Dr. Gerd Krick
General partner:
Fresenius Medical Care Management AG
Registered seat and commercial register: Hof an der Saale (Germany), HRB 3894
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Chairman of the Supervisory Board: Dr. Ulf M. Schneider

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FINANCIAL CALENDAR

MAY 4
Report on the
first quarter 2011

MAY 12
Annual General Meeting
Frankfurt/Main

MAY 13
Payment of Dividend
subject to the approval of the Annual General Meeting

AUGUST 2
Report on the
second quarter 2011

NOVEMBER 2
Report on the
third quarter 2011

IMPORTANT FAIRS

JUNE 23–26
ERA-EDTA Congress
(European Renal Association–
European Dialysis and Transplant Association)
Prague, Czech Republic

SEPTEMBER 10–13
EDTNA Congress
(European Dialysis and
Transplant Nurses Association)
Ljubljana, Slovenia

OCTOBER 21–24
EuroPD Congress
(10th European Peritoneal Dialysis Meeting)
Birmingham, England

NOVEMBER 8–13
Annual Meeting of the ASN
(American Society of Nephrology)
Philadelphia, Pennsylvania, U.S.

FRESENIUS MEDICAL CARE

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FRESENIUS MEDICAL CARE

Profile 2010

FRESENIUS
MEDICAL CARE

CREATING A FUTURE WORTH LIVING

For people. Worldwide. Every day.
More than three decades of experience in dialysis, innovative research, the global leader in dialysis services and products – that is Fresenius Medical Care.

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life.

As a vertically integrated company, we cover the entire dialysis value chain. We use the increasing demand for modern dialysis methods to our advantage and work consistently to enhance the Company's growth. Our focus is on consistently implementing strategies that enable us to uphold and expand our technological leadership.

We take the highest medical standards as our benchmark. This is our commitment to our patients, our partners in the healthcare system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.

OPERATING DATA

Table 1

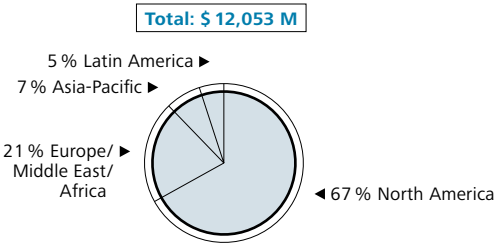
in $ M

	2010	2009	Change
Selected key figures			
Net revenue	12,053	11,247	7 %
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,427	2,213	10 %
Earnings before interest and taxes (EBIT)	1,924	1,756	10 %
Net income[1]	979	891	10 %
Net cash flow	1,368	1,339	2 %
Free cash flow[2]	861	777	11 %
Capital expenditure, net	507	562	–10 %
Acquisitions, net	618	136	354 %
Earnings per ordinary share *in $*	3.25	2.99	9 %
Dividend per ordinary share[3] *in €*	0.65	0.61	7 %
EBIT margin *in %*	16.0	15.6	–
Return on invested capital (ROIC) *in %*	8.8	8.5	–
Equity to assets *in %*	44.0	43.0	–

[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[2] *Before acquisitions and dividends.*
[3] *2010: Proposal to be approved by the Annual General Meeting on May 12, 2011.*

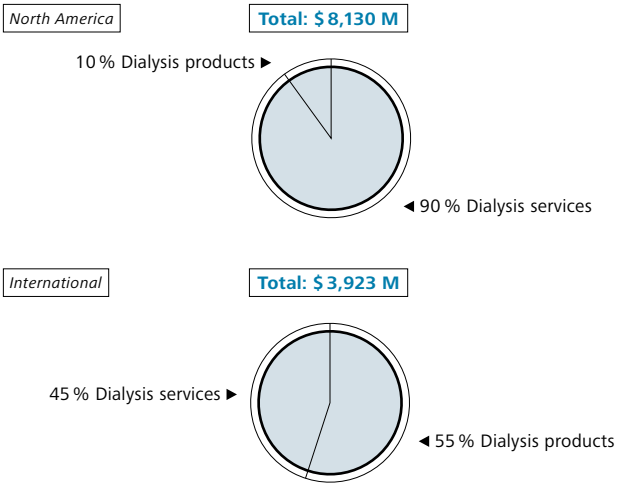
REVENUE BY REGION

Chart 2



REVENUE BY SEGMENT

Chart 3

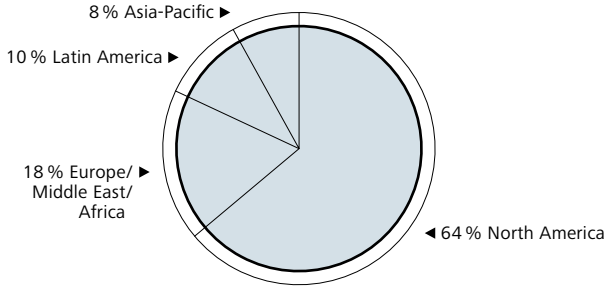


Patients

FRESENIUS MEDICAL CARE: PATIENTS WORLDWIDE

Chart 4

Total: 214,648



Number

FRESENIUS MEDICAL CARE: CLINICS WORLDWIDE

Table 5

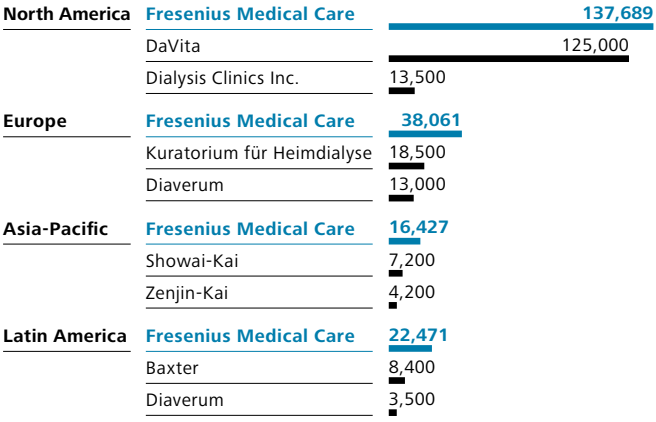
	2010	*2009*	*Change*
North America	1,823	1,784	2 %
Europe/Middle East/Africa	499	435	15 %
Latin America	193	191	1 %
Asia-Pacific	242	143	69 %
TOTAL	**2,757**	**2,553**	**8 %**

DIALYSIS SERVICES WORLDWIDE 2010

Chart 6

Patients

Total: 2.029 M



Source: Based on company statements and estimates.

MARKET POSITION IN MAJOR PRODUCT GROUPS 2010

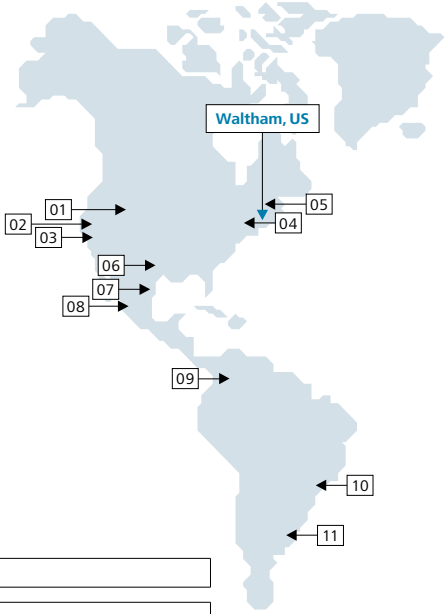
Table 7

	Rank 1	*Rank 2*	*Rank 3*
Dialyzers	Fresenius Medical Care	Gambro	Nipro
Dialysis machines	Fresenius Medical Care	Gambro	Nikkiso
Hemodialysis concentrates	Fresenius Medical Care	Fuso	Gambro
Bloodlines	Fresenius Medical Care	Gambro	Kawasumi
Peritoneal dialysis products	Baxter	Fresenius Medical Care	Gambro

Source: Based on company statements and estimates.

MAJOR LOCATIONS

Chart 8



America

Waltham, US
Regional headquarters North America

01 Ogden, US Dialyzers

02 Walnut Creek, US Dialysis machines

03 Toledo, US Hemodialysis concentrate

04 Livingston, US Hemodialysis concentrate

05 Montreal, CA Hemodialysis concentrate

06 Irving, US Hemodialysis concentrate

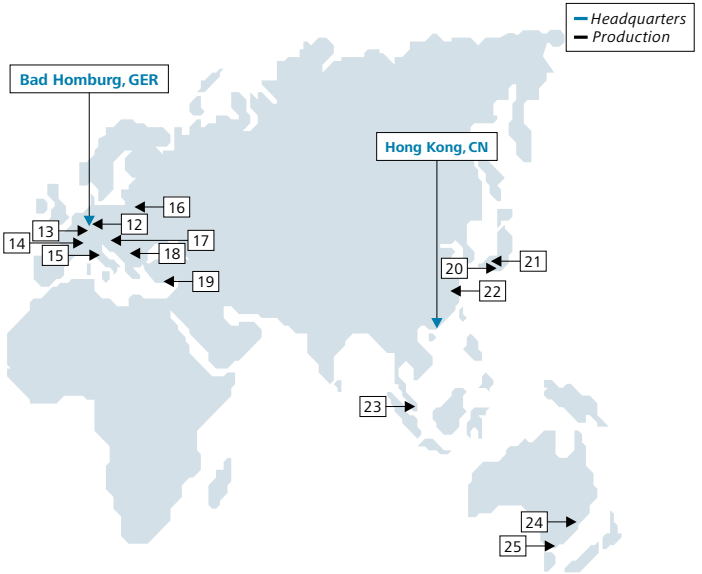
07 Reynosa, MX Tubing systems

08 Guadalajara, MX Dialysis solutions

09 Santafé de Bogotá, CO Dialysis solutions

10 Jaguariúna, BR Dialysis machines

11 Pilar, AR Hemodialysis concentrate



Europe	*Asia-Pacific*
Bad Homburg, GER Company headquarters	**Hong Kong, CN** Regional headquarters Asia-Pacific
12 Schweinfurt, GER Dialysis machines	**20 Inukai, JP** Dialyzers
13 St. Wendel, GER Dialyzers	**21 Buzen, JP** Dialyzers
14 L'Arbresle, FR Dialyzers & dialysis solutions	**22 Jiangsu, CN** Tubing systems
15 Cremona, IT Tubing systems	**23 Coremed, MY** Dialyzers
16 Borisov, BY Dialyzers & tubing systems	**24 Smithfield, AU** Hemodialysis concentrate
17 Krems, AT Adsorber	**25 Victoria, AU** Dialysis chairs
18 Vrsac, SRB Dialyzers & dialysis solutions	
19 Antalya, TR Adsorber	

73,452
employees worldwide

OVER 40
production sites worldwide

214,648
patients worldwide

2,757
clinics worldwide

ABOUT 31.7 MILLION
dialysis treatments worldwide

Fresenius Medical Care is the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than two million individuals worldwide.

Fresenius Medical Care is also the world's leading provider of dialysis products such as hemodialysis machines, dialyzers and related disposable products. Fresenius Medical Care is listed on the Frankfurt Stock Exchange (FME, FME3) and the New York Stock Exchange (FMS, FMS/P).

MAY 4
Report on the first quarter 2011

MAY 12
Annual General Meeting
Frankfurt am Main

MAY 13
Payment of dividend
subject to the approval of the Annual General Meeting

AUGUST 2
Report on the second quarter 2011

NOVEMBER 2
Report on the third quarter 2011

Imprint
Subject to change

Fresenius Medical Care AG & Co. KGaA
Registered seat and commercial register: Hof an der Saale (Germany), HRB 4019
Chairman of the Supervisory Board: Dr. Gerd Krick
General partner: Fresenius Medical Care Management AG
Registered seat and commercial register: Hof an der Saale (Germany), HRB 3894
Management Board: Dr. Ben J. Lipps (Chairman), Roberto Fusté, Dr. Emanuele Gatti, Rice Powell, Michael Brosnan, Dr. Rainer Runte, Kent Wanzek
Chairman of the Supervisory Board: Dr. Ulf M. Schneider

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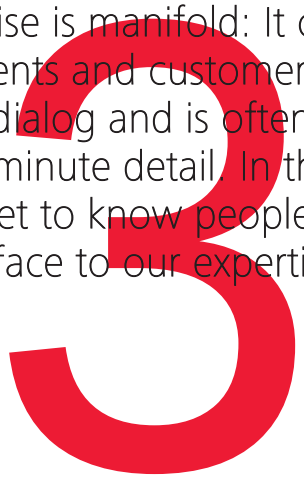
EXPERTISE

EXPERTISE

Magazine 2010

FRESENIUS
MEDICAL CARE

Expertise is the foundation of our success. We have been developing this expertise for over three decades, applying it every day to further enhance the quality of our products and services. Our expertise is manifold: It creates trust with our patients and customers. It thrives on continuous dialog and is often to be found in the most minute detail. In this magazine, you will get to know people who lend a face to our expertise.



DECADES OF EXPERTISE

PAVE THE WAY FOR TOMORROW'S KNOWLEDGE AND COMPETENCE

For Fresenius Medical Care, 2010 was as successful as it was eventful. We forged new partnerships for the benefit of our patients, further advanced our business with products and services, and set the course for our continued success.

2010

DR. BEN LIPPS AGAIN NAMED STRATEGIST OF THE YEAR

U.S.

Dr. Ben Lipps presented with awards

Dr. Ben J. Lipps, Chief Executive Officer of Fresenius Medical Care, is honored twice in 2010 for his business achievements. The University Kidney Research Organization (UKRO), a non-profit organization that supports medical research into the prevention and treatment of kidney diseases, presents Dr. Lipps with an award for his "outstanding achievement in business and industry for the benefit of kidney patients". Dr. Lipps is also named "Strategist of the Year" for the second consecutive year; the strategy consulting firm Bain & Company, the WHU Otto Beisheim School of Management and Financial Times Germany award this title to chief executives who provide their companies with a clear strategic direction, enabling them to achieve above-average increases in revenue, employment, profitability and capital market performance.

ASIA-PACIFIC

Clinic network expanded

In May, Fresenius Medical Care takes over the second-largest dialysis provider in Asia-Pacific, Asia Renal Care, thus strengthening its position as market leader in dialysis services in the region. Around 5,300 patients are treated in some 80 Asia Renal Care clinics. In Asia-Pacific, about 750,000 patients are reliant upon life-sustaining dialysis treatment. For the coming years, Fresenius Medical Care expects strong market growth in the region. The number of dialysis patients there is forecast to exceed one million within the next five years.

SWITZERLAND

New joint company for pharmaceuticals

In December, Fresenius Medical Care and the Swiss Galenica Group found a joint company: Vifor Fresenius Medical Care Renal Pharma Ltd., as it is called, is to develop and distribute innovative drugs for kidney patients. These include medications to treat anemia and regulate the bone metabolism in both dialysis patients and people in earlier stages of chronic kidney disease who do not yet need dialysis treatment. Fresenius Medical Care will hold a 45% share in the new company.

HAITI AND CHILE

Aid for earthquake victims

2010 is overshadowed by two devastating earthquakes in Chile and Haiti. In both countries, Fresenius Medical Care provides rapid assistance in treating dialysis patients: In January, the Company donates around twelve tons of dialysis material to Doctors Without Borders and other organizations on the Caribbean island of Haiti. At the end of February, within 48 hours of the disaster in Chile, the employ-

ees of Fresenius Medical Care's crisis management team are able to put almost all of the Company's own clinics back into service, and arrange treatment for patients of the one clinic which is no longer operable. In close cooperation with the Chilean Ministry of Health, the Company also creates capacity to treat up to 400 additional patients from areas affected by the earthquake.

U.S.

A new generation of equipment for new requirements

In November, just in time for the most important industry conference, ASN Renal Week, and for the introduction of the new reimbursement system for dialysis in the U.S., Fresenius Medical Care launches the 2008T, its latest series of hemodialysis machines for the North American market. The 2008T is the first therapy system approved in the U.S. that is equipped with both modern dialysis technology and innovative software for clinical treatment data. This means that doctors and clinic staff can quickly and easily capture the data needed to measure the quality of treatment, directly at the patient's chairside. The purpose of the machine is not only to simplify day-to-day processes in the clinic and further improve clinical data and quality management, but also to support doctors and clinic operators in the U.S. in meeting requirements for documenting treatment outcomes as part of the new bundled reimbursement system.

GREAT BRITAIN

Capital market meets dialysis company

In September, Fresenius Medical Care invites analysts and investors to attend its "Capital Markets Day" near London. Board members and managers provide an insight into current business performance, present new products and processes and explain the current situation on the global markets as well as the goals for the coming financial years. The financial market experts are particularly interested in how the Company assesses the introduction of the new bundled reimbursement system in the U.S. The conference is streamed live on the internet. The aim of the Capital Markets Day is to provide analysts as well as institutional investors with as comprehensive and transparent a picture of Fresenius Medical Care as possible. This year's event also includes the opportunity to view the latest generation of dialysis machines.

ARGENTINA

Learning for life in the dialysis clinic

Fresenius Medical Care Argentina congratulates its patients on gaining their school-leaving diploma. The proud graduates were the first participants in a project launched by the Company together with the Ministry of Education for the Province of Buenos Aires: At four Fresenius Medical Care dialysis centers, around 80 adult patients are being taught by state teachers during their treatment, giving them the chance to gain their primary school diploma, which, in Argentina, is obtained after seven years of schooling. Around 35% of Fresenius Medical Care's patients in Argentina do not have a school-leaving qualification. Their low level of education makes it difficult for them to find employment in an already tight labor market, and adds to the difficulties typically faced by people undergoing dialysis, especially the disciplined adherence to their treatment plan and the regular taking of medication.

AUSTRIA

New research department in Krems

In September, Fresenius Medical Care opens a new department for research and development in sorbent technologies in the Austrian town of Krems. Since 2003, Fresenius Medical Care has produced products for various sorbent therapies in Krems – for example, to be used in the Prometheus system for the detoxification of patients with liver failure or in procedures that remove antibodies from the bloodstream in serious autoimmune diseases. With this new department, Fresenius Medical Care has further intensified its relations with the Danube University Krems. The Company has been supporting the university's research on extracorporeal blood-purifying procedures (i.e. ones that take place outside the body) with sorbents for almost 20 years. The long-standing partnership with the specialist team at the university was also one of the reasons for the decision to invest further in Krems.

U.S.

Recognition for crisis management

The International Association of Emergency Managers (IAEM) commends Fresenius Medical Care North America for its integrated crisis management program. Emergency experts from the IAEM praise the professional manner in which the Company responded to crises such as the severe earthquake in Haiti, the H1N1 pandemic and, previously, hurricanes on the U.S. coast, as setting an example for the entire industry.

AUSTRALIA

Dialysis with solar power

In Australia, Fresenius Medical Care provides support for a solar-powered dialysis unit – the first in the world to the best of our knowledge. A business partner, the head of nephrology at an Australian health care provider, builds the solar unit on the roof of his dialysis center with funding from Fresenius Medical Care. Even during the relatively dark winter months of 2010, the unit is able to cover more than 90% of the energy required for dialysis equipment and water treatment. On average over the year, the dialysis unit even generates more electricity than it consumes in these two areas. The energy gained is fed into the local electricity grid and offset against overall electricity costs. The joint project has met with interest from professional circles, for example, at ASN Renal Week, the leading industry conference in the U.S.

RUSSIA

German Federal President Wulff visits Fresenius Medical Care

In October, on his first major trip abroad after being elected German Federal President, Christian Wulff visits a Fresenius Medical Care dialysis center in the Russian city of Ulyanovsk, 700 kilometers east of Moscow. Accompanied by a 50-strong delegation of business representatives, politicians and journalists, he takes the time to tour the facility and learn about the possibilities of dialysis. In discussions with doctors, nurses and patients, he seems impressed by both the high standard of treatment and technological innovation. The clinic in Ulyanovsk with over 300 patients is one of ten dialysis centers that Fresenius Medical Care now operates in Russia.

U.S.

Award for a quarter of a century on dialysis

In November, Fresenius Medical Care signs a new partnership with the American Association of Kidney Patients (AAKP), an organization that has worked to improve the quality of life of kidney patients for over 40 years. Together with the AAKP, Fresenius Medical Care will in future present a special award to patients who have been on dialysis treatment for 25 years or longer. The recipients of the award will be honored for their courage in spite of their illness, their healthy lifestyle and their discipline in adhering to their treatment plan, all of which make them role models for other patients.

QUALITY IN A BUNDLE

Robert Sepucha, Senior Vice President Government Affairs at Fresenius Medical Care North America, on the new bundled reimbursement system for dialysis in the U.S. and why the mission to offer higher quality at a lower cost can be a long-term opportunity for everyone involved in the health system.

Mr. Sepucha, on January 1, 2011 a new law on the reimbursement of dialysis treatment came into force in the U.S., the enactment of which occupied you and the entire dialysis sector for more than two years. The legal text as it stands contains over 900 pages. Rice Powell, the CEO of Fresenius Medical Care North America, had twelve different working groups set up with the view to preparing your company for the introduction of the new reimbursement system; he even goes as far as to talk of a "monumental change" in a letter addressed to the Company's employees. What is so monumental about the new system?

This is a completely new concept here in the U.S., which for the first time ties reimbursement with satisfaction of quality benchmarks. It is also a dramatic change to a system that had remained practically unchanged for almost two decades. It's important to note that the reform, which was mandated by Congress in 2008, was called for over many years by ourselves, physicians and patient organizations.

What exactly has changed?
Let me put it in simple terms: Therapy for patients with chronic kidney failure entails several components. In addition to the actual dialysis treatment, there is also, for example, medication for anemia and other associated symptoms, as well as laboratory tests to ensure that the therapy is matched to the needs of the individual patient. Until now, these components have been reimbursed as individual services by CMS (Centers for Medicare and Medicaid Services), the federal health care authorities in the U.S. The new payment system, which came into force at the beginning of January, now bundles several of these elements into a "service bundle", which is then reimbursed in total as a lump sum. Now, the dialysis treatment itself along with certain drugs and laboratory tests are included in a single bundled payment, and additional drugs will be added in 2014.

And what is the aim behind this?
The government hopes to ensure above all that the interests of patients, physicians and providers are aligned to provide the best possible care to dialysis patients as efficiently as possible. This is an expensive population to care for – approximately 6% of all Medicare health expenditures goes to the treatment of dialysis patients and these patients make up only about 1% of the entire Medicare patient population. In addition, the number of people with chronic kidney failure is increasing from year to year. The new payment system was put in place in part to achieve greater efficiency, which is driven in part by an initial reimbursement reduction of 2%. Furthermore, beginning in 2012, Medicare will link the reimbursement system to the quality of the dialysis treatment for the first time. This means that anyone providing dialysis treatment in the future who wishes to receive the full reimbursement level must be able to demonstrate that they have met certain quality targets with their patients. If facilities fail to meet these targets, their reimbursement could be cut by up to 2%. Given that more than 80% of our patients are government-insured, this is a significant change for us.

From the viewpoint of the authorities, a call for better quality at lower costs appears feasible. But can this also be in the best interests of Fresenius Medical Care?
Yes, because as the operator of the world's largest network of dialysis clinics, we know from personal experience that a better quality of treatment can contribute considerably to reducing costs. If we take a more holistic approach to therapy – in other words, providing high-quality treatment where the individual components of care are closely coordinated – we can not only improve outcomes, but also reduce the cost of care. This is how risks for patients are kept to a minimum and additional costs are avoided, such as hospitalizations for medical complications. Several years ago, we introduced a patient-centered quality program in our clinics called UltraCare. In addition, we collect clinical data in line with recognized standards for every treatment in order to assess and further improve the quality of treatment. In many ways, the government's new reimbursement system validates our historical approach.

What do you mean by that exactly?
Until this year, the costs for many services related to dialysis were calculated individually. As a result, we weren't able to take a truly holistic approach as to how patients could be cared for. We now have greater freedom to deal with this question more closely and to put to greater effect the potential of the data we collect in our clinics. From our point of view, the new system is an opportunity for patients as well as dialysis providers.

It is a credit to you that you wish to continuously improve the quality of treatment for your patients. But surely there are also tangible economic reasons why you have supported this new legislation?

Of course there are. But the one cannot be viewed separately from the other. If we as a company wish to continue to deliver high-quality treatment to our patients in the long-term, then we have to recognize economic reality. At the same time, it also cannot be in our interest to provide our patients with anything but the highest quality care. In short, they are the reason we exist. If there is an improvement in their quality of life and life expectancy, then that can only be a benefit, both for them and for us. Nevertheless, we also have to be part of the solution in addressing the rising cost of health care both in the U.S. and in countries across the world. In short, we must continue to contribute to improving quality and reducing costs all at the same time. However, and this brings us back to your question, we cannot do this alone. At some point, the public sector must meet us half way.

How has the government done that?

For the first time, an annual inflationary adjustment was established for dialysis providers. For more than a decade, the reimbursement level was not at all in line with inflation and the associated increases in expenditure. With the large number of patients in the U.S. who are insured by Medicare, this presented difficult challenges, especially since other sectors had the benefit of such updates. Therefore, the annual inflationary adjustment that is now included in the new bundled payment system is a major success for us. However, we also see long-term potential in this new reimbursement model in general.

What potential do you mean exactly?

This brings us back again to the holistic approach to therapy. What we have here at the outset with the "bundle" could evolve in a few years' time into a completely integrated model of care for dialysis patients. A dialysis provider would then be responsible for the entire therapy and all associated phases, from dialysis and all medication and laboratory tests to the treatment of concomitant illnesses, and, possibly, even the creation of the vascular access for the patient, in return for a reimbursement level as a lump sum. We think this is the real value, not just for us as a company, but also for patients and the entire health care system. By allowing us to care not just for the patient's dialysis needs but also for their multiple co-morbidities and other medical needs, we can help them lead healthier lives and reduce their overall cost of care.

All of the Fresenius Medical Care clinics switched to the new reimbursement system at the beginning of this year even though the legislators allowed for a four-year transition period …

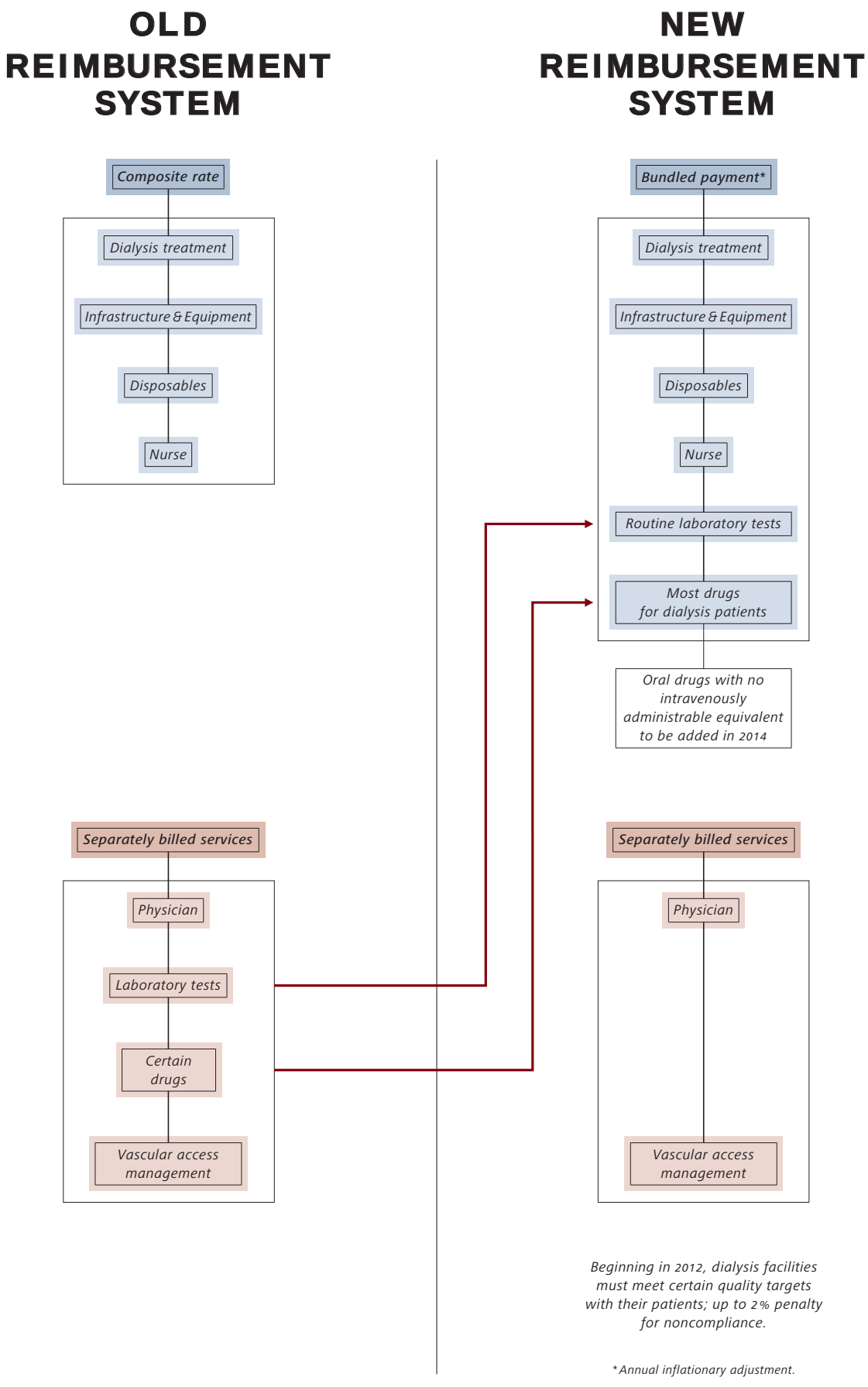
This was a conscious decision we took in the interest of the patients, whom we wanted to spare the transition period. From a financial perspective, a four-year transition would have been more sensible. We hope that the legislators will honor this.

How and why should they do so?

By lowering the so-called "transition adjustment" from the current figure of minus 3.1%. This adjustment was put into place to compensate for the fact that the government has given the dialysis providers a four-year right to choose between the old and the new reimbursement system. Unfortunately, the government's assumptions in this one case turned out to miss the mark. For example, the government had assumed that only 43% would fully opt into the new system. However, it turns out that, according to calculations made by our industry association, around 90% of facilities have elected to fully participate in the new system. This means the transition adjustment should be set at a figure of only minus 0.3% instead of minus 3.1%. We are hopeful the administration will make this change promptly to avoid an inadvertent cut to Medicare dialysis funding.

In fact, all this doesn't sound too complicated. How is it then that the whole thing was so demanding that it took negotiations lasting months, hundreds of experts and over 900 pages of paper to finally agree on the legislation?

What was most complex was the fact that the new lump sum reimbursement in the strictest sense is not a lump sum reimbursement at all. We do receive a set basic reimbursement rate per patient, but this amount has to be adjusted using complicated mathematical formulas to take into account a number of factors. These factors involve, in part, the individual patients and their health history. The cost of caring for a 65-year-old dialysis patient who is also suffering from sickle cell anemia, for example, will look completely different from that of a 30-year-old


OLD REIMBURSEMENT SYSTEM
NEW REIMBURSEMENT SYSTEM
Composite rate
Dialysis treatment
Infrastructure & Equipment
Disposables
Nurse
Bundled payment*
Dialysis treatment
Infrastructure & Equipment
Disposables
Nurse
Routine laboratory tests
Most drugs for dialysis patients
Oral drugs with no intravenously administrable equivalent to be added in 2014
Separately billed services
Physician
Laboratory tests
Certain drugs
Vascular access management
Separately billed services
Physician
Vascular access management
Beginning in 2012, dialysis facilities must meet certain quality targets with their patients; up to 2% penalty for noncompliance.
*Annual inflationary adjustment.

person with no associated illnesses who requires a less intensive form of treatment. Furthermore, it first had to be agreed in principle what is to be included in the "bundle" and at what cost. All of these calculations took time to complete, and the government took care to involve providers, patients, physicians and the entire community throughout the process.

And how, as a company, do you get involved in such a process?

That was also a very intricate undertaking. After the detailed proposed rule explaining the new payment system appeared in September 2009, the government asked us and other members of the community to provide comments within three months. As a result, we did not have much time. We needed our own conclusive data in order to evaluate and, if necessary, to refute the calculations set by the authorities. And we also needed to assess the real-world impact of the government's proposal on the day-to-day practice of dialysis. As a lawyer and former Congressional staffer, my specialty lies more with legal arguments and the political process. To assess the operational impact of the rule, we therefore quickly assembled a team of experts from several corporate units, which included physicians, senior managers from our dialysis service operations and financial experts who all had a deep understanding of the business. And then we got down to work. In addition, because the new payment system was going to dramatically impact the entire sector, we also worked closely with the entire kidney community, including other dialysis providers, patient groups and physician associations. So at every stage of the process – during and after the formal comment period as CMS continued to develop the final rule implementing the new system – we and other interest groups sat around the table with CMS to explain our positions and highlight our concerns. We also had meetings with politicians on Capitol Hill and key stakeholders within the Obama administration. This involved both formal exchanges of information as well as individual discussions with elected officials. We formulated numerous comments on the draft legislation and tried to represent our interests at every level available to us.

Some people would just call that lobbying.

I also call it lobbying. But to my mind that is not something at all negative. Instead, it is a means for the private sector to provide government officials with the data and perspective necessary to get the final regulation right. We greatly appreciate the work done by CMS and the administration in this process. I'd like to stress that. Those responsible for the development of the new payment system were very thorough and very conscientious. Where they had reliable data, they reached reasonable and justifiable conclusions. However, sometimes they were not always correct in terms of the calculations and interpretations of this data. It was our task to highlight these areas for CMS and, where possible, to show them that there was a better way. At the end of the day, mistakes made here can later have an impact on the quality of treatment. And for us, quality of care is our top priority.

In what respect were the representatives of the authorities wrong?

One example I can give is to do with the phosphate binders and calcimimetics. These medications are needed by many dialysis patients in order to regulate the amounts of calcium and phosphorous in the blood and the consequences if these concentrations are too high, such as bone diseases or vascular calcification. Initially, the authorities wanted to include this medication in the "bundle" at a rate of $14 per treatment. Our data, however, showed that the true cost was approximately $45 per treatment. Significantly, CMS accepted this argument and decided not to include these medications in the bundle before 2014. Without our involvement and the engagement of the entire community on this issue, the bundle would have been dramatically underfunded.

And now that the law has come into force, how does it affect your company?

We hope it will have a positive impact. For example, our product business recently introduced the new 2008T to the market. This hemodialysis machine is serially equipped with a module that collects and evaluates quality data that dialysis providers will need to deliver as a basis for reimbursement. By anticipating what providers will need to deliver in order to recover reimbursement, our product business is seizing on a significant market opportunity. Of course, other parts of the new system have also required adjustment. For example, while we already have a great deal of experience in documenting our own treatment quality, we are updating our systems and processes to adapt to CMS' new quality incentive program that goes into effect in 2012. Such a change in the system has an effect on all segments within the Company, from accounting to IT.

FISH ON THE HOOK AGAIN

Dialysis patients cannot survive without regular treatment, but how do they live their life with dialysis? Robert Smith from Australia has been able to rediscover his passion for fishing and camping – thanks, in part, to his friend Matthew Highland, a dialysis technician at Fresenius Medical Care.

"I would never have thought it possible that, despite dialysis, I would be able to go fishing again."

PATIENT

“Now I can simply take my machine for nocturnal home dialysis with me on the back of my pickup. While I’m camping, I keep the machine in my tent. It’s really great!”

ROBERT SMITH
Radio presenter, Darwin, Australia

TECHNICIAN

“I thought: why be restricted to just moving the dialysis machine around the room, why not move it outdoors? I called Robert immediately.”

MATTHEW HIGHLAND
Technician with Fresenius Medical Care, Darwin, Australia

In September last year, I landed a 75-cm-long barramundi while on a camping holiday in Kakadu National Park. That was something really special for me because it was the first time I had carried out dialysis treatment in the great outdoors. I simply took my nocturnal home dialysis machine with me on the back of my pickup. While I’m camping, I keep the machine and the water treatment unit in my tent. It’s really great. Matt, a technician from Fresenius Medical Care, came up with the idea. We’re good mates, you see, because he’s also a keen angler.

Fishing and camping are my hobbies – I can’t imagine life without them. Every Saturday morning, I present a radio show about fishing on our national radio station ABC. In 2007, a kidney disorder suddenly made me dependent on dialysis treatment. I was so ill that I no longer knew who I was. Even after I started to feel better again thanks to dialysis, I still saw camping and fishing as a logistical impossibility. My life just seemed to revolve around dialysis and going from home to the clinic and back again. All that changed when I switched to nocturnal home hemodialysis. I never thought I would ever feel so good again. I now hook up to the dialysis machine almost every night at home. I can eat and drink what I like. I sleep well, my blood count is fantastic and, thanks to my friend Matt, I can now take my dialysis machine with me whenever I go fishing and camping. The next thing we want to do is install the machine in a campervan. That way, my wife and I can start traveling across Australia again for weeks at a time, the way we always used to. My biggest dream, however, would be a trip to Bali.

The idea of building a mobile dialysis machine for Robert occurred to me while installing one of our machines in another patient’s home. The man asked me if he could also move his home dialysis machine around the room. That evening, while I was at a party, his question suddenly shot through my head again and I thought: why be restricted to just moving the machine around the room, why not move it outdoors? After all, a machine only needs electricity and specially purified water, both of which can be arranged almost anywhere these days if the right technical precautions are taken. So building a mobile dialysis machine should be a viable option, if not an easy one. I called Robert immediately. For years now, I’ve been listening to his radio program but when we first met at the clinic, I didn’t realize he was the presenter. We chatted about fishing and he invited me to appear on his show. Since then, we often talk shop about our shared hobby.

Of course, I had to make some technical adjustments to the dialysis machine so that he could take it with him on his camping and fishing trips. I also installed a small water treatment unit, which allows Robert to use normal tap water from the campsite. He uses a boat winch to help lift the machine off the truck – an idea he came up with himself. I often adapt dialysis machines to make them suitable for traveling. The Northern Territory in Australia covers a huge area, and has a population of only 250,000. We have even fitted a truck with two dialysis machines for the government so that nurses can travel across the territory and provide regular treatment to the Aborigines, Australia’s indigenous people.

Nocturnal home hemodialysis

Nocturnal home hemodialysis is suitable for patients aged between about 10 and 60 who have good vascular access and no serious concomitant diseases – in other words, patients who do not need too much care and are thus independent enough to assume responsibility for their own treatment. After intensive training, patients can perform the treatment themselves in their own homes. Dialysis then takes place overnight while the patient is sleeping. It takes up to eight hours. The advantage of this form of treatment: The patients can achieve a highly effective degree of control over their fluid balance and blood pressure, so that they may require less medication such as phosphate binders. Many patients have reported a significant improvement in their quality of life as a result of using this form of treatment.

FRESENIUS MEDICAL CARE IS THE LARGEST MANUFACTURER OF DIALYSIS MACHINES IN THE WORLD.

MADE IN SCHWEINFURT

A dialysis machine is a complex piece of equipment built for a very demanding task. Behind this complexity, you will very often find Schweinfurt – a small city in central Germany that is home to the largest production facility for dialysis machines in the world. And it is here that the hallmark of Fresenius Medical Care – its expertise – can be found, even in the smallest detail.

Schweinfurt, early in the morning. The factory floor is bathed in light. We gaze out over a sea of dialysis machines, lined up in their dozens at the various production points. From a distance, they almost seem like robots at rest, while busy people work all around them. Yet it's noticeably quiet. People have been hard at work here since 5 a.m., when flextime starts. Many of the more than 1,000 employees at the plant like to get an early start to their day. Some of them are working hard at assembly benches lined up in rows, pulling white plastic tubes through a perforated panel. Tubing is everywhere. What looks to the uninitiated like a confusing tangle is actually a clear layout which an expert instantly recognizes, like a tailor reading a pattern. "This is the hydraulic system for our 4008 series," plant manager Dr. Christoph Sahm says. "We make it in 50 different versions, depending on customer requirements." The people who work here have all these variants in their heads. "After about two years, you've built every version we make at least once," says one of the assemblers. Sometimes you simply need this level of expertise.

When a customer of Fresenius Medical Care places an order for a dialysis machine, a sales employee enters the desired configuration data into a computer. Each region of the world has its own preferences and practices, and therapies must be precisely tailored to patients' needs. Going by the customer's requests, the sales employee selects individual settings and modules by mouse click, from the right voltage and plug for the country to software in the local language. Every day, large numbers of these virtual order forms arrive at the Fresenius Medical Care plant in Schweinfurt. Thus begins the life of every second dialysis machine in the world.

ZOOM 75 **MM**

Every second dialysis machine in the world starts life here at Fresenius Medical Care's Schweinfurt plant.

QUALITY AND EFFICIENCY ARE THE MAIN YARDSTICKS IN PRODUCTION.

"If a component is important for the quality and safety of our products, we make it ourselves."

Rolf Näder, head of operations at the Schweinfurt plant

TUBING TO BE TRUSTED

The proper attachment of tubing is anything but a trivial matter. The safety and reliability of dialysis treatment depends on these tubes and on the pumps and valves they are connected up with. During just one treatment session, up to 120 liters of blood are pumped through a filter, known as the dialyzer. The dialyzer is attached to the outside of the machine, and is connected by tubes to both the patient's circulatory system and to the machine. During treatment, the patient's entire blood supply flows through the dialyzer several times. At the same time, the dialysis machine prepares dialysis solution from ultra-pure water and a concentrate, and pumps it in the opposite direction through the dialyzer, where it picks up the substances filtered out of the blood. Each minute, about half a liter of dialysis solution passes through the dialysis machine to remove from the blood the filtrate substances and excess water which, due to kidney insufficiency, the patient cannot excrete in urine like healthy people can. The dialysis solution flows through the many meters of tubing and passes through valves and pumps in precisely controlled amounts. All these minutely adjusted components must work reliably, even on their one-millionth use. These machines often remain in service for a decade or more. This demands a great deal from the machines – and from the people who develop and produce them. Here again, the expertise at the Schweinfurt plant plays an important role.

OF BALANCES AND BUDGETS

Bearing proud witness to this expertise is a glass case right next to the entrance. Plant manager Christoph Sahm always stops here when he is giving visitors guided tours of the facility. The showcase holds the first generations of various dialysis machine components, each a pioneering achievement of Schweinfurt dialysis technology. By comparison with their successors from this state-of-the-art production facility, they almost seem antique. Among the items on display are two dark red concave plastic discs. Sahm picks them up. "This was one of our first balancing chambers. It is now over 30 years old," he says. "And it's still a key component, even in our latest dialysis machines. Over the years, we have continually developed it, and we still manufacture it ourselves." Sahm also explains the origin of the name "balancing chamber". "It's a module that regulates the volume of fluid moving through the machine. It balances the amount of fresh dialysis solution flowing through the dialyzer and picking up harmful substances in the blood with the amount of used dialysis solution. Put simply, the balancing chamber makes sure that the right amount of dialysis solution is pumped to the filter and back to the dialysis machine – for the right 'balance' after treatment."

Christoph Sahm presses on through the plant. He greets workers with a handshake and stops briefly to ask how work is going. Were the recent workflow changes really an improvement? Efficiency and its constant enhancement throughout the plant are important to Sahm, because growth at the Schweinfurt facility is keeping pace with the increase in the number of dialysis patients in the world. When the plant opened in 1979, the employees made fewer than 100 dialysis machines annually. Today, it is tens of thousands each year. Christoph Sahm reckons that he will have to double the plant's present production capacity again within the next ten years. At the same time, customers want quality at affordable prices, especially at a time when health budgets are getting ever tighter. Sahm says this is why he wants to make

90

ZOOM → MM

Up to 50 employees are involved in the production of each dialysis machine at the Schweinfurt plant. Head of operations Rolf Näder is responsible for ensuring that maximum quality and operational efficiency go hand in hand.

THE PLANT WANTS TO EXPAND AND AT THE SAME TIME REMAIN EFFICIENT.

110

ZOOM → MM

Within the next ten years, the plant is expected to double its production capacity again – remaining as efficient as possible in the process. Because customer demand is growing, and health budgets are shrinking.

"When it's about solving a problem, we can count on everybody's shared sense of responsibility."

Harald Peter, head of Industrial Engineering

production as lean as possible, for example with more flexible working schedules to optimize utilization of the production machines. "Together with the works council we adapted our shift system," Sahm explains. "Now, there is a free hour between the two shifts in which the production machines can continue running without operators."

The facility tour leads us past the production line for the futuristic 5008 series, which has won both an innovation and a design award. One of the plant's several production units is devoted entirely to the 5008 series. The glass-walled administrative offices are arranged around the production areas. There, buyers, heads of department, quality assurance and technical support people have their work stations. "Each department is its own profit center," explains Sahm, "like companies within the company. And each one has to generate a profit." That, too, is a question of expertise.

IF YOU WANT IT DONE RIGHT ...

The plant has its own plastic injection molding and machining equipment for making components. In a separate area, highly sensitive machines automatically fit the circuit boards with the electronics and software that will later control the dialysis machine. In another area, workers solder circuit boards by hand – specially customized components that cannot be produced automatically. This combination of disciplines and production methods, from fully automated to fine manual craftsmanship, is orchestrated by Christoph Sahm and head of operations Rolf Näder. They have already twice received the international industry-wide "Best Factory Award". This prize is awarded to European companies by the French management school INSEAD and the Koblenz School of Management (WHU) – for excellence in production management giving the respective companies a lasting competitive advantage. Rolf Näder is quite sure that one of the competitive advantages of the Schweinfurt plant is its expertise in the production of small runs. He stands at the fully automated production area for magnetic valves. Large and small metal rings vibrate in a pan. Grippers place them on a metal housing that looks something like a printer cartridge. Around a million of these valves are produced in Schweinfurt each year. That's not much for a fully automated production line. "We're rigorous. If a component is important for the quality and safety of our products, we make it ourselves," says Näder. This is especially true for magnetic valves. They control the rate of flow of liquids in the machine. Dialysis solution and disinfectant solutions flow through them as they perform this extremely delicate and important task. A malfunction would have dangerous consequences. There are up to 60 of these valves in each Fresenius Medical Care dialysis machine. "That's not something we want to outsource," says Näder. He speaks from experience. Attempts to have the valves produced by external suppliers were unsuccessful. Either the quality was insufficient, or the price was too high, or both.

TRUE COMMITMENT TO RESEARCH

Employees like Reiner Spickermann are dedicated to permanently refining the technology of the Schweinfurt dialysis machines – it's not just a job for them. This white-haired, white-bearded physicist works in the Research and Development department of the plant. His expression betrays an almost childlike delight as he places on the table an object that only a specialist could identify at first glance – a metallic-grey component with two valves attached to it. But the function of what turns out to be a concentrate pump is anything but trivial. It ensures precise

RESEARCH AND PRODUCTION WORK SIDE BY SIDE.

120

ZOOM → MM

Reiner Spickermann (right) and his colleagues have been refining dialysis technology for years now. Harald Peter makes sure that these developments can also be implemented on the production line.

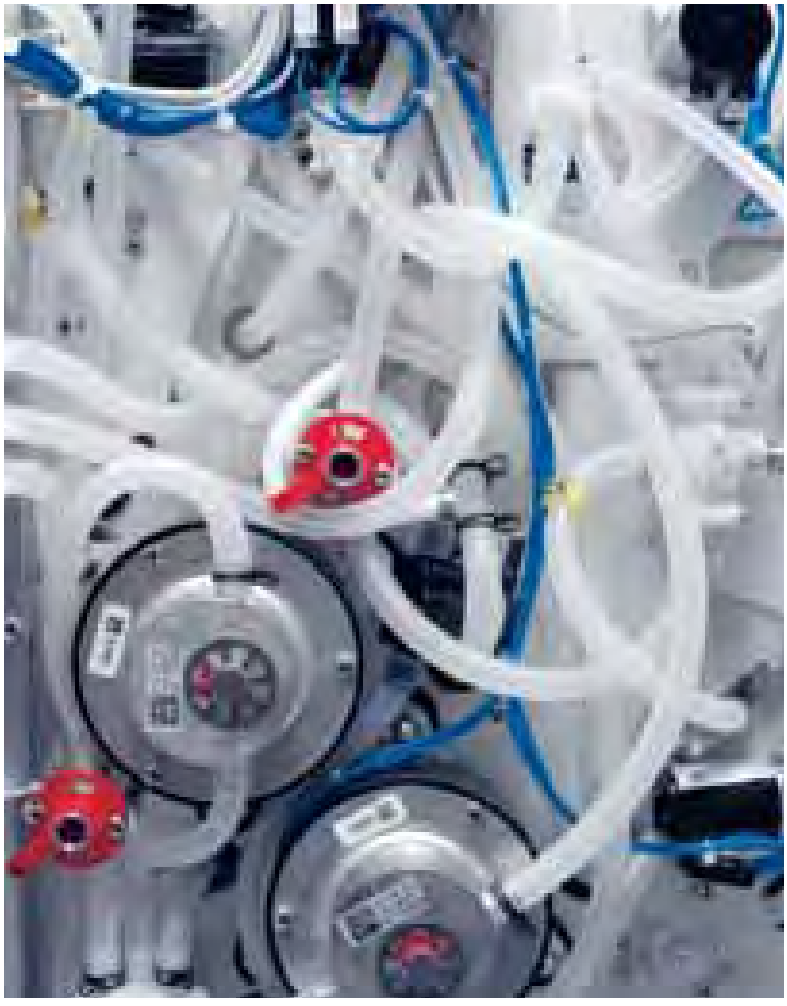
EVERY MACHINE IS MANUFACTURED ACCORDING TO THE CUSTOMER'S INDIVIDUAL NEEDS.

150

ZOOM → MM

Dialysis machines often remain in service for a decade or more. This demands a great deal from the machines – and from the people who develop and produce them.

SAFETY IS THE NUMBER ONE PRIORITY.



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ZOOM → MM

During treatment, the dialysis solution flows through the many meters of tubing and passes through valves and pumps in precisely controlled amounts. All these minutely adjusted components must work reliably, even on their one-millionth use.

"Expertise is just as important in testing as it is in production."

Dr. Christoph Sahm, plant manager in Schweinfurt

measurement of the concentrate used to prepare the dialysis solution. Spickermann and his colleagues have spent several years of their working lives on the continuing optimization of this component. "At this point, it's not just technologically mature, but also smart," he says proudly, referring to the control software and microelectronics integrated into the current version. "This pump has been in production here since the 1980s. Back then, technicians used to have to spend the night in hospitals because dialysis machines were so prone to malfunction and complicated to adjust. But today, problems that used to be fixed by a technician with a screwdriver can be solved by the dialysis nurse via the computer screen on the machine. This pump is one of Schweinfurt's unique selling propositions. Its precision, reliability, safety and service life set standards in the industry," says Spickermann.

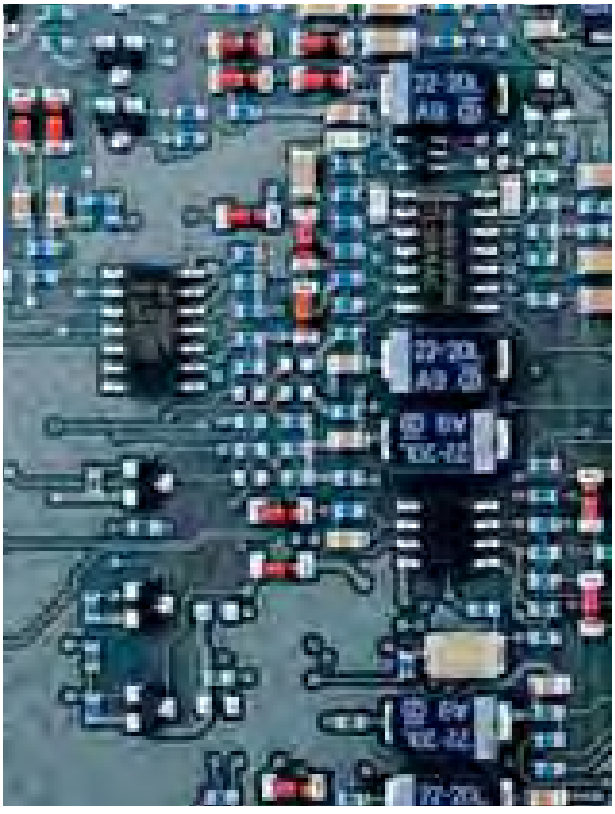
"INTEGRATION HELPERS" ON THE PRODUCTION LINE

The Industrial Engineering department, headed by Harald Peter, was set up some years ago to make sure that production keeps up with technological developments, and that good ideas can be put into practice. A physicist by training, Peter is a kind of "integration helper" for new components. Together with his team of engineers, he refines production processes, adapts them to growing product requirements, and works on new production technologies. For many years, Peter worked with Spickermann, whom he knew from university, in research and development at Fresenius Medical Care. He shares Spickermann's scientific fascination for components, as well as Christoph Sahm's passion for efficient processes. But what he really likes about his job is the wealth of expertise he can draw upon within the Company. According to Peter, you could almost call it 'collective expertise', with production staff, engineers, salespeople and developers – many of whom have been with the Company for years – all making their individual contribution. "Most of the time, you don't need to go into long explanations, because people already know what you're talking about." Likewise, employees have a collective feel for when things aren't going right. "When it's about solving a problem, we can count on everybody's shared sense of responsibility, from the assembly line to top management."

MARATHON RUNNERS

Of course, the people at the Schweinfurt plant don't just rely on instinct. Especially not when a finished machine has reached the end of the production line. At this point, up to 50 people have worked on the machine. Now it's time for the "burn-in", a stress test. Plant manager Christoph Sahm goes to a room in which dozens of machines hum away in climate cabinets. Each dialysis machine is run up in these special cabinets under extreme conditions – temperatures of up to 60°C, high pressure in the tube lines, everything in continuous operation. "Expertise is just as important in testing as it is in production," says Sahm. After the burn-in comes the "extended burn-in" where the machines run non-stop for two days. While they are running, electronics specialists carry out detailed inspections to see whether the machines can handle the pressure without malfunctioning. Once they have given the go-ahead, the machine can be shipped – and somewhere in the world, a customer gets a dialysis machine that is configured exactly to the specifications the sales employee entered into the system with a few mouse clicks and that incorporates the wealth of expertise of a large number of people.

TRUST IN OUR OWN EXPERTISE.



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ZOOM → MM

Whether in highly sensitive circuit boards or magnetic valves – Fresenius Medical Care's decades of expertise can be found everywhere in Schweinfurt, right down to the smallest detail. Plant manager Dr. Christoph Sahm is proud of this.

Some of our patients have now been living with dialysis for more than two decades – Linda Clark, for example. She experienced first-hand the difficult beginnings of the treatment and has seen how much has changed since then, as has our former Chief Medical Officer, Dr. J. Michael Lazarus, who dedicated his whole career to improving Linda's quality of life and that of many other patients.

LIVING WITH AND FOR DIALYSIS

"I run a mobile dog-grooming salon. I drive to my customers' homes and, if I'm not feeling too well, then they come to me."

PATIENT

LINDA CLARK
Dog groomer,
Boston, USA

Hemodialysis
With hemodialysis, the blood is cleaned extracorporeally, i.e. outside the human body, usually at a dialysis center. The patient is hooked up to a dialysis machine three times a week for approximately four hours via an entry to an artery in the forearm. During the hemodialysis treatment, the dialysis machine pumps the blood out of the body through a type of filter, the dialyzer, where the blood is cleaned, and then pumped back into the body of the patient.

I still haven't gotten used to the moment when the cannulas are inserted into my arm. I always look away and hold my breath, even after 25 years of dialysis!

I always sit in the same spot during treatment. Since 1986, it has always got to be the same place. I would never go to another clinic. I need to be able to trust the place and the people. Over the many years that I have been coming, I have sort of become a second mother to all the other patients and nurses. The clinic is also my second home. Monday, Wednesday and Friday are my dialysis days – at this stage, it's almost as if things had always been this way.

I was 20 when my doctor told me I had kidney disease. I cried and didn't speak to him for days. I was afraid of dialysis. Then I told myself: Okay, if you want to stay alive, then you'll just have to do it.

Since then, I have experienced three generations of dialysis machines. The first models looked like washing machines. Nowadays, they remind me more of stereo systems.

Over the years, treatment has continually improved and doesn't take as long anymore. For example, in the past, kidney patients with anemia were given blood transfusions – a very unpleasant experience. Today, luckily, anemia can be treated with medicine.

Dialysis has kept me alive. People on the street can't even see that I am suffering from this illness. I can go shopping, get dressed up, visit friends – just like everyone else. I even run a mobile dog-grooming salon. I drive to my customers' homes and, if I'm not feeling too well, then they come to me. A few years ago, I even groomed Dr. Lazarus' poodles. They were really lovely animals.

DOCTOR

DR. J. MICHAEL LAZARUS
Former Chief Medical Officer
at Fresenius Medical Care North America,
Boston, USA

When I was teaching at Harvard University back in the 1970s, there were only three large dialysis clinics in the U.S. In Harvard, we treated 50 patients and a dialysis session took six hours. The machines were very basic and I'm afraid I have to say that treatment entailed an almost unreasonable level of stress for the patients. However, back then, there was no alternative and at the end of the day, the quality of therapy could only be measured by whether a patient survived or not.

Today in the U.S., more than 20 national quality standards apply. These parameters, various blood counts for example, allow clear statements to be made about the success of the treatment. They are the reason why patients like Linda Clark can still lead an active life after more than two decades of dialysis.

When Linda Clark received her first dialysis treatment in the mid-80s, the dialysis provider National Medical Care, which is now part of Fresenius Medical Care, and the U.S. Department of Health had just started to develop these quality standards. And we scientists established the first basic findings on medical correlations, for example, what potassium, magnesium, phosphate or urea concentrations in the blood correlate with a positive state of health in the patient.

The standards developed back then are continually being adapted to new findings. The government will now also use them as part of the new reimbursement system in the U.S. in order to calculate the level of reimbursement based on the quality of the treatment. We achieve these quality standards with 96% of our patients, that's top ranking in our industry. According to the latest internal survey we conducted in October 2010, 93% of our patients described our treatment as "excellent" or "good".

"According to the last internal survey we conducted, 93% of our patients described our treatment as 'excellent' or 'good'."

"Over the many years that I have been coming to the clinic, I have sort of become a second mother to all the other patients and nurses."

Восток–Запад вместе

[vostok zapad vmeste]

THE EAST-WEST CONNECTION

FEATURE & INTERVIEW

How does a dialysis company based in Germany manage to achieve success in Russia – a market so vast that it encompasses eleven time zones and in which conditions vary significantly from region to region? For Fresenius Medical Care, the answer is obvious: It takes a pioneering spirit, long-term commitment, intercultural expertise and the conviction that there is hardly any investment more worthwhile than the transfer of knowledge.

When Dr. Aleksey Myagkov was studying medicine in Moscow in the 1980s, a certain "SGD-8" attained fame in Soviet dialysis. You could even say it was infamous. Dr. Myagkov's smile is slightly bitter as he utters the name again today, three decades later. "This abbreviation was not a code name or a secret agent along the lines of 007," he explains, "but a dialysis machine built in the Soviet Union." Dr. Myagkov describes the machine as "frustratingly robust". It never worked well, but it always worked. It simply never broke down. Yet the authorities lacked the money to buy new, better dialysis machines. "The old equipment still works," the administration would say.

Первопроходцы

[pervoprokhodtsy] *Pioneers*

"FRESENIUS MEDICAL CARE WAS ONE OF THE FIRST FOREIGN COMPANIES TO FOUND A JOINT VENTURE IN RUSSIA IN THE DAYS OF THE SOVIET UNION. WE WERE REAL PIONEERS BACK THEN."

Aleksey Myagkov tells us this anecdote with a slight shake of the head. He has experienced Perestroika, an attempted coup d'etat, the collapse of the Soviet Union as a superpower, wars and wild inflation. He himself also contributed to a few – albeit far less widely known – chapters of Russian history: In 1988, as head of the dialysis unit of Moscow's Municipal Hospital № 7, he initiated the first USSR state order to be placed with Fresenius Medical Care. It was agreed that the Company would deliver several dozen machines. Finally, the tough old SGD-8 was being replaced, something that would have been inconceivable only a couple of years earlier. But all that is history. Today, he is the managing director of the Russian subsidiary of Fresenius Medical Care in Moscow. He is sitting in a conference room in the Company's offices. His hair might be slightly grayer than it was then, but his blue eyes still have a youthful shine to them. Before him, on the conference table, lie a smartphone and a trendy iPad, witnesses to how times have changed since the SGD-8.

Fresenius Medical Care was one of the first foreign companies to found a joint venture in Russia in the days of the Soviet Union, in 1990, in cooperation with a hospital in Moscow. "We were real pioneers back then," Myagkov says with a certain pride in his voice. Fresenius Medical Care has since acquired all shares in the subsidiary, which is now market leader in Russia in the field of dialysis products. The pioneering spirit has not flagged since that time. "In recent years, Russia's society and economy have again changed fundamentally," Myagkov says. "Even five years ago, it would have been completely unthinkable for a private company to open a dialysis clinic in Russia."

—— *For more on this subject, see the interview with Dominik Wehner on page 38.*

Today, Fresenius Medical Care operates ten dialysis clinics treating more than 2,000 patients. In addition, the Company opened a production site in Russia in 2008. In the city of Izhevsk, the capital of the Udmurt Republic, approximately 1,100 kilometers east of Moscow, peritoneal dialysis solutions are manufactured for the Russian market.

"The Russian market" is a term that almost seems too modest in view of the dimensions involved. From west to east, Russia spans eleven time zones and some 9,000 kilometers. The country is heading for the future at breakneck speed – yet at the same time large areas of it have not even caught up with the present day. In Moscow, old men and women step onto rickety trolley buses crawling slowly through the Moscow traffic jams, while black limousines with flashing lights race past them on the central lane.

The Russian subsidiary of Fresenius Medical Care is slightly outside the center, and away from the traffic jams. Above the building entrance, the Company's name is inscribed in Latin and Cyrillic letters. Dr. Aleksey Myagkov has been working here for 20 years. The Company has continued to grow and invest, even in periods of economic crisis and political instability. No personnel has been dismissed. Instead, the Company has penetrated new markets and expanded. "We have been able to continuously boost our market share in the past. This long-term investment in the location was also good for our reputation in Russian society," Myagkov says today. "It created trust."

Fresenius Medical Care has gradually expanded its business in Russia over the last three decades from a mere equipment distributor to a clinic operator and manufacturer. In Ulyanovsk, 700 kilometers east of Moscow, the first clinic for around 330 patients was built in 2008. In the same year, the Russian production site in Izhevsk started operations. The estimated quantity at the time of 600,000 bags of manufactured solution for peritoneal dialysis was raised to 900,000 in 2010. In future, the plan is to increase this capacity to more than three million units annually.

Of course, these success stories brought with them a number of challenges at first. "One problem is the public health budget, which is often limited," Myagkov says. The situation is much as it was during the days of the notorious SGD-8, and does not differ from that in many other countries around the world. "Doctors and politicians want our products and clinics because they are known for their good quality," Myagkov says. "But the question is always what resources are available to clinic management for purchasing products, or to regional administrations for reimbursing dialysis services in our clinics." That's

1

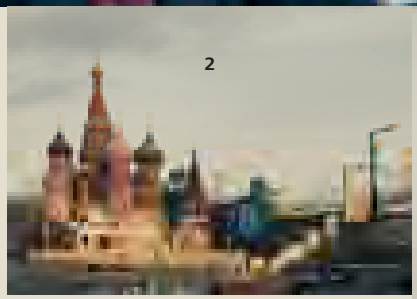
Dr. Aleksey Myagkov, managing director at Fresenius Medical Care in Russia, has been working for the Company for around 20 years.

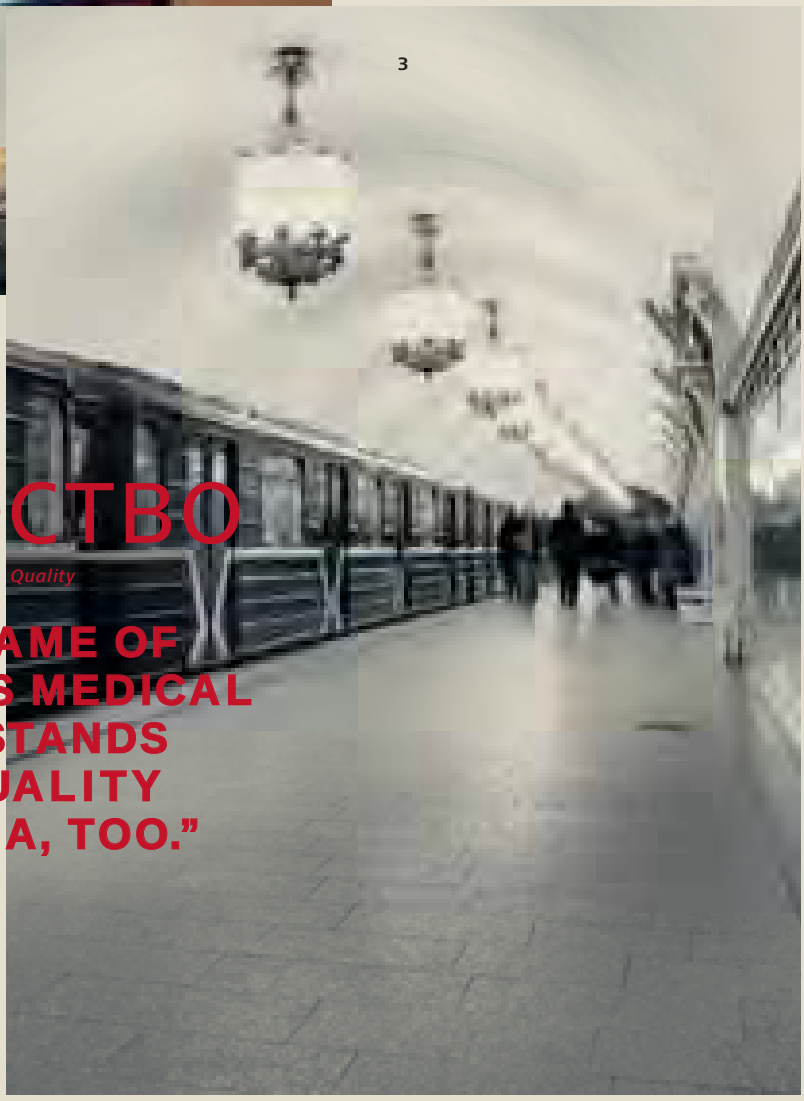
2

In Moscow, the Russian subsidiary started out as a joint venture with a hospital in 1990. Fresenius Medical Care now owns all of the shares.

3

The Russian subsidiary's headquarters are still based in Moscow. From here, Fresenius Medical Care has gradually expanded its business in the country.





Качество

[kachestvo] *Quality*

"THE NAME OF FRESENIUS MEDICAL CARE STANDS FOR QUALITY IN RUSSIA, TOO."

a question which is all the more difficult to answer because Russia's regional administrations and social systems still vary substantially in terms of their development and infrastructure. For example, there are still no consistent national reimbursement regulations for dialysis. In some provinces, the funds come from the national health insurance system, and in others from the federal government coffers. "That's why we always adapt our business model to the local conditions," Myagkov explains.

In 2011, dialysis treatments in private clinics are to be reimbursed by public health insurance nationwide for the first time. Myagkov calls this "a major step". Nevertheless, the country is still a long way from having truly national dialysis standards. "Trust and strong partnerships will continue to matter locally. We must convince those responsible in the different regions of our quality, experience and reliability, and develop sustainable models together," Myagkov says. In Russia, Fresenius Medical Care wants to expand its number of clinics in particular. "However, this will take some time under the current conditions," he stresses.

Открытость

[otkrytost] *Candor*

"RUSSIANS ARE MORE RELATIONSHIP-ORIENTED, EVEN WHEN THEY DO BUSINESS: THEY RELY ON THEIR OVERALL IMPRESSION OF A PERSON. CANDOR, WARMTH – THESE ARE CRUCIAL VALUES IN BUSINESS."

Every time Fresenius Medical Care acquires or opens a dialysis clinic within Russia's vast expanses, staff from the Fresenius Medical Care headquarters in Bad Homburg, Germany, are also involved. They inspect and approve the acquisitions and new buildings and consolidate the financial and medical quality control of all clinics from Moscow to Ulyanovsk and Krasnodar. Responsibility for the Russian business lies with the Bad Homburg-based sales department for Russian-speaking Eastern European countries. This includes the Russian Federation as well as the CIS countries (Commonwealth of Independent States), such as the Ukraine, Belarus or Usbekistan, and is assigned to the EEMEA (Eastern Europe, Middle East, Africa) region. "The term 'sales' doesn't really quite fit anymore, however," says Christina Winter, who has been with Fresenius Medical Care in Bad Homburg for 15 years and has headed the department for the last five years. "Because nowadays, it involves so much more than just selling products as we did at the beginning. In addition to the strategic and financial management of the existing business, we are also responsible for setting up new sales structures and business areas. For example, we decide if we want to work together with distributors in the product business or establish our own subsidiary, and whether to develop a dialysis service business in a region. In doing so, we essentially define the general strategy for the business. Our Russian colleagues then have full responsibility for local management." Furthermore, it is one of her team's tasks, she adds, to ensure that the Company's business philosophy is clearly recognizable at each location and "that we make our expertise and knowledge available to all employees".

Since her schooldays, Christina Winter has been fascinated by Russia, its size and its history. Her high school was the only one in her home town of Frankfurt/Main to offer Russian as a third foreign language. The lessons gave her an insight into a culture that was completely unfamiliar to her, at a very unusual time – during the Cold War. This paved the way for her present job. When she started out on her career as sales officer responsible for the Ukraine and Belarus at Fresenius Medical Care 15 years ago, she was enthusiastic about the Company's internationality from the start: "You could hear a different language coming from every office. The fact that the business outside Germany's borders was also handled by staff who were either from the respective country or fluent in that language, was a concept of customer relations I had never experienced before." She immediately started to improve her knowledge of Russian. "My language skills were pretty rudimentary at first, but business partners and colleagues still praised me warmly for my efforts." On one of her first business trips to the Ukraine, it became clear to her how important knowledge of the language was to gain effective access to the region, its people and ultimately its markets as well. She was on a train travelling from Kiev to Ivano-Frankovsk with a professor of medicine, one of the leading transplant surgeons in the country. After struggling to converse with the professor in her best Russian, he suddenly began reciting Schiller's famous poem "The Song of the Bell" – in German. The ice had broken.

"Business is conducted differently in the Russian-speaking world to Germany or the Western world in general," Christina Winter says. "We Germans are focused on facts: In meetings, we get straight to the point, we like set rules, fixed schedules, procedures. When in doubt, a contract is worth more than any previous verbal agreements. And we often criticize very directly. By contrast, Russians or Ukrainians are more relationship-oriented, even when doing business: They rely on their overall impression of a person – and when they get the feeling someone can be trusted, then the basis for a working relationship is established." Warmth, candor, long-lasting personal contacts are crucial values in business, as are spontaneity and flexibility. Paper is just paper, so the spoken word is at least as important as a schedule or contract. And criticism is expressed indirectly, if at all – therefore the ability to read between the lines is an indispensible quality.

Anyone open to this business style can win the Russians' hearts. "But you have to prove to them that their trust is justified in the long term through a consistently good performance," Christina Winter adds. That requires a thorough understanding of the other culture and a willingness to compromise. She gives an example: "I always tell my staff that they should not sort out

4

Надёжность

[nadezhnost] *Reliability*

"STRONG PARTNERSHIPS WILL CONTINUE TO MATTER LOCALLY. WE MUST CONVINCE THOSE RESPONSIBLE IN THE DIFFERENT REGIONS OF OUR QUALITY AND RELIABILITY."

4

Christina Winter has been working at Fresenius Medical Care in Bad Homburg for 15 years. She has been responsible for the Company's business in Russian-speaking countries since starting her career, now as head of department.

5

5

Fresenius Medical Care's headquarters in Bad Homburg in Hesse, Germany, defines the general strategy for the Russian business. Local management is the responsibility of Russian colleagues.

Культура

[kultura] *Culture*

"SUCCESSFUL COOPERATION REQUIRES AN UNDERSTANDING OF THE OTHER'S CULTURE AND BEING WILLING TO COMPROMISE."

6

6

Dr. Aleksey Myagkov, Christina Winter and Professor Konstantin Gurevich (from left to right) have been working together closely for many years. The fact that their mutual business language is Russian helps make their teamwork so successful.

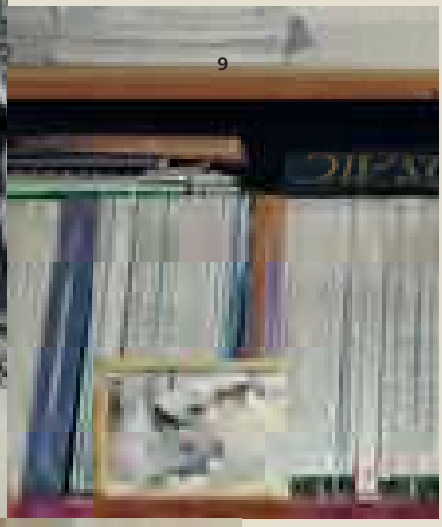
7

Professor Konstantin Gurevich, medical director of Fresenius Medical Care in Russia, at the Medical Academy for Postgraduate Studies in St. Petersburg, where he is also head of the nephrology department.

7

8

The Medical Academy for Postgraduate Studies in St. Petersburg was founded in the 19th century at the order of the czar. Today, doctors and nurses from all over Russia are trained here.



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The photographs in Professor Gurevich's office attest to an eventful life. As a student, he was acquainted with one of the most renowned doctors in the country. Today he himself is a well-known nephrologist and an authority in his field.

10

Professor Gurevich leads the dialysis training sessions for Fresenius Medical Care's doctors and nurses. It's also important to him that he is there for his employees at all times.

Опыт

[opyt] *Experience*

"EXPERIENCE IS THERE TO BE PASSED ON."

important issues in Russia by e-mail. That's far too impersonal. I tell them: Pick up the phone! Then the other person can hear your voice, get to know you, then you can avoid misunderstandings or do away with them straight away." Christina Winter points out that all of the employees in her department either already speak Russian or are learning it. "Voluntarily – and they are very motivated," she states with pride.

Apart from intercultural sensitivity, she also cites the ongoing transfer of expertise as a further major reason why the Company is now the market leader in Russia. From the outset, the Company placed great importance not only on introducing its products to the country and the region, but also communicating its medical and technological know-how in all matters related to dialysis. "We train the doctors and dialysis nurses in our clinics according to Western standards and make sure that they are able to participate regularly in scientific events and forums, such as the conferences organized by the Russian Dialysis Society," Christina Winter explains. "Our customers and the patients are thoroughly trained in handling our products. We organize and support professional conferences in Russia with international nephrology experts – including simultaneous interpretation into Russian, of course," says Christina Winter. Many Russian and Eastern European physicians would find it difficult to follow the lectures held in English. For many doctors, events such as these are the only opportunity for professional exchange with colleagues from abroad or other parts of Russia.

Лидер рынка

[lider rynka] *Market leader*

"APART FROM INTERCULTURAL SENSITIVITY, THE ONGOING TRANSFER OF KNOW-HOW IS A FURTHER MAJOR REASON WHY WE ARE NOW THE MARKET LEADER IN RUSSIA."

Perhaps the most important hub for the transfer of knowledge and expertise in Eastern Europe for Fresenius Medical Care is the Medical Academy for Postgraduate Studies in St. Petersburg. This venerable institution was founded in the 19th century by order of the czar. Today, the worn linoleum floors of its affiliated clinic reflect the flickering light of old neon light tubes. Nurses, patients and visitors hurry through the labyrinthine corridors. As if from another world, a priest suddenly steps out of one of the rooms into the corridor with a dignified demeanor. The gold webbing on his heavy brocade train has an almost mystical glow. "Amen – and God bless you," he hums in a Russian singsong. The old man with his white bushy beard blesses people in the corridor with holy water, accompanied by his sustained murmuring. The air is filled with incense and the world seems to come to a halt for a moment. The people pause in contemplation, cross themselves, some kneel, some receive his blessing and then continue on their way with x-rays under their arm or pushing hospital beds in front of them. Old women with crooked backs lug enormous cooking pots. The scent of fresh piroshki, a Russian national dish, dispels the incense for a while, and then it simply smells of hospital again.

Доверие

[doveriye] *Trust*

"WE HAVE BEEN ABLE TO CONTINUOUSLY BOOST OUR MARKET SHARE IN THE PAST. THIS LONG TERM INVESTMENT IN THE LOCATION WAS ALSO GOOD FOR OUR REPUTATION. IT CREATED TRUST."

Aleksey Vaganov-Panikarovski knows these corridors, the nurses, the doctors – and also the clinic priest. He works in the sales division of Fresenius Medical Care. "In my job, hospitals are the most important place, because it is the attending physicians whom we must convince of the quality of our products," Vaganov-Panikarovski says. He studied medicine and psychiatry, and is familiar with the corridors of all the hospitals in this city and its surroundings. "Chief physicians are highly respected in Russia," he explains. This makes it all the more important that he is convincing on a personal level first and foremost. "A doctor will invite me into his office, and we first talk at length about the weather and our families – and when we have got to know each other and sized each other up a bit, then we go on to discuss business matters," he reveals.

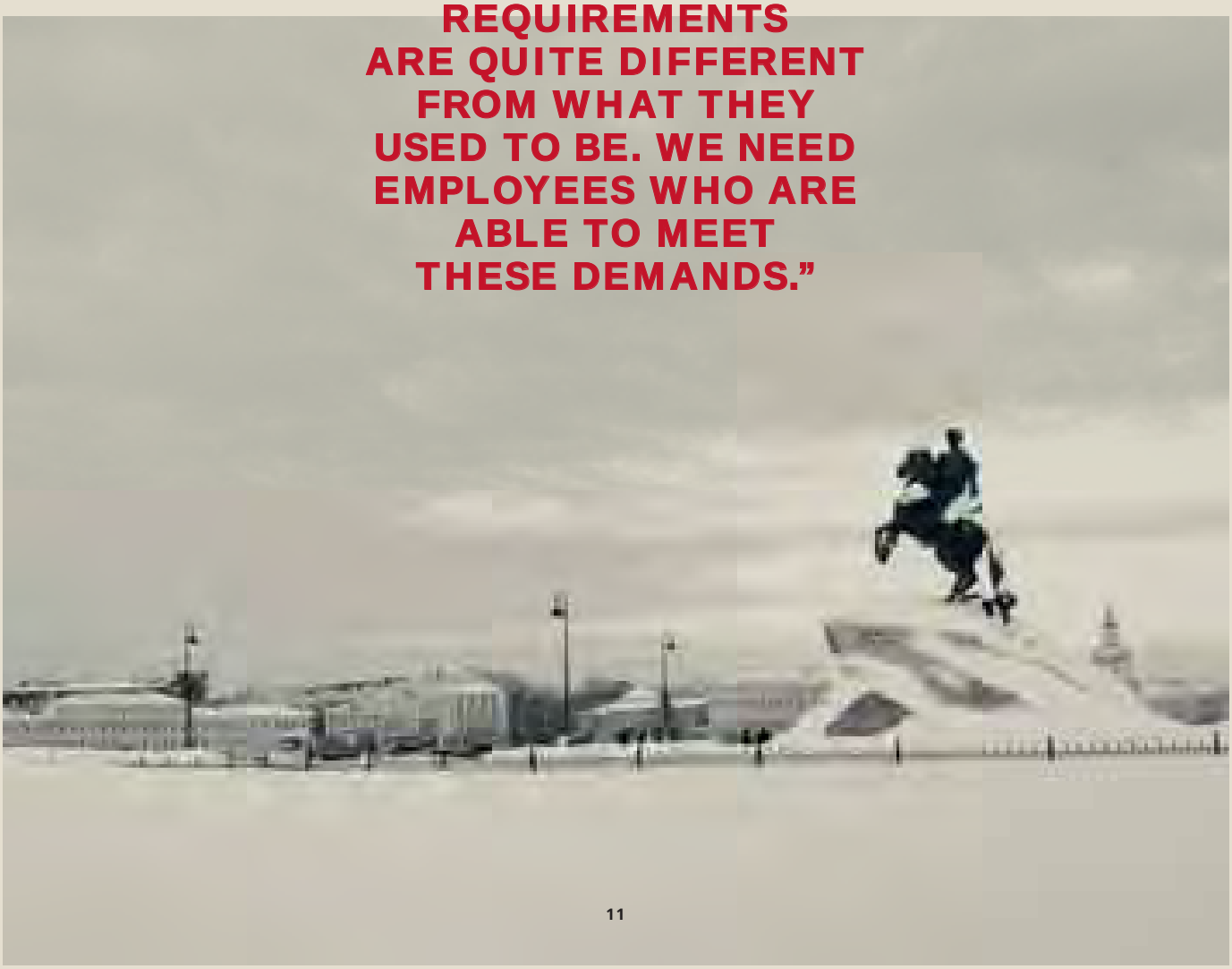
A cramped elevator jerks upwards. Aleksey Vaganov-Panikarovski leans against the back wall. Black buttons peer out of a lopsided control panel next to him and a small lamp gives off a weak light. The elevator door opens on the top floor. Vaganov-Panikarovski shows us the way along a corridor under a sloping roof. He stops in front of a white wooden door, softly presses down the handle and puts his head into the room. Inside, doctors in white coats are sitting in a lecture theater, listening to a man speaking animatedly to his audience. Professor Konstantin Gurevich is one of the leading dialysis experts in Russia, as well as being medical director of Fresenius Medical Care in this country. He signals to us to wait for another five minutes and take a seat in his office.

Professor Konstantin Gurevich is a cordial man. He welcomes all visitors, colleagues and students alike, with the same warm smile. He proudly wears his white coat as if it was full military dress. Underneath it, his suit and tie are immaculately arranged. He has played a part in shaping Fresenius Medical Care's success in Russia for many years. In the past, as a practicing physician,

Требования

[trebovaniya] *Requirements*

“THE PROFESSIONAL REQUIREMENTS ARE QUITE DIFFERENT FROM WHAT THEY USED TO BE. WE NEED EMPLOYEES WHO ARE ABLE TO MEET THESE DEMANDS.”



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— 11 —

The most important hub for the transfer of knowledge in Eastern Europe for Fresenius Medical Care is the Russian city of St. Petersburg. This is where the Company’s doctors and dialysis nurses receive further training.

he advocated the use of Fresenius Medical Care's high-quality equipment in the hospitals under his responsibility. Now his job is primarily to ensure that Fresenius Medical Care's employees in Russia and other Eastern European countries also have access to the Company's expertise and knowledge. Gurevich is in charge of the nephrology department at the Medical Academy for Postgraduate Studies and in the hospitals it manages. He is responsible for training physicians and nurses from all parts of Russia. Doctors also come from the former Soviet republics to bring their knowledge in the area of dialysis and nephrology up to date. Some of his lectures are public, but others are reserved for Fresenius Medical Care employees.

Hoy-xay

[nou-khau] *Knowledge*

"MY GOAL IS THAT A DIALYSIS NURSE IN ULYANOVSK CAN ACQUIRE THE SAME KNOWLEDGE AS SOMEONE WHO WORKS IN BERLIN OR NEW YORK."

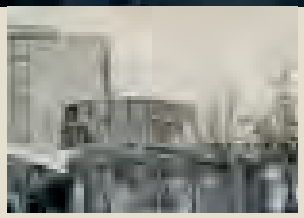
Professor Gurevich places white porcelain tableware decorated with red flowers on his desk. He serves us tea and confectionery from boxes bearing greetings from colleagues, patients or students. His bookcase holds an old framed photograph showing Gurevich as a medical student during an operation. "The man next to me was one of the most famous surgeons in Russia at the time," he says, smiling. Gurevich now knows almost all the renowned physicians in Russia and the bordering republics.

Here in St. Petersburg, Gurevich trains all the doctors and nurses who work for Fresenius Medical Care. "My goal is to enable a dialysis nurse in Ulyanovsk to benefit from the same experience and acquire the same knowledge as someone who works in Berlin or New York," he explains. Gurevich is responsible for all of Fresenius Medical Care's dialysis clinics throughout Russia, which he supervises from his office in St. Petersburg – and it is from here that he has access to the clinical treatment data of all centers. Every Tuesday, he holds a phone conference which all of the Company's clinics in the country can join. In it, the clinics' medical results are discussed. With particularly difficult medical cases, they also debate how to best tailor treatment to the needs of the patients. "But ultimately, I am here for all of our employees, to answer their questions, every day and all day," Gurevich says in an authoritative and fatherly way.

He also frequently travels across climate and time zones to the more remote corners of this gigantic country, to get a first-hand impression on location. He has managed this workload for many years. As a young doctor, he was in the war in Afghanistan, and also in Vietnam. "I have seen a lot," Gurevich says, and one can only guess at what lies behind such a statement. Perhaps that is why this man is so full of zest for life and action. He still has one major ambition: to set up his own training institute, an academy for the employees of all Fresenius Medical Care clinics in Russia. Until then, the Company will have to rely on the state certificates awarded by the academy in St. Petersburg. Gurevich is working on obtaining this state certification for a future Fresenius Medical Care Academy. "This would allow us to pass on our expertise to a much greater extent than we can so far," Gurevich believes. He hopes to be able to open his academy in 2012 at the latest.

Managing director Aleksey Myagkov considers these efforts to train and educate Russian employees to be very important. "So much is changing in this country and the professional requirements are quite different from what they were a few years ago. We need employees who are able to meet these demands," Myagkov says. To spread a company's philosophy, the employees must also be able to experience it. This is why almost all Fresenius Medical Care's Russian employees visit the headquarters of the parent company in Bad Homburg at least once. Managers such as Dr. Myagkov or Professor Gurevich come here regularly for an annual conference. Then their German colleagues like Christina Winter have abundant opportunities to speak Russian with them.

"WE HAVE THE RIGHT STRATEGY."



DOMINIK WEHNER

As Senior Vice President within the International segment of Fresenius Medical Care, Dominik Wehner is responsible for the EEMEA region (Eastern Europe, Middle East, Africa) among other things, and thus for a large portion of the Company's Eastern European business. From 1997 to 1999, he was managing director of the Fresenius S.P. subsidiary in Russia. Wehner has a business degree and speaks fluent Russian. As a student, he travelled in the Caucasus region, and studied in Moscow for one semester.

Dominik Wehner, responsible for the majority of Fresenius Medical Care's business in Eastern Europe, on the Company's strategy in the region in general and Russia in particular – and why the Group headquarters in Germany can define a strategy for growth in these countries, but never replace the expertise of the employees who live and work there.

Mr. Wehner, Eastern Europe encompasses countries from Bulgaria to Poland, Romania, Ukraine and even Russia with a huge cultural diversity – is it possible to talk about a single Eastern European market at all?

Of course, we have varied political systems in Eastern Europe; some countries are in the EU, others aren't – Eastern Europe is something different in each country. But in general, for us as a company, it is an attractive growth region with a lot of things happening, and not just since Perestroika.

What market potential do you see in Russia in particular?

In addition to macroeconomic factors such as a country's per-capita income and gross domestic product, and how much the health system contributes to this, as a dialysis company we also define the potential of a market using what we call prevalence. This is the number of dialysis patients per million inhabitants. In Russia, prevalence is still only around a quarter of what it is in Poland, and a sixth of what it is in Germany. But the emphasis is on "still": Because this number doesn't mean that fewer people in Russia suffer from chronic kidney failure. What it shows is that access to treatment is still very restricted. Quite simply, there is no sufficient infrastructure in place for patients yet, which means that there is plenty for a company like us to do. Nevertheless, we can't just go there and start working right away.

Why not?

In any market, as a provider of medical services we first have to ask ourselves a basic question: Is a private company like Fresenius Medical Care permitted to operate dialysis centers there at all, and under what conditions? The answer depends to a large extent on the country's health system and legal framework. And when we look at a country like Russia, a former socialist state, still with a centralized government, without homogenous national standards for the quality and reimbursement of dialysis services, and with many health policies left over from the socialist era, other, more elementary questions come to the fore. Because of the country's history, people tend to view the state as being the primary provider of health care services, more so than in the west, and often only trust the state to carry out this role. Private health companies like us often have to overcome initial suspicions: Are they just here to get rich quickly at the cost of patients? So first we have to build trust and prove that we're here to stay. And that our expertise in dialysis can help to improve the quality and efficiency of the health system in the long term.

How do you go about convincing people of this?

To begin with, we benefit greatly from the good reputation of Fresenius Medical Care and its products. Our name stands for high quality in dialysis patient care. Secondly, we can prove that we're interested in a long-term commitment. During the 1998 financial crisis, when most foreign investors pulled out of Russia, we stayed. That made a very positive impression on our partners

there, as is evident from the growth in our market share for dialysis products by over 10% between 1998 and 2000 alone. Today, we are the undisputed market leader.

Will there be more private dialysis centers in Russia in the future?
Yes, we see a clear trend. Although it has perhaps taken longer to get started than in other countries. In Poland, over half of dialysis patients are treated by private providers and in Slovakia the figure is over 90%, while in Russia it's only about a fifth. For the last two years, Fresenius Medical Care has been investing heavily in building and expanding its own dialysis centers. In 2010, we doubled the number of our clinics by acquiring five centers in the Krasnodar region. Currently, we treat over 2,000 patients in Russia. However, because there is no system in place to coordinate private dialysis service provision at the federal level, the conditions differ greatly from region to region. But we are convinced – and our success goes to prove this – that our strategy will help us succeed in what we consider to be a very attractive growth market.

And what is this strategy?
It includes several key elements: our credible long-term commitment I already mentioned, the high quality of our products and services, our flexibility that allows us to adapt our offerings to different conditions, and a local approach, in other words trusting our people on the ground. They see the reality of Russia with Russian eyes, far from all the clichés that so often prevail in the west, and without the distorted picture that the media in Germany and other countries so often portray. Our Russian colleagues know the local situation best, and that knowledge is irreplaceable. Thanks to all this, the regional health care authorities and the state health insurance in Russia see us more and more as a preferred partner and conclude contracts with us to provide patient care. Our services are flexible, based on a modular principle. We offer packages that customers can add or subtract individual services to or from, such as lab testing or patient transport to clinics, depending on the regional needs. We only have one condition: We never compromise on quality.

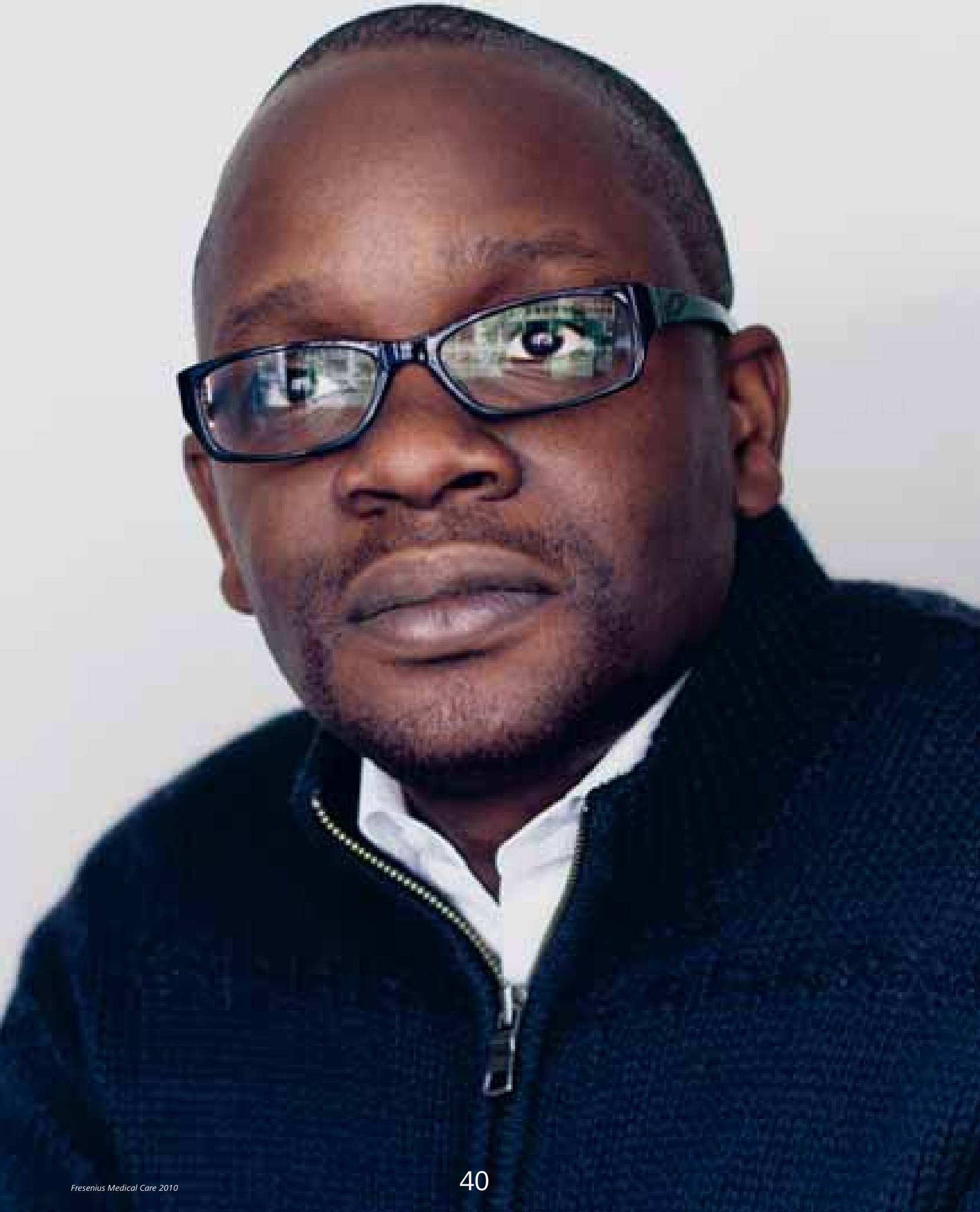
How do you keep track of all the many countries, regional models, and political systems from faraway Bad Homburg?
For one thing, as I already mentioned, we rely on the expertise of our local colleagues. For another, we have Company-wide instruments in place that ensure the quality of our services in Eastern Europe and beyond, whether in Portugal, Poland, South Africa or Russia. For example, to measure the medical quality of our therapies, we use a data management system that is unique in our industry. The challenge is to train all of our employees to understand, use, and evaluate these instruments. That's why we put so much effort in personnel development and knowledge transfer.

Where will the Company's focus in Eastern Europe be in future – services or product sales?
We're a vertically integrated dialysis company that offers both products and services very successfully, so it's hard for us to think in either-or categories. Especially since we are seeing that comprehensive solutions for patient care that combine both products and services are increasingly in demand. So I would prefer to answer from a different perspective: The patient always comes first. With our know-how, investments, and offerings, we can contribute to ensuring that more patients in Eastern European countries have access to treatment in the first place, and that this treatment is at a consistently high level of quality. That creates a win-win-win situation, for patients, Fresenius Medical Care, and ultimately for society. We're working towards making this approach our trademark in Russia.

Your company made a major investment at the beginning of 2011 by acquiring the clinic business of Euromedic for € 485 M.
It takes investments of this magnitude to enable us to continue growing in Eastern Europe. Once the local antitrust authorities have approved the transaction, Fresenius Medical Care will have over 70 additional dialysis clinics in the region, primarily in Russia, Poland, Romania, Turkey, and in the Balkans.

Fresenius Medical Care is now also producing peritoneal dialysis solution in Russia. Could local production become a third pillar of your Eastern European business, alongside product sales and services?
We're looking at this closely. Vladimir Putin recently said that Russia needs to become more Russian again. He called for more products to be manufactured in Russia, including medical products. Naturally that could mean an opportunity for us to expand local production.

Wouldn't that mean giving up your "Made in Germany" selling proposition?
As a worldwide company, this is becoming less and less important. The bag systems filled with PD solution that we produce in Russia are identical in quality and design to the ones we make in Germany. On the contrary, we are delighted that we have been able to establish "Made by Fresenius Medical Care" as a mark of quality in Russia.



A MAN FOR EMERGEN-CIES

SANTO DOMINGO
DOMINICAN REPUBLIC
Dialysis supplies from Fresenius Medical Care on their way to Haiti.

Dr. Babajide (pronounced ba-ba-ji-day) Salako is responsible at Fresenius Medical Care for handling natural disasters and pandemics.

It is a hot day and the humid tropical air lies heavy and inert on the airport landing strip in Santo Domingo, the capital of the Dominican Republic. Just a few days earlier and no farther than 1,000 kilometers away from Miami, Florida, the earth had shaken, plunging the Caribbean country of Haiti into a profound tragedy. Now, in the glimmering midday heat, aircraft are touching down on the runway, one a minute. But instead of the usual tourists, they are bringing relief supplies from around the world.

The airport's depots are bursting at the seams: Everywhere there are boxes and containers, and in the midst of them all rescue workers. Dr. Babajide Salako makes his way through the crowds of sweating people frantically running around. At his side a customs official. They rush from one depot to the other. For some time now, they have been wandering down the rows of meter-high shelves, studying the shipping labels on the containers, giving each other puzzled looks and shaking their heads.

Salako landed here yesterday on board an airplane carrying dialysis machines, bloodlines, dialyzers and drugs to the crisis region – approximately twelve tons of dialysis equipment in total, which he had managed to put together within the space of just a few days with the help of several Fresenius Medical Care employees in the U.S. He had tracked down the charter plane in Florida, at a time when the media was reporting that there was a lack of airplanes to transport the many relief consignments to Haiti. He then flew to Santo Domingo with the supplies donated by Fresenius Medical Care in the freight hold to make sure that they reached the "Doctors Without Borders" organization in Haiti. And now it seemed that these supplies had vanished without a trace.

POWERLESSNESS AND HELPLESSNESS

In hindsight, it seems almost inevitable that Babajide Salako should have become responsible at Fresenius Medical Care for handling natural disasters and pandemics. After all, he grew up with crises of this type.

In Nigeria, where the rivers near Ibadan, the place he was born, regularly flooded whole villages, he experienced as a child the powerlessness and helplessness of the authorities. Salako believes that this chaos is the reason why he feels so passionate about planning today. Even as a teenager he would watch news of natural disasters around the world on television. Not out of curiosity but rather out of a serious interest in how people dealt with them. "Even back then I had the impression that the tragedy didn't only lie in the natural disasters themselves but also in the unsatisfactory manner in which people prepared for them," he says today. Salako works in the offices of Fresenius Medical Care in Washington, D.C. He speaks in a very quiet voice, almost as if he is deliberately trying to remain calm in view of the devastating topic. But his hands moving constantly back and forth from coffee mug to smart phone reveal his agitation deep down inside. Time and again, he stands up to get himself more coffee or a piece of paper, or apologizes for having to take an important phone call.

TOO LITTLE TIME

Babajide Salako was also sitting in his Washington office when the International Society of Nephrology's renal disaster relief task force (RDRTF) officially asked Fresenius Medical Care for help in Haiti in January 2010. The fate of sufferers of kidney disease in large-scale disasters rarely makes headline news. They don't appear in television footage. Compared to the total number of victims, the numbers involved are for the most part small, but for these people a situation like the aftermath of the earthquake in Haiti is just as life-threatening as the natural disaster itself. Furthermore, survivors of such a disaster are prone to developing acute renal failure due to crush injuries, and may also need urgent dialysis care to stay alive.

The lives of dialysis patients are dependent on the infrastructure: on clinics with functioning equipment, an intact power supply, ultrapure water and deployable staff. If these clinics are destroyed, dialysis patients can't afford to wait weeks or

> "Fresenius Medical Care is a world market leader. We are the biggest dialysis company by far. In the event of a large-scale disaster, we are often the only ones on site who can come to the aid of dialysis patients. If we don't, nobody will."

even months until the damage has been repaired. Typically they need treatment three times a week.

A lack of infrastructure, an increase in the number of patients and very little time mean only one thing for Babajide Salako: He has to act very quickly in his job.

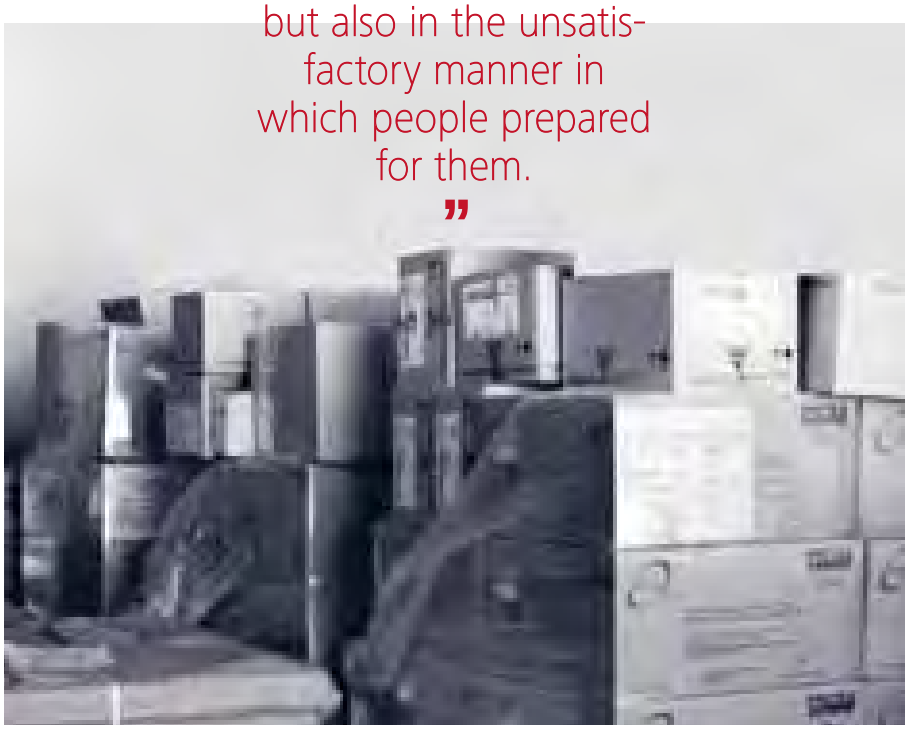
The two large screens on the wall of the conference room in his Washington, D.C. office connect him to the outside world. It was via video link that a colleague from Doctors Without Borders gave his impression of the situation in Haiti back in January 2010. Salako discussed and coordinated the upcoming activities with colleagues and key senior management personnel at Fresenius Medical Care in the U.S. Everyone was aware what needed to be done in such a situation: where to obtain machines, drugs and dialysis accessories; what was needed; where it had to be taken to. Only Salako knows how he was then able to charter an aircraft when many governments and aid organizations were bemoaning the lack of cargo planes.

ALWAYS AFFECTED

A large reinsurance company recorded 950 natural disasters in 2010. 295,000 people lost their lives, economic damage was estimated at $ 137 BN. These figures are the most devastating in the last 25 years. "We are affected by each of these disasters somewhere and somehow," Salako responds almost casually when asked why a functioning crisis management program is so important for the Group. "Fresenius Medical Care is an international company with more than 73,000 employees and an even larger number of patients around the world," he says. Flu viruses, floods, earthquakes, hurricanes or forest fires – all of these always affect at least one dialysis clinic, its staff and patients somewhere in the world.

"But it is not only about our own facilities," says Salako, "Fresenius Medical Care is a world market leader. We are the biggest dialysis company by far. In the event of a large-scale disaster, we are often the only ones on site who can come to the aid of dialysis patients. If we don't, nobody will." Salako talks about the responsibility of the world market leader and its unique experience in the field. After

> "Even back then I had the impression that the tragedy didn't only lie in the natural disasters themselves but also in the unsatisfactory manner in which people prepared for them."



LIFE-SAVING FREIGHT
Fresenius Medical Care donated around twelve tons of dialysis equipment for the care of patients after the devastating earthquake in Haiti.

“What helps me is the fact that I am not a dogmatic person. I have been an immigrant for most of my life. I have lived in Nigeria, England and now in the u.s. In my life, I have seen and experienced a lot of things. This is what nowadays you’d call being flexible.”

all, the Company operates globally, can be on the spot almost anywhere in the event of an emergency, has the regional know-how once there, the necessary infrastructure, personnel and equipment. Add to this the accumulated know-how of the whole organization, enabling it to develop solutions to problems in all areas of dialysis thanks to its network with experts from around the world.

Fresenius Medical Care is well aware of its responsibility. "Here, I can do my job without any limitations," says Salako appreciatively. This also means that, if need be, he can charter an airplane safe in the knowledge that his employer will bear the costs, even though Fresenius Medical Care does not operate any clinics in Haiti.

Of course, Fresenius Medical Care is first and foremost a for-profit company. Bill Numbers, in whose disaster response team Salako is a member, underlines this. "We are not a charity organization," explains Numbers —— *see interview on page 51.* However, there are ways to provide help in a cost-effective manner. It is possible to do what is required with good planning and careful preparation without spending huge amounts of money.

According to Salako, the crisis management program run by Fresenius Medical Care has also gained recognition among experts. In 2010, the Company received an award for its professional crisis management and its exemplary collaboration with external crisis operations from the IAEM, a non-profit organization that campaigns internationally for professional disaster management. In 2010, Babajide Salako was also honored personally for his remarkable commitment in Haiti with a prize from the KCER, the Kidney Community Emergency Response coalition of the U.S. dialysis industry, whose work in Haiti he played a significant role in coordinating.

LEARNING FROM DISASTER

Babajide Salako says this recognition makes him feel "really very proud". It is a confirmation of the great effort made throughout the Company in this area. "Preparing for catastrophes must be an integral part of all corporate processes," he says. "If a disaster occurs anywhere in the world, then we need to have secure processes and structures in place to be able to react as efficiently as possible."

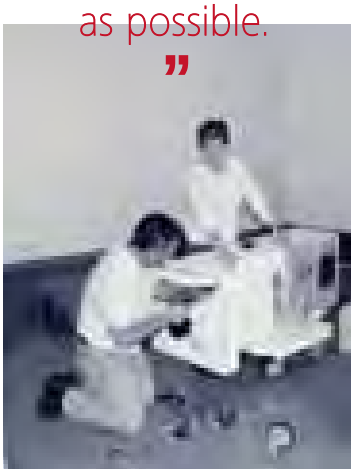
When he is working in his Washington office, he often grabs some paper and a pencil and creates crisis scenarios in which he enacts "what would happen if" situations. From this, programs emerge that eventually reach all departments of Fresenius Medical Care as "corporate global disaster responses". Salako also develops emergency exercises and carries them out, evaluates the results, modifies them and gets both colleagues and patients to practice them. And at some point the exercises also need to prove their worth in a real emergency. "Each exercise can only ever prepare us for one part of the difficulties that can arise in the event of a crisis. So we use the experience of our disaster response team, evaluate the effects for the Company and integrate the findings in the future development of our emergency planning," says Salako.

An example of this is the development of the "Fresenius Town", a self-sufficient mobile tent and trailer village, which came about as a reaction to the experience gained from the hurricanes on the west coast of the U.S., and is now erected as a preventive measure ahead of expected natural disasters such as hurricanes. This emergency accommodation has its own power and water supply, is equipped with an internal communications network and can be used as a substitute clinic if important infrastructure is destroyed. Staff members from other Fresenius Medical Care clinics in the country are released from their regular duties as a precautionary measure and flown in as required. "After Hurricane Katrina, we were the only ones for a while who still had electricity," says Salako. For several days, Fresenius Medical Care also treated patients of other dialysis providers. The fact that this treatment is also reimbursed, thanks to agreements entered into some time ago with the U.S. government, is a further element of this comprehensive crisis management program.

EMERGENCY AID ARRIVES BY CRUISE SHIP

In Santo Domingo, the sun embarks on the final stretch of its daily path, heading

> "Preparing for catastrophes must be an integral part of all corporate processes. If a disaster occurs anywhere in the world, then we need to have secure processes and structures in place to be able to react as efficiently as possible."



THE FINAL STEPS
Team members of a partner organization prepare Fresenius Medical Care dialysis machines for delivery to a hospital in Port-au-Prince, Haiti.

“The recognition we received for our crisis response work last year makes me feel very proud. It is a confirmation of the great effort made throughout the Company in this area.”

“Each exercise can only ever prepare us for one part of the difficulties that can arise in the event of a crisis. So we use the experience of our disaster response team, evaluate the effects for the Company and integrate the findings in the future development of our emergency planning.”

A STRONG SENSE OF COMMITMENT
Babajide Salako is grateful for how his life has turned out. He would like to give something of that back. He has a dream.

> “My way of doing things has always been based on the belief that there is never just one path, but only one goal.”

directly for the horizon. It is already late afternoon and still airplanes are landing at a rate of one per minute. A cool breeze from the coast blows the heat off the airport tarmac. Babajide Salako and the customs officer have finally found Fresenius Medical Care’s supplies. Dr. Rodriguez from Doctors Without Borders is already filling in the customs documents with Salako. He will now take charge of the goods, transport them on to Haiti by ship and hand them out there. The men look tired. They keep their conversation to a minimum. Salako has done his job for the time being. He flies back to the U.S.

A few weeks later, he travels to Haiti to gain a general idea of the situation. A few hours earlier he was sitting in the air-conditioned conference room in Washington, now he is stumbling across a never-ending scene of destruction. Dr. Rodriguez greets him in one of the tents of Doctors Without Borders. The dialysis equipment provided by Fresenius Medical Care is already serving its purpose and is being used to treat patients. Everything else still seems makeshift but Salako is satisfied: Life-sustaining dialysis is assured for a large number of people for the time being.

To ensure that the situation in Haiti continues to improve, Fresenius Medical Care resumed its support over the last few months. For his part, Babajide Salako did what he does best: planning. From his Washington office, he coordinated the provision of dialysis for patients of the hospitals in Port-au-Prince. He also made contact with the U.S. Navy. The navy hospital ship moored off the coast of Haiti is now equipped with dialysis units and acute patients have since been receiving therapy on board. Thanks to Salako’s connections with a tourism company, a number of dialysis machines have also been transported on board the company’s luxury cruise liners to the tour operator’s resorts in Haiti.

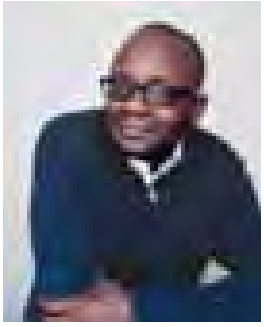
MANY PATHS, ONE GOAL

What do you need to do this job? Salako wipes the table a couple of times with the flat of his hand before answering. “What helps me is the fact that I am not a dogmatic person,” he says. “I have been an immigrant for most of my life. I have lived in Nigeria, England and now in the U.S. In my life, I have seen and experienced a lot of things.” He smiles a little as he says this. “This is what nowadays you’d call being flexible.” For Salako, this means that there is never just one path, but only one goal.

After work, when he puts the disasters and pandemics to the back of his mind, Salako is a passionate reader. He enjoys spending time with his wife, son and two daughters. He likes to cycle. When asked what his hobby is, he gives the question some consideration before answering: “Airplanes. I like to photograph airplanes.”

Once a year, he travels to Nigeria to visit his parents. The childhood he spent here was not your African cliché. His father was a doctor and professor at the university. There was no poverty in his life. He studied in England. Babajide Salako would like to give something of that back. He has a dream: For some years now, he has been meeting on a regular basis with prominent stakeholders in health care from Africa. His great ambition is to set up a modern dialysis infrastructure on the continent and he is pursuing a number of paths to achieve this. “I still have a lot of work to do in educating the population on the existence of diseases such as kidney failure and the possible ways of treating them,” says Salako. He hopes one day that there will be Fresenius Medical Care clinics in his home country of Nigeria, just like there are in the U.S.

Yet, there is one habit that he hasn’t given up even today. Just like when he was a teenager, he still watches news from around the world with interest, especially news about natural disasters – and how people respond to them.



PEACEFUL HAVEN
In his free time, Dr. Salako most enjoys spending time with his family – or reading a book.

Bill Numbers, Vice President of Fresenius Medical Services Operations Support, a division at Fresenius Medical Care North America, is also the "incident commander" for the Company's disaster response team in the U.S.

Was there a special reason for setting up a crisis management program at Fresenius Medical Care North America?
Yes. Eight years ago, one of the largest power outages in the history of the U.S. brought six states to a standstill. This emergency made us realize that we needed a centrally coordinated crisis management program to be able to treat our patients and enable our staff to fulfil their duties even in an emergency situation.

Which weaknesses were brought to light back then?
The main weakness was that up until then, the measures in place locally were not suitable for dealing with a crisis covering a large geographical area. Emergency plans existed back then for individual clinics. However, these are not much help in the event of a power failure across six states at once affecting hundreds of clinics all at the same time. We did manage to get the situation under control and were able to take care of our patients – but only with a significant effort on the part of our staff and at a comparatively high cost. If we had had a centralized crisis plan back then, we would have been faster and more efficient.

What goal has the disaster response team set itself?
First and foremost, it has two tasks: emergency planning and disaster relief operations. In the event of an incident, a particular leadership structure comes into force within our team with precisely defined reporting lines: I myself assume overall responsibility for managing the operation; all other roles are filled by people from the different divisions within the Company.

So all Company divisions are involved in crisis management?
Yes, after all, our main task is to maintain all of the Company's functions. That is why crisis management is part of the operational business of all divisions. For example, when there was the threat of a bird flu pandemic, we conducted a risk assessment of all subdivisions of Fresenius Medical Care North America. Each division, whether communications, finance, management, accounts, clinics, production or sales, developed its own specific emergency plan in the event of such a pandemic according to the guidelines contained in our emergency planning. We also made sure that there were sufficient supplies of protective face masks and antivirals like Tamiflu, which we kept on standby in various distribution points across the country.

How did you choose the members of the disaster response team?
Our emergency command structure is made up of representatives from all departments within the Company. Management staff in the operating business also assume a managerial position in the crisis team. They receive the required training, take part in exercises and involve their employees in emergency planning. We also have so-called "mayors" – specially trained employees who, in the event of a disaster, are in charge of our "Fresenius Towns". There, they ensure that safety and the supply of fuel, food and trailers are maintained.

Does the Company always shoulder the responsibility for such emergencies alone?
In the event of a serious crisis such as a natural disaster, coordination with the authorities and the government is also important. For this purpose, we are part of the KCER, the Kidney Community Emergency Response coalition in the U.S. dialysis industry. It is made up of representatives of patient and professional associations, dialysis providers like ourselves, hospitals and authorities such as the Centers for Medicare and Medicaid Services (CMS), the authorities of the government healthcare program in the U.S. The KCER stays in close contact with government officials and local emergency response teams, which have been set up in the individual municipalities. One of our main activities in crisis management is to help coordinate the work of the KCER.

> "Crisis management is part of our operational business."

For example, we were heavily involved in coordinating the relief operations in Haiti.

Don't these efforts involve huge financial expense? How is that justified?
Thanks to these efforts, we can keep the financial burden caused by disasters as low as possible. You see, with our large network of dialysis clinics, we are almost always affected in the event of a natural catastrophe in one way or another. But if we can manage, as we did during Hurricane Katrina, to care for all our own patients and for some 1,000 additional patients from other dialysis providers because we have taken the correct precautions, then a precisely defined crisis management strategy is the best solution both in economic terms and for the well-being of patients.

AWARD-WINNING WORK
The crisis management program lead by Bill Numbers received a prize in 2010 from the International Association of Emergency Managers (IAEM).

Peritoneal dialysis, like home hemodialysis, is a form of therapy which can give patients more independence and more freedom in shaping their everyday lives. However, we are always there for our patients during this process, as is demonstrated by the example of Rolf Lösch and dialysis nurse Patricia Waiblinger, who advises him about treatment as well as some of the everyday challenges he faces.

IT'S EASIER TOGETHER

"My wife's support makes my day-to-day life a lot easier and always gives me the strength to carry on."

"We talk to each other a lot. Even though my husband carries out his treatment sessions on his own, I want to be there for him as much as I can."

PATIENT

ROLF LÖSCH
Investor Relations Manager at Fresenius SE & Co. KGaA, Bad Homburg, Germany

I work as a manager in the Investor Relations division. In my job, I'm a contact for analysts and investors, I respond to queries and work with others on the various publications for the financial market. During the week, I carry out dialysis treatment twice a day at work: once around noon and again just before I leave. In addition, at home I do one session in the morning after getting up and one just before bedtime.

Each treatment takes around 40 minutes, considerably reducing my daily leisure time. But I'm determined to work full-time, and it's easier for me to do this with peritoneal dialysis than with treatment in a clinic.

When I was at university, the doctors diagnosed inflammation in my kidneys. Its cause was never determined. At the end of my studies, I was in such a bad state that I needed dialysis. Later, I was able to live a normal life again for nine years thanks to a kidney transplant. Back then I worked in the Controlling division and then in Internal Auditing. I had to go on a lot of business trips, including to India and China – I really enjoyed that and I do sometimes miss it. Over the past few years, the donated kidney has deteriorated continually, so I have had to start dialysis therapy again since last year. But I can live with that as it was clear from the start that the donated kidney wouldn't function for the rest of my life.

Since I became ill, I've become much more security-conscious. Things such as career planning and financial security have always been high on my list of priorities. The help I receive from my friends, family and particularly my wife is also very important to me. She supports me and takes lots of things off my hands to free up the time I need for dialysis.

"I always remain a point of contact for patients – and they often need that."

"I used to go on a lot of business trips, including to India and China – I really enjoyed that and I do sometimes miss it."

Peritoneal dialysis
In this type of dialysis, the patient's peritoneum, which is well supplied with blood, is used as a naturally existing filter membrane. The peritoneum lines the entire abdominal cavity. Via a permanently implanted catheter, two to three liters of a dialysis solution are introduced into it several times a day, where they pick up toxic metabolites by osmosis. The fluid is also drained off via the catheter. This method allows patients a lot of flexibility when it comes to scheduling since they do not need to visit a clinic to have treatment, and they are less restricted in what and how much they eat and drink. Peritoneal dialysis requires a high degree of personal responsibility, and in particular a high awareness of hygiene.

NURSE

PATRICIA WAIBLINGER
Specialist Nurse for Nephrology and Training & Education Manager at Fresenius Medical Care, Bad Homburg, Germany

Work and dialysis can often be combined better than you would think. For many years now, I have accompanied patients on their path to independent dialysis. Performing your own treatment does not mean you are alone. With Rolf Lösch, for example, I looked for an appropriate place at work for his dialysis. I wanted him to feel safe and undisturbed.

For me, it is important never to make decisions on behalf of the patients, never to push them. Patients decide where and how they want to dialyze, and they determine the point in time from which they are ready to perform the treatment on their own. I help them with my experience from 20 years in this profession, give recommendations and guidance on aspects that support the success of the therapy, such as hygiene, anatomy and physiology, as well as the handling of PD systems and devices. I also like to get the patient's partner involved. The partner has the closest contact to the patient and can provide a significant amount of support and motivation. I always remain a point of contact for patients – and they often need that since dialysis at work is often a psychological challenge: Having to leave a conference early to carry out a treatment session, and doing this on company premises, makes some patients feel very uncomfortable at first. Others have existential concerns: Will they succeed in managing their workload as well as their healthy colleagues?

I try to sensitize nurses and doctors to the concerns and needs of patients. It is not only about medical issues. The patient is also part of a family, a partner in a relationship or an employee at work. We must support each patient individually – to whatever extent they want and need our help.

In 2010, our employees once again cooperated successfully with the Company's partners to boost the quality of life of our patients all over the world.

THANK YOU

FRESENIUS MEDICAL CARE WOULD LIKE TO THANK ITS PATIENTS, PARTNERS AND SHAREHOLDERS FOR THEIR CONFIDENCE IN OUR COMPANY. WE ALSO THANK ALL OUR EMPLOYEES FOR THEIR DEDICATION AND COMMITMENT IN THE PAST YEAR.

Your Fresenius Medical Care Team

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PUBLISHED BY
Fresenius Medical Care AG & Co. KGaA

EDITORIAL OFFICE
Investor Relations

EDITORIAL DEADLINE
March 11, 2011

CONCEPT AND DESIGN
häfelinger + wagner design, Munich

PHOTOGRAPHY
Matthias Ziegler
David Maupilé (pages 26 – 39)

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