IN TOUCH

IN TOUCH

Annual Report 2009

Fresenius Medical Care

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IN TOUCH

FRESENIUS MEDICAL CARE

Annual Report 2009

AS A VERTICALLY INTE-
GRATED DIALYSIS COMPANY,
FRESENIUS MEDICAL CARE
EMPLOYS ITS PRODUCTS AND
THERAPIES IN ITS OWN CLINICS
AROUND THE WORLD ON A DAILY
BASIS. BEING "IN TOUCH" IS ONE
OF THE UNDERLYING PRINCIPLES
OF OUR BUSINESS MODEL.

BEING IN TOUCH WITH
PATIENTS, NURSES, AND PHYSICIANS
IN OUR WORLDWIDE NETWORK OF
DIALYSIS CENTERS MEANS THAT WE
ALWAYS HAVE THE NEEDS OF OUR
MOST IMPORTANT STAKEHOLDERS IN
MIND AND IT MOTIVATES US TO
CONTINUOUSLY IMPROVE
OUR PORTFOLIO.

BEING IN TOUCH ENABLES US TO CREATE VALUE

OUR RESEARCH AND DEVELOPMENT TEAM IS IN TOUCH WITH COLLEAGUES AT DIFFERENT STAGES ALONG THE VALUE CHAIN, AS WELL AS WITH EXPERTS AND SCIENTISTS IN NEPHROLOGY. THIS HELPS US TO PUT INNOVATIVE IDEAS INTO PRACTICE RELIABLY, EFFICIENTLY AND IN HIGH QUALITY.

BECAUSE OUR INTERNATIONAL COMPANY IS IN TOUCH WITH ITS MARKETS AROUND THE WORLD, WE CAN MAKE THE BEST POSSIBLE USE OF BUSINESS OPPORTUNITIES AND CONTINUE TO GROW.

BEING IN TOUCH ENABLES US TO CREATE VALUE – FOR OUR PATIENTS, CUSTOMERS, PARTNERS AND SHAREHOLDERS, AS WELL AS FOR FRESENIUS MEDICAL CARE AND THE COMPANY'S EMPLOYEES.

VISION OF 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.

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.

1

TO OUR SHAREHOLDERS

MARIEL SOSA

Physical Activity Instructor, Argentina

What makes me feel fully in touch with what I do is realizing that I can really make a difference for the patients. Like when I see how happy they are when they accomplish a new exercise routine for the first time. It's such a good feeling watching them become more confident over time – and knowing that they value our work.

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Bad Homburg, March 2010

DEAR SHAREHOLDERS, PARTNERS, EMPLOYEES AND PATIENTS, LADIES AND GENTLEMEN,

Fresenius Medical Care can look back on a successful year. This is by no means a given in a year that posed problems for many companies.

Of course, the Company also faced a number of operational challenges in the volatile environment of the financial and economic crisis. Despite tentative signs that business is starting to pick up, the consequences of the crisis into which the global economy plunged last year are not fully clear yet. However, the fact that we operate in an industry that is less dependent on overall economic conditions than other sectors means that we have been relatively untouched by the crisis so far, and are not likely to be affected this year either.

Twelve months ago, I promised you that 2009 would be a successful year for Fresenius Medical Care. This conviction that despite the crisis the Company would enjoy a positive year was based on my confidence in our long-term and sustainable strategy, our strong operating business, our innovativeness, and the fact that we have the courage and possibilities to break new ground. I believe that the results achieved go to prove that my trust – and also yours, that of our shareholders – was well-founded.

We fully achieved and in part even surpassed the targets we set ourselves in 2009. I am delighted to inform you that the thirteenth year in Fresenius Medical Care's history was again very successful with record revenue and earnings.

We increased our revenue in 2009 by 6 % to $ 11.2 billion. This positive result is based on our strong organic growth of 8 %. As in the previous years, we managed to grow our net income at a higher rate than revenue to $ 891 million, up 9 %. Furthermore, we were able to improve our net cash flow by over 120 % to $ 777 million and reduce our net debt/EBITDA ratio to below 2.5.

With our clear focus on chronic kidney failure, we have grown faster than the overall dialysis market. This has enabled us to further consolidate our market position, expand our global market share and boost our profitability.

At this point I would like to extend my heartfelt thanks and appreciation for these excellent results to all of our employees around the world. Their performance is certainly not something that is taken for granted; it reflects their enthusiasm, dedication and tireless efforts in driving forward our Company in 2009. Naturally, my compliments also go to my colleagues on the Management Board and the members of the Supervisory Board. I would like to thank them sincerely for their constructive work and mutual trust.

Of course we want to share the Company's success with you, our shareholders. In line with our long-term and profit-oriented dividend policy, we will propose a dividend increase of around 5 % at the Annual General Meeting, bringing it to € 0.61 per ordinary share in 2009. This would be the thirteenth consecutive 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.

As indicated last year, one of the major challenges we face in the future will be adapting to changing reimbursement models in dialysis. Starting in January 2011, a new bundled reimbursement system for dialysis will be introduced in our largest market, the U.S. Our Company has for many years been one of the driving forces in working towards a move of this kind. Much of this year in North America will certainly be taken up with preparing for this structural transformation along with the opportunities and risks that go with it. Here, in particular, we will have to find and explore new paths.

Other than North America, we will be concerning ourselves with regional shifts in economic power, as well as the resulting opportunities and challenges. Emerging nations will drive the growth of the global economy even more than in the past, with both the Middle East and the so-called BRIC states (Brazil, Russia, India, and China) playing a major role. These markets will become more important for our Company, too, in the years to come; we will generate an ever larger part of our growth in these regions in the long term.

In addition to our strong organic growth, our Company's strategy will continue to be defined by selective acquisitions. The aim is to further strengthen our global presence, especially in the area of dialysis services; in other words, with dialysis clinics. Our most important goal for research is to continue improving our patients' quality of life with innovative products and treatment concepts.

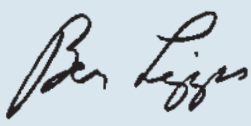
We have set ourselves ambitious goals once again for 2010. We intend to boost revenue to over $ 12 billion, corresponding to a growth of at least 7 %. Net income should be between $ 950 and 980 million.

As a vertically integrated dialysis company that employs its products and procedures in its own clinics on a daily basis, the terms quality and responsibility cannot be solely defined using norms and standards. Being in touch with the people we deal with in our day-to-day work, including our shareholders, means that we never lose sight of the needs of our most important stakeholders and gives us an incentive to constantly improve. On the following pages of our annual report and in our new magazine, you can read more about how important being in touch is for us and how it motivates us.

A further focus of this report is on our commitment to sustainability. At various points in the text, we show how our business is shaped not only by economic aspects, but also by ecological issues and our social responsibility.

Finally, I would like to thank you, the shareholders of Fresenius Medical Care, for your support and your confidence in us. You can rest assured: together with our partners, we will apply our knowledge and our experience in the current business year to do justice to the trust you place in us.

Yours sincerely,



DR. BEN J. LIPPS
Chief Executive Officer

▸ WORLDWIDE DR. BEN J. LIPPS AWARDED STRATEGIST OF THE YEAR

The newspaper Financial Times Deutschland voted Dr. Ben J. Lipps, Chief Executive Officer and Chairman of the Management Board of Fresenius Medical Care, Strategist of the Year 2009. The award was presented in recognition of his strategic accomplishments and the Company's successful track record.

▸ U.S. MOBILE ELECTRICITY GENERATORS FOR EMERGENCIES

Fresenius Medical Care developed a mobile generator truck in the U.S. to supply power to dialysis clinics in case of outages. Within three hours, the truck can provide the electricity so vitally needed for dialysis treatment. The vehicle is currently serving the greater Chicago area but there are plans to produce more trucks to serve other areas.

▸ GERMANY 30 YEARS OF PRODUCTION IN SCHWEINFURT

The Fresenius Medical Care plant in Schweinfurt celebrated its 30th anniversary in June 2009. Since its inception in 1979, production space at the site has more than quadrupled, and the number of employees has grown from 40 to over 1,100. One in two dialysis machines produced worldwide comes from our plant in Schweinfurt.

▸ ITALY DISASTER RELIEF FOR L'AQUILA

Our crisis intervention teams again provided reliable help where it was needed most after natural catastrophes in 2009. Victims received disaster relief just two days after the devastating earthquake in Italy's L'Aquila region last April. Fresenius Medical Care provided an emergency container with 13 treatment wards free of charge, allowing dialysis patients to be treated immediately.

▸ GREAT BRITAIN 50TH DIALYSIS CLINIC OPENED

Fresenius Medical Care opened its 50th dialysis clinic in Great Britain in Birmingham. The new clinic is equipped with dialysis machines from the innovative 5008 series and hosts 24 stations.

▸ AFRICA ALLIANCE FOR PATIENTS IN AFRICA

Renal Research Institute (RRI), a joint venture between Fresenius Medical Care North America and a hospital in New York, is working closely with a not-for-profit foundation, the Sustainable Kidney Care Foundation (SKCF). The alliance's goal is providing dialysis treatment in areas where healthcare is unavailable. During the pilot program, the first patients were treated in Tanzania, Africa.

▸ CHINA DONATION FOR EARTHQUAKE VICTIMS

An earthquake struck the Sichuan region in Central China, killing roughly 69,000 people and leaving 5.8 million homeless. Fresenius Medical Care employees collected over €90,000 and donated it to the "China Children & Teenagers Fund" in Beijing. The relief fund supports children and young people in the earthquake region with education and childcare.

▸ AUSTRALIA EXPANDING PATIENT TRAINING FOR HOME THERAPIES

Fresenius Medical Care established a regional training center for dialysis patients in northern Australia. Now, even more patients can learn how to independently perform dialysis treatments at home with the new training center. Indigenous patients, the Aborigines, will especially benefit from the new facilities: they frequently live in remote areas and at times have to travel long distances from their families to be treated at a dialysis clinic.

▸ INDONESIA IMPROVING THE QUALITY OF DIALYSIS

Fresenius Medical Care is part of a public private partnership which aims at improving the quality of dialysis and access to the treatment in rural Indonesia. With the support of its partners, Fresenius Medical Care is training doctors and nurses in all aspects of dialysis. The Company has also provided hemodialysis machines and equipment to expand dialysis centers.

▸ ARGENTINA PATIENTS GO BACK TO SCHOOL

Almost one-fifth of Fresenius Medical Care's Argentinean dialysis patients have not finished school. Together with the Ministry of Education in Buenos Aires, the Company has set up a preliminary school for adults at a dialysis center. This further training offers patients the opportunity to improve their professional options on the one hand, and expand their understanding of the medical processes involved in dialysis on the other.

▶ 12

▶ *Left to right: Dr. Emanuele Gatti (5), Kent Wanzek (7), Rice Powell (2), Dr. Ben J. Lipps (1), Dr. Rainer Runte (6), Roberto Fusté (4), Michael Brosnan (3)*

MANAGEMENT BOARD

▶ 1 DR. BEN J. LIPPS CHAIRMAN

Dr. Ben J. Lipps (69) 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 and doctor's degrees 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.

▶ 2 RICE POWELL DEPUTY CHAIRMAN AND CEO FOR NORTH AMERICA

Rice Powell (54) is Deputy Chairman of the Management Board and Chief Executive Officer for North America effective January 1, 2010. He joined Fresenius Medical Care in 1997 and was appointed Co-CEO of Fresenius Medical Care North America in January 2004. He has 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.

▶ 3 MICHAEL BROSNAN FINANCES

Michael Brosnan (54) is Chief Financial Officer effective January 1, 2010. For the past seven years, he has served as Chief Financial Officer of Fresenius Medical Care North America. He joined the Company in 1998 as Vice President of Finance and Administration for Spectra Renal Management, the Company's laboratory services organization. Since then, he has held several executive positions in North America. Prior to joining Fresenius Medical Care, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG.

▶ 4 ROBERTO FUSTÉ ASIA-PACIFIC

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

▶ 5 DR. EMANUELE GATTI EUROPE, LATIN AMERICA, MIDDLE EAST AND AFRICA, AND GLOBAL CHIEF STRATEGIST

Dr. Emanuele Gatti (54) is Chief Executive Officer for Europe, Latin America, Middle East and Africa (EMEA-LA), as well as 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 comprehensive research and development activities. He is a visiting professor at the Danube University in Krems, Austria. Emanuele Gatti has been with the Company since 1989. Before being appointed to the Management Board of Fresenius Medical Care in 1997, he was responsible for the dialysis business in Southern Europe.

▶ 6 DR. RAINER RUNTE LAW, COMPLIANCE, CORPORATE GOVERNANCE, INTELLECTUAL PROPERTY, AND LABOR RELATIONS DIRECTOR FOR GERMANY

Dr. Rainer Runte (50) is Member of the Management Board responsible for Law, Compliance, Corporate Governance and Intellectual Property. He has also been appointed Labor Relations Director for Germany. He has worked for the Fresenius Group for 19 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. Prior to that, he worked as a scientific assistant in the law department of Johann Wolfgang Goethe University in Frankfurt and as an attorney in a firm specialized in economic law.

▶ 7 KENT WANZEK PRODUCTION

Kent Wanzek (50) is Member of the Management Board responsible for Global Manufacturing Operations effective January 1, 2010. Previously, he was in charge of North American operations for the Renal Therapies Group at Fresenius Medical Care North America since 2004. Prior to joining the Company in 2003, he held several senior executive positions, for example at Philips Medical Systems, Perkin Elmer, and Baxter Healthcare Corporation.

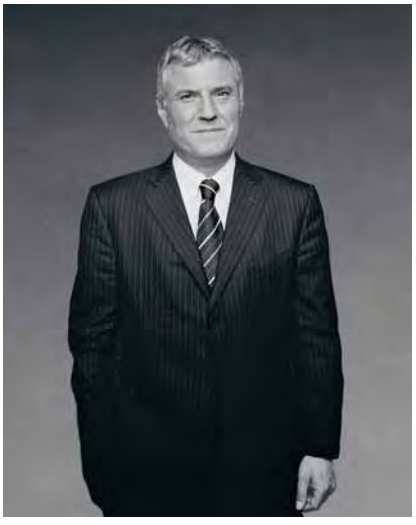
▶ Ages as of Decemer 31, 2009. You can find more information about the directorships of our Management Board members from page 142 onwards.

▶ MATS WAHLSTROM

Mats Wahlstrom (55) was Member of the Management Board from early 2004 until the end of 2009. He was also Co-CEO of Fresenius Medical Care North America and CEO of Fresenius Medical Services. Mats Wahlstrom looks back on 26 years of experience in the healthcare industry and has worked in the renal field for 23 years. Prior to joining Fresenius Medical Care in 2002, he held various positions, for example at Gambro AB in Sweden, including President and CEO of Gambro U.S. as well as CFO of the Gambro Group.

▶ LAWRENCE A. ROSEN

Lawrence A. Rosen (52) was Chief Financial Officer from November 2003 until the end of August 2009. Prior to that, he worked for Aventis S.A. in Strasbourg, France, and one of its predecessor companies, Hoechst AG for almost 20 years. His most recent position there was Group Senior Vice President for Corporate Finance and Treasury. Lawrence Rosen holds a Bachelor of Science in Economics from the State University of New York at Brockport and an MBA from the University of Michigan.



We thank Mats Wahlstrom and Lawrence A. Rosen for their dedication and merits for Fresenius Medical Care.

REPORT OF THE SUPERVISORY BOARD

The medium term financing structure was central to the discussions of the Supervisory Board in the financial year 2009 against the background of the banking crisis, the situation and development of U.S. health reform and the effects of these on the Company and in addition, the patent law situation of the Company.

DETAILS The Supervisory Board again, in the financial year 2009 just expired, dealt comprehensively with the situation and the perspectives of the Company and various special subjects as well as performing the duties assigned to it by law, the Articles of Association and the German Corporate Governance Code. We advised the Management Board of the General Partner, Fresenius Medical Care Management AG, on the management of the Company regularly and monitored the management of the Company in the course of our responsibility as 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 for business policy and the Company planning and strategy, the course of the business, profitability, the situation of the Company and of the group as well as the risk situation and the risk management. All business processes significant for the Company and for the group were comprehensively discussed by us on the basis of reports of the Management Board of the General Partner in the committees and in the full meetings. The strategic direction of the Company was decided in consultation between the Management Board of the General Partner and us. As in the previous years, we again reviewed the financial development of acquisitions of previous years and compared this with the planning and prognoses at the time of each acquisition.

MEETINGS In the financial year 2009, four meetings of the Supervisory Board and one telephone conference took place. No Supervisory Board member participated in less than half of the meetings. Between meetings, written information was circulated. The chairman of the Supervisory Board maintained close contact between the meetings with the Management Board of the General Partner. The Supervisory Board availed in the previous year also of the possibility of getting to know senior executives in the course of presentations on selected themes.

PRINCIPAL TOPICS DISCUSSED BY THE SUPERVISORY BOARD The Supervisory Board in 2009 dealt intensively and in all its meetings with the overall economic scenario, in particular, the banking crisis and its effects on the Company and its financial situation.

The political discussion relating to reimbursement in the U.S. and its effects on the Company received particular attention. The Supervisory Board was regularly informed on the progress of the consultations of the American legislator.

The patent law situation of the Company was also in the focus of the consultations in the Supervisory Board. It obtained comprehensive information on this issue and advised the Management Board on strategic questions.

The business development, the competitive situation and the planning of the Management Board in the various regions also occupied a considerable part of the meetings.

THE AUDIT AND CORPORATE GOVERNANCE COMMITTEE The Audit and Corporate Governance Committee met under the chairmanship of Dr. Walter Weisman in the year under report on a total of four occasions in meetings and again held several telephone conferences. It considered the annual financial statements and the group consolidated statements, the propos-

al 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 about the independence of the auditor of the annual financial statements and of the group consolidated statements, issued the instructions for the audit, made the fee agreement with him and discussed and determined with him the focus points of the audit. Representatives of the auditor participated in all meetings of the Audit and Corporate Governance Committee and reported there in each case on the audit or the audit review of the quarterly financial statements. They were also available to provide additional information.

The accounting process, the effectiveness of the internal controlling system, of the risk management and of the internal audit system and the annual audit were discussed several times. KPMG AG Wirtschaftsprüfungsgesellschaft, in the course of the annual audit, reviewed the internal controlling and risk management systems from the point of view of the accountancy processes and raised no objections. The Management Board of the General Partner periodically reported on more significant individual risks. The Management Board of the General Partner informed the Supervisory Board in addition regularly i.e. in all ordinary meetings of the Audit and Corporate Governance Committee on the compliance situation of the Company. In addition, the head of the internal audit reported in turn to the Committee.

In 2009, the Audit and Corporate Governance Committee again was intensively concerned with the internal controlling system under the Sarbanes-Oxley Act (SOX 404) in the Company. The Company on 24 February 2010 received an unqualified audit certificate of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin for the implementation of the provisions of SOX 404 in the financial year 2009.

Subject-matter of the reviews of the Audit and Corporate Governance Committee were again also the legal and business relations of the Company to Fresenius SE and/or its affiliates. In each case, it was possible to confirm that these relations conformed to those between third parties (at arms' length).

The Audit and Corporate Governance Committee was involved in the change of the head of the audit team of the auditor.

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

JOINT COMMITTEE The Joint Committee, the approval of which is required for certain significant transactions and certain legal transactions between the Company and Fresenius SE and/or its affiliates did not meet in 2009 because no transactions requiring its approval were undertaken.

CORPORATE GOVERNANCE The Supervisory Board dealt with reviewing its efficiency and the flow 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 this respect. The Supervisory Board informed itself on new statutory provisions and accountancy regulations.

The Supervisory Board found that it and its committees each had an adequate number of independent members, in its opinion. Consulting or other service relationships between members of the Supervisory Board and the Company only existed during the year

under review exclusively in the case of Dr. Schenk, who is a member of the Supervisory Board of our Company and at the same time partner of the internationally operating law firm Nörr Stiefenhofer Lutz (since 2010 Noerr LLP). The law firm acted for the Company as legal advisor during fiscal year 2009. The Supervisory Board gave its consent to such activity, with Dr. Schenk abstaining from the vote. In the fiscal year 2009 an amount of Euro 1,036,270 was paid by Fresenius Medical Care to the law firm Nörr Stiefenhofer Lutz. This represents less than 3 % of Fresenius Medical Care's worldwide legal consultancy payments. No conflicts of interests of Supervisory Board members arose in the year under report.

The Audit and Corporate Governance Committee met regularly following its personal meetings with representatives of the auditors in the absence of members of the Management Board of the General Partner.

At its meeting on 18 November 2009, the Supervisory Board discussed and passed the compliance statement of the company pursuant to § 161 Stock Corporation Act on the German Corporate Governance Code (AktG). The compliance statement was made accessible permanently on the Internet site of the company in December 2009. The only exceptions from the recommendations of the Code mentioned therein remain the absence of age limits for members of the Management Board and the Supervisory Board, and the remuneration of the Supervisory Board which contains no performance-related element.

The corporate governance report of the General Partner and of the Supervisory Board can be found on the Internet site of the Company within the declaration on corporate governance according to § 289a of the German Commercial Code (HGB).

ANNUAL FINANCIAL STATEMENTS AND GROUP CONSOLIDATED STATEMENTS The annual financial statements of Fresenius Medical Care AG & Co. KGaA and the management report were prepared in accordance with the provisions of the German Commercial Code (HGB), the consolidated statements and consolidated report according to § 315a Commercial Code in conformity with the "International Financial Reporting Standards" (IFRS) as applied in the European Union. The bookkeeping, the annual financial statements and the management report and group management report for Fresenius Medical Care AG & Co. KGaA in each case for the financial year 2009 were audited by KPMG Wirtschaftsprüfungsgesellschaft, Berlin elected by resolution of the General Meeting of 7 May 2009 as auditor and instructed by the Audit and Corporate Governance Committee of the Supervisory Board. The above documents each carry an unqualified certificate. The audit reports of the auditor were presented to the Audit and Corporate Governance Committee and the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual financial statements and the consolidated group statements and the management report taking account of the auditor's report and reported to the Supervisory Board thereon.

The Supervisory Board itself reviewed the annual financial statements, the management report and the proposal for the application of the balance sheet profit as well as the consolidated group statements and group management report in each case for the financial year 2009. The documents were provided to it within the time set. The Supervisory Board declared its agreement with the result of the audit of the annual financial statements and of the group consolidated statements by the auditor. The representatives of the auditors who signed the audit report also participated in the proceedings of the Supervisory Board on the annual financial statements

and the consolidated group statements, reported on the significant results of their audit and were available for additional information. No objections were raised, even after the final result of its own review by the Supervisory Board, against the annual financial statements and the management report of the company or against the consolidated group statements and the group management report.

At its meeting on 22 February 2010, the Supervisory Board approved the annual financial statements of Fresenius Medical Care AG & Co. KGaA for 2009 presented by the General Partner. At that meeting, the draft report according to Form 20-F for filing with the Securities and Exchange Commission (SEC) was discussed which in addition to other data contains the consolidated group financial statements and consolidated group management report in conformity with U.S. Generally Accepted Accounting Principles (U.S. GAAP) with the U.S. Dollar as the currency of the report. The consolidated group financial statements and the group management report were approved by the Supervisory Board at its meeting on March 11, 2010. The Supervisory Board agreed to the proposal of the General Partner for the application of profit proposing a dividend of Euro 0.61 for ordinary shares and of Euro 0.63 for preference shares.

DEPENDENCY REPORT The General Partner, Fresenius Medical Care Management AG, has in accordance with § 312 Stock Corporation Act prepared a report for the financial year 2009 on relations with affiliated companies. The report contains the concluding declaration of the General Partner that the Company received reasonable consideration in the circumstances known to the General Partner at the time at which the legal transaction was undertaken or the measures taken or not taken in all cases and that the Company was not disadvantaged by the fact that measures were taken or not taken.

The Supervisory Board and the Audit and Corporate Governance Committee received the report within the time set and reviewed it. The auditor participated in the relevant discussions, reported on the significant results of his audit and was available for additional information. The Supervisory Board and the Audit and Corporate Governance Committee share the opinion of the auditor who has added the following certificate to the report on 12 February 2010:

"After 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."

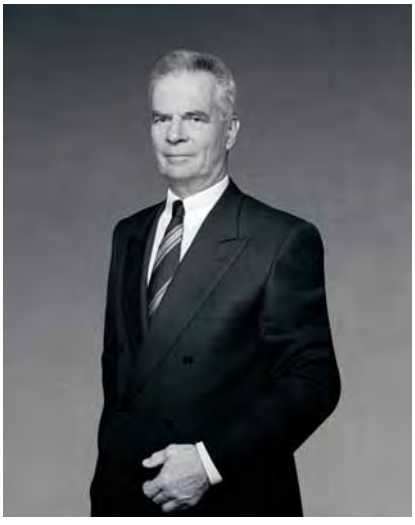
Following the final conclusion of the review by the Supervisory Board also, no objections are to be made against the declaration of the General Partner at the end of the report on the relations to affiliates.

FILLING OF POSITIONS ON THE MANAGEMENT BOARD OF THE GENERAL PARTNER The Management Board member for finance, Lawrence A. Rosen with effect on 31 August 2009 and the Management Board member for the service business in the U.S., Mats Wahlstrom, with effect at the end of the past financial year, resigned from the Management Board of the General Partner, each at his own request. The Supervisory Board thanks them for their long and good cooperation and for their achievements.

With effect from 1 January 2010, Management Board member Rice Powell was appointed deputy chairman of the Management Board of the General Partner. He also took over the area of responsibility of Mr. Wahlstrom. Michael Brosnan became the new Management Board member of the General Partner

for finance. Also newly appointed to the Management Board of the General Partner was Kent Wanzek who takes up the newly created position of Management Board member for production and in this function, directs the worldwide production activities of the company. The appointments of Messrs. Brosnan und Wanzek apply in each case from 1 January 2010.

The Supervisory Board thanks the members of the Management Board of the General Partner and all employees for their commitment and the work commitment contributed in 2009.



Bad Homburg v.d.H., March 11, 2010
The Supervisory Board

DR. GERD KRICK
Chairman

Chapter 1.4

CAPITAL MARKET AND SHARES

▸ STOCK MARKET Following the economic slump with price losses in excess of 30 % in 2008, the global stock markets made an extremely slow start in 2009, recording new losses of more than 25 % in part. This was driven by continued uncertainty about the extent of the banking crisis and its knock-on effects for the real economy, such as a strong overall reduction in investment activity. However, as of March 2009, the markets started to recover, initially fuelled by a more stable economic development worldwide. This triggered strong buying interest on the back of generally very low stock market levels. As the year went on, this upswing was boosted by more upbeat economic indicators. In addition, news from companies were better than expected. In an environment affected by uncertainty and negative expectations for a long time, small indications of improvements within companies were valuated positively by the stock market. Furthermore, the growing attractiveness of shares as an alternative and highly liquid investment also improved. The upward trend of the stock market only slowed down significantly for a short time in October after doubts were raised concerning the susceptibility of the financial sector. At the start of November, worldwide stock markets picked up again and prices continued to climb. However, fluctuations up to the end of 2009 were somewhat more pronounced than in the middle of the year.

The world's leading stock indices recorded comparable high net growth rates of around 20 % in 2009. The U.S. Dow Jones index closed 2009 at 10,428 points, 19 % higher than at the beginning of the year. Following its dramatic 40 % decline in 2008, the German stock index DAX rose by 24 % in the year under review – placing it among the indices that fared best in 2009. After starting the year at the 4,810 point mark, it initially fell to around 3,700 points by the beginning of March, recording its year-low at 3,666 points on March 6, 2009. This was then followed by the first sustained upward trend, which drove the index up by more than 40 % by the end of May. After a short period of consolidation, the DAX also enjoyed further periods of strong growth in early July and November. It closed the year at 5,957 points.

The general trend in other European stock markets was also very positive; many were even able to keep pace with growth in the Dow Jones and the DAX. The Asian markets performed very well overall. Economies that are more dependent on external influences benefited most from the more upbeat economic outlook. The Singapore Straits Times and Hong Kong Hang Seng indices gained 65 and 54 % respectively in 2009. The Japanese Nikkei index closed the year at 10,546 points, up 19 %.

STOCK INDEX / SHARES

Table 1.4.1

	Country/ Region	Jan. 1, 2009	Dec. 31, 2009	Change	High	Low
DAX	GER	4,810	5,957	24 %	6,012	3,666
Dow Jones	U.S.	8,776	10,428	19 %	10,549	6,547
Nikkei	JP	8,860	10,546	19 %	10,640	7,055
CAC	FR	3,218	3,936	22 %	3,960	2,519
FTSE	UK	4,434	5,413	22 %	5,438	3,512
DJ EURO STOXX 50	EU	2,451	2,966	21 %	2,992	1,810
DJ EURO STOXX Healthcare	EU	320	366	14 %	369	273
Fresenius Medical Care ordinary share *in €*	GER	33.31	36.94	11 %	37.71	26.07
Fresenius Medical Care-ADS *in $*	U.S.	47.18	53.01	12 %	54.96	35.66

Source: Reuters data, internal calculations

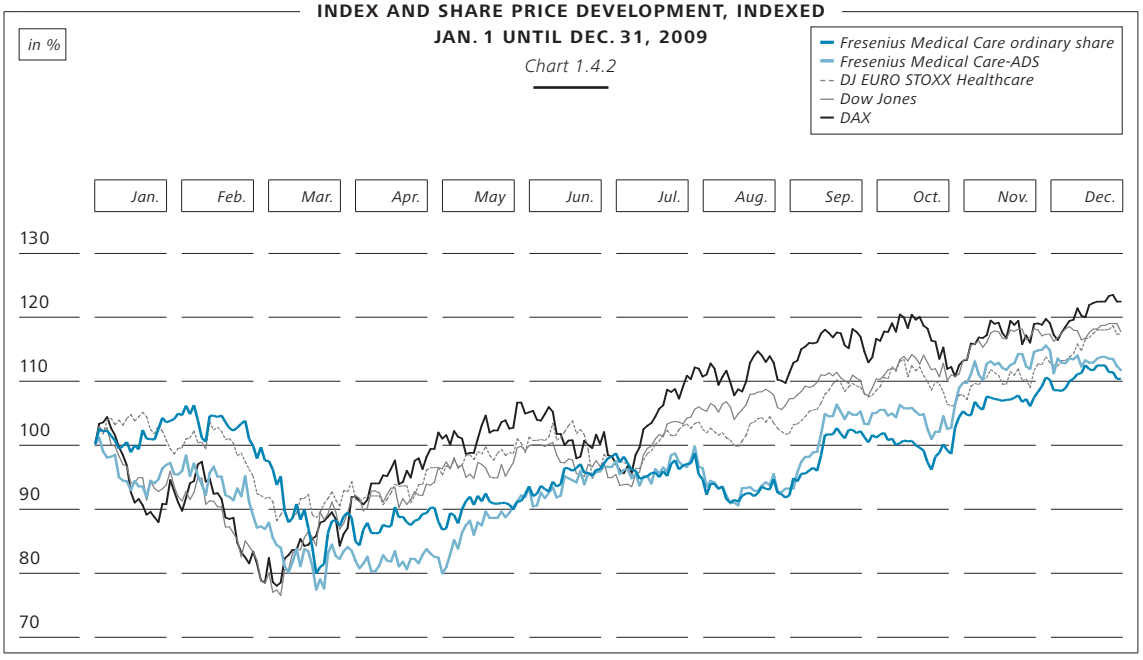
Individual industries developed very differently in the year under review. On the back of improving economic prospects worldwide, shares that are generally considered cyclical, such as those of companies in strongly export-driven industries, recorded the strongest growth together with financial securities like bank stocks. After making significant losses in the previous year, these shares benefited from wide-ranging stabilization measures by central banks and governments. In contrast, securities from the healthcare sector, which tends to carry more defensive stocks, did not perform as well in the stock market environment outlined above. In addition, the sector was influenced by the intensified discussion about possible negative impacts of a healthcare reform in the U.S.

The strong aversion to risk-taking demonstrated by investors in 2008 abated in 2009. Many market participants regained their trust in the so-called small and mid-cap sector: in 2009, the gains recorded by these stocks were on average substantially above those of companies with a large market capitalization, so-called large caps.

▸ SHARE PRICE DEVELOPMENT The Fresenius Medical Care share performed well again in 2009. The price of the ordinary share rose by 11 %, closing the year at € 36.94. This put it in the midfield of securities in the German DAX index. In the U.S., the price of Fresenius Medical Care shares traded on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADS) increased by 12 % in 2009, developing at a similar rate to those in its peer group, the healthcare sector. The value of the Dow Jones Euro Stoxx Healthcare index, for instance, which consists of Europe's leading and largest companies in the industry, grew by 14 % last year. Fresenius Medical Care's ordinary share recorded its year-high on December 18, 2009 and its year-low on March 20, 2009. The majority of investors classify Fresenius Medical Care's share 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 the difference between the lowest and highest price being only 30 %. Its day-to-day fluctuations were also lower in percentage terms than on average in the DAX index.

INDEX AND SHARE PRICE DEVELOPMENT, INDEXED JAN. 1 UNTIL DEC. 31, 2009

Chart 1.4.2



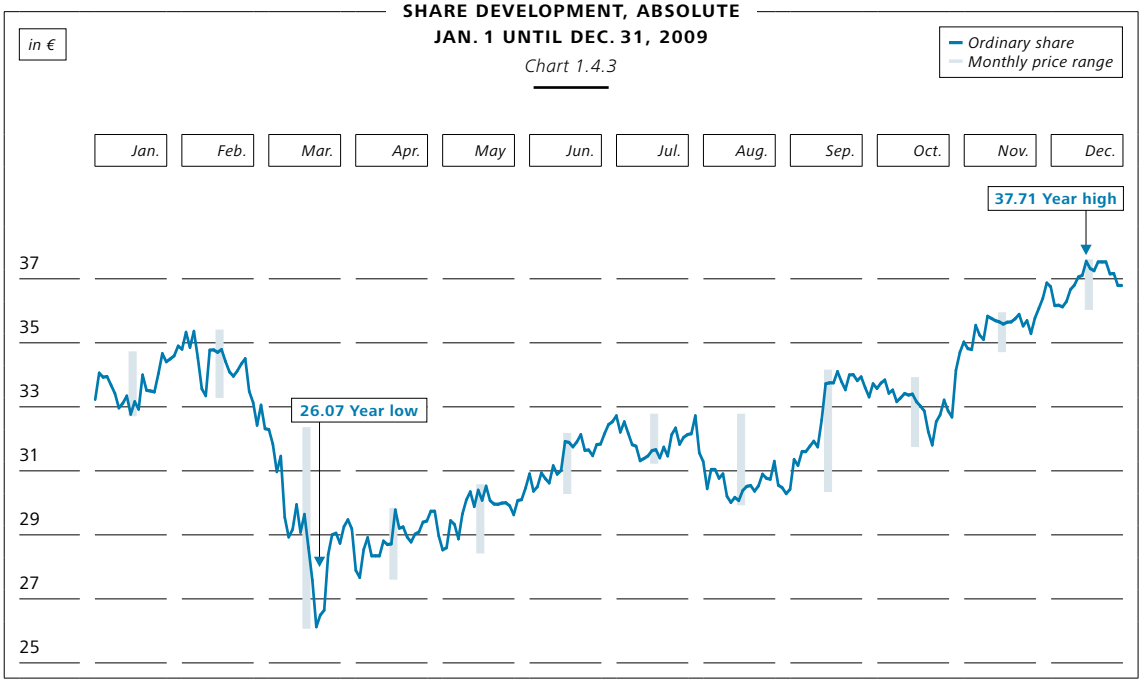
Source: Reuters data

The price of Fresenius Medical Care preference shares normally develops in line with 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 very low. As a result, any further statements on the price development of our preference shares would be speculative.

Initially, Fresenius Medical Care's share managed to evade the strong slump on the stock markets at the beginning of the year. Whereas the DAX lost about 15 % in the period up to mid February, our share price even grew by 4 %. It only began to slow down after this and develop along a similar line to the DAX. As the stock markets set off on their upward course, defensive shares were increasingly viewed as unattractive. At the same time, the discussion about risks that might arise for our Company from the planned healthcare reform in the U.S. intensified. This had a negative impact on our share towards the end of the first quarter and in the second quarter of 2009 in particular. The share price stabilized from fall 2009 onwards, especially on the back of the draft bill for bundled reimbursement rates for public healthcare patients in the U.S. from January 1, 2011. Although the final guidelines are expected to be released at the midyear 2010, financial markets have already reacted positively to the draft. In the last few months of the fiscal year 2009, our Company's consistent revenue and income growth helped stabilize our share price.

The exchange rate of the euro against the U.S. dollar continued to play a pivotal role in the development of the share price in 2009. An appreciation of local currencies (especially the euro) to the U.S. dollar constitutes an advantage for Fresenius Medical Care in reporting terms, as we maintain our financial accounting in U.S. dollars and therefore the translation of our balance and earnings sheet results in higher calculated U.S. values. On the other hand, the appreciation of the euro also means that several conventional assessment ratios, which are usually calculated in U.S. dollars, are less favorable when translated into euros. This is significant as many investors base their decision-making on the euro share price first and foremost.

SHARE DEVELOPMENT, ABSOLUTE
JAN. 1 UNTIL DEC. 31, 2009
Chart 1.4.3



Our shares are traded on the NYSE as American Depositary shares (ADS) and quoted in U.S. dollars. Every ordinary or preference ADS corresponds to one Fresenius Medical Care ordinary or preference share. The development of the ADS is generally tied to that of ordinary and preference shares, taking into account changes in the euro/U.S. dollar exchange rate. At the end of 2009, the ADS ordinary share traded at $ 53.01, 12 % up on the beginning of the year.

On December 31, 2009, Fresenius Medical Care's market capitalization totaled € 11.05 billion, which represents an increase of more than € 1.1 billion compared to the previous year's value of € 9.92 billion. The average trading volume of our shares was 1.04 million per trading day (2008: 1.49 million). Trading volumes for preference shares remained at an expected very low rate of just 1,144 per trading day (2008: 1,698). Due to the extremely small number of outstanding prefer-

MARKET CAPITALIZATION

Table 1.4.4

as of Dec. 31	***2009***	*2008*	*2007*	*2006*	*2005*
Market capitalization *in € millions*	11,045	9,919	10,876	9,928	8,416
Market capitalization *in $ millions*	15,911	13,787	16,010	13,075	9,929
Exchange rate *$ to €*	1.4406	1.3900	1.4720	1.3170	1.1798

BASIC SHARE DATA

Table 1.4.5

	Ordinary shares	*Preference shares*
Stock exchange/Ticker symbol		
Germany: Frankfurt Stock Exchange/Prime Standard	FME	FME3
U.S.: New York Stock Exchange (NYSE)	FMS	FMS/P
Security identification numbers		
WKN	578 580	578 583
ISIN	DE 0005785802	DE 0005785836
CUSIP No. (NYSE)	358029106	358029205
Reuters		
Xetra	FMEG.DE	FMEG_p.DE
Frankfurt Stock Exchange	FMEG.F	FMEG_p.F
ADS NYSE	FMS.N	FMS_p.N
Bloomberg		
Xetra	FME GY	FME3 GY
Frankfurt Stock Exchange	FME GR	FME3 GR
ADS NYSE	FMS US	FMS/P US

ence shares, the daily fluctuation range of preference shares is much more pronounced than that of ordinary shares.

In 2009, our ordinary share was able to further consolidate its position in the rankings published by Deutsche Börse, although our weighting in the index fell slightly compared to the previous year, down from 1.41 to 1.31 %. These lists serve as a basis for deciding on the composition of the DAX index. They are drawn up on a monthly basis according to the trading volume and market capitalization relating to free float. In terms of market capitalization, we fell one place this year, and are now ranked 18th. With regard to the trading volume, however, we were able to climb five places from 31 to 26. The Fresenius Medical Care share is also included in a number of other important international share indices, for example, the Dow Jones, MSCI or FTSE. In 2009, we were admitted for the first time to the Dow Jones Euro Stoxx Sustainability Index, which considers economic as well as ecologic and social criteria.

▸ **DIVIDEND** Since its foundation in 1996, the Company has pursued a long-term profit-oriented dividend policy. The dividend has been increased thirteen times consecutively (subject to the approval of the Annual General Meeting on May 11, 2010). Over this period, the dividend has risen from € 0.17 (on comparable basis) to € 0.61 in 2009, representing an annual growth of approx. 10 %. Compared to last year's dividend of € 0.58 per ordinary share, it rose by 5 % in the year under review. Based on the proposed dividend and the closing prices of our shares at the end of 2009, the dividend yield for our ordinary shares would be around 1.7 %, at the same level as last year.

If the Annual General Meeting accepts the proposal, the total dividend payout for 2009 will be around € 183 million. Given an exchange rate of $ 1.4406 to € 1 at the end of the year under review, the total dividend works out at approximately $ 263 million. Based on our net income of $ 891 million, this represents a payment rate of about 30 %.

▸ **SHAREHOLDER STRUCTURE** Fresenius Medical Care's subscribed capital amounted to € 299.6 million as at December 31, 2009. There were 295.75 million ordinary shares outstanding and 3.88 million preference shares in circulation.

At the beginning of 2010, we again conducted a shareholder identification survey. We were able to identify the owners of a total of around 295.7 million shares, representing 98.7 % of all 299.6 million outstanding shares (cut-off date December 31, 2009). This is a considerable improvement on last year's result of 91.2 %. With regard to the 193 million shares in free float, we were able to allocate 98.0 % (2008: 86.3 %) of shares to individual investors. The holders of just 3,910,924 shares or 1.3 % of the outstanding capital could not be identified (2008: 8.8 %). The share of total stock held by Fresenius SE dropped

NUMBER OF IDENTIFIED SHARES

Table 1.4.6

	Number of shares	*in %*	*in % of free float*
Total shares outstanding, *December 31, 2009*	299,630,963	100.0	–
of which ordinary shares	295,746,635	98.7	–
of which preference shares	3,884,328	1.3	–
Shares identified incl. Fresenius SE	295,720,039	98.7	–
Shares not identified	3,910,924	1.3	2.0
Fresenius SE, *December 31, 2009*	106,603,026	35.6	–
Free Float	193,027,937	64.4	–
▸ IDENTIFIED SHARES BASED ON FREE FLOAT	**189,117,013**	**63.1**	**98.0**

from 35.8 to 35.6 %. The absolute number of Company shares owned by Fresenius SE on the cut-off date remained unchanged at 106,603,026.

Overall, we identified 836 institutional investors (2008: 656). The top 20 institutional investors in our Company held about 37 % of identified shares on a free float basis (2008: 30 %), or nearly 70 million (2008: 50 million). Two of them are based in Germany, nine are in the United Kingdom, eight in the United States and one in Norway.

At the time of the survey, private investors accounted for 23,970,477 shares or 12.7 % of identified shares, while retail brokers (ADR) held 4,073,153 shares in total, or 2.2 %.

In terms of geographical distribution, 59,457,245 shares were held by institutions in North America (including Canada). This represents 31.4 % of identified shares. A total of 80,092,411 shares, or 42.4 % of total identified shares, were held in Europe, excluding Germany. The majority of these (50,043,733 shares or 26.5 %) were found in Great Britain. German institutional ownership accounted for 19,155,193 shares, or 10.1 %.

The survey carried out at the beginning of 2010 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 2010 and 2011, we see the regional focus of our investor relations activities being in North America and Europe as well as in selected countries in Asia and the Middle East.

In July 2008, Fresenius SE issued an offering of € 554 million in mandatory exchangeable bonds (MEB),

GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES

Table 1.4.7

	2010		2009	
	Shares	*in %*	*Shares*	*in %*
North America (incl. Canada)	59,457,245	31.4	47,931,998	29.0
Germany	19,155,193	10.1	21,184,539	12.8
Great Britain	50,043,733	26.5	40,182,577	24.4
France	9,738,403	5.1	11,197,265	6.8
Ireland	3,651,440	1.9	3,694,310	2.2
Rest of Europe	16,658,835	8.8	13,738,743	8.3
Retail investors	23,970,477	12.7	23,816,450	14.4
Asia-Pacific/Middle East	6,441,687	3.4	3,259,059	2.0
▶ **TOTAL**	**189,117,013**	**100.0**	**165,004,941**	**100.0**

SHAREHOLDER DISTRIBUTION OF SHARES IDENTIFIED ON FREE FLOAT BASIS

Table 1.4.8

	Shares	*in % of identified shares*
Institutional investors	159,835,869	84.5
Retail investors	23,970,477	12.7
Retail brokers (ADR)	4,073,153	2.2
Prime brokerage accounts	826,091	0.4
▶ **TOTAL**	**189,117,013**	**100.0**

which are exchangeable into ordinary shares of Fresenius Medical Care upon redemption. The bonds issued have a maturity of three years. Upon maturity, Fresenius SE as issuer must deliver a maximum of 16.8 million and a minimum of 14.24 million Fresenius Medical Care shares to the bond holders, representing approximately 5.6 or 4.8 % of Fresenius Medical Care's total subscribed capital. After the delivery, Fresenius SE's share in Fresenius Medical Care will therefore drop by at least 4.8 %.

FRESENIUS MEDICAL CARE SHARES – KEY FIGURES

Table 1.4.9

		2009		2008	
		Ordinary share	Preference share	Ordinary share	Preference share
Share capital	in $ thousands	365,672	4,343	363,076	4,240
Number of shares	in millions	295.75	3.88	293.93	3.81
Closing prices (Xetra trading)					
Year-high	in €	37.71	33.46	39.10	37.60
Year-low	in €	26.07	30.50	29.73	28.31
Year-end price	in €	36.94	31.04	33.31	33.50
Average daily trading volume	Shares	1,040,200	1,144	1,498,696	1,698
Closing price (ADS NYSE)					
Year-high	in $	54.96	49.60	59.01	55.00
Year-low	in $	47.57	44.75	39.84	31.00
Year-end price	in $	53.01	45.60	47.18	43.00
Market capitalization					
Year-end price	in € billions	10.93	0.12	9.79	0.13
Total	in € billions	11.05		9.92	
Index weight					
DAX	in %	1.31	–	1.41	–
Dividend					
per share[1]	in €	0.61	0.63	0.58	0.60
Dividend yield	in %	1.7	2.0	1.7	1.8
Total dividend amount	in € millions	183		173	
Earnings per share (EPS)					
Number of shares[2]	in millions	294.42	3,84	293.23	3.80
Earnings per share (EPS)	in $	2.99	2.99	2.75	2.78

[1] *2009: Proposal for approval at the Annual General Meeting on May 11, 2010.*
[2] *Weighted average of outstanding shares.*
For a more detailed version, please refer to the 5-year summary on page 266 in the financial report.

▸ PRINCIPLES OF FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS ACTIVITIES Credibility and reputation are among the most valuable assets a company can have. How Fresenius Medical Care is perceived has a major impact on its employees' motivation. The fact that the Company is listed on the stock market is therefore not the only reason why Fresenius Medical Care sees it as its duty to disclose information on its strategy, management principles, operating and financial business development, as well as its future prospects. The Company addresses this information to a wide audience which includes its employees, its shareholders, other capital market participants, analysts and journalists as well as the general public.

Our aim is to present the business development of our Company in an appropriate and precise way. This allows existing and potential investors to make informed investment decisions and provides 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. For this reason, ensuring the comprehensive, transparent and timely provision of information to capital markets was again at the center of our investor relations activities in 2009.

Fresenius Medical Care's financial communications are designed to be both proactive and interactive. A structured approach to communicating material information benefits both the Company and its stakeholders, especially its shareholders. Fresenius Medical Care is in favor of open communication that everyone can understand. However, we operate in a highly complex industry. This requires us to use company and industry-specific terminology if we are to present business developments comprehensively and precisely. For this reason, we offer readers of this annual report services like a comprehensive glossary starting ▸ *on page 144*.

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. The Company employs a wide range of communication channels for contacting its shareholders. Depending on the information and recipient, we select the medium that is most suitable at that point in time for communicating effectively with shareholders.

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

We issue detailed quarterly and annual reports with comprehensive segment reporting and extensive notes. We publish our reports promptly and fulfil the requirements of the various 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 Corporate Governance Code and the Sarbanes-Oxley Act. More on this and other corporate governance issues can be found ▸ *on page 119*. Fresenius Medical Care also provides information on the occasion of its annual and interim reporting publications at analyst events and conference calls, which stakeholders can follow on the internet. Corresponding information on these events as well as presentation material are also available online. In addition, our shareholders can watch the speech given by the Chairman of the Management Board at the Annual General Meeting live on our website.

The publication dates of the Company's financial reports can be found in our financial calendar. Fresenius Medical Care releases information on its website so that it is accessible to all investors. The main source of information is the Investor Relations section, which

contains both the latest publications and archived documents. Press releases, presentation material for discussions with investors, analysts and the media, as well as transcripts of these discussions are all made available on the Investor Relations website. New information is published in German and English, whereas most presentation content is only provided in English. The internet site also offers visitors the opportunity to get in touch with us by e-mail. Capital market participants can express their interest in the Company and will then receive automatic updates on the latest news and developments.

In 2009, we again intensified our communication with financial analysts as well as with institutional and private investors worldwide. Financial analysts continue to express great interest in our Company – a fact reflected in the active monitoring and reporting (the "coverage") of around 35 analysts, the so-called sell-side analysts.

In the year under review, we presented Fresenius Medical Care in more than 1,000 one-on-ones with analysts and investors and answered questions about our business development and the Company's future. In addition, we showcased the Company and its perspectives at 29 road shows and 27 investment conferences around the globe. Private investors also play an important role. For this reason we attended several private investment events including those organized by Germany's leading association of private investors, Deutsche Schutzvereinigung für Wertpapierbesitz (DSW). In 2010, we are planning to hold a Capital Market Day in London to provide detailed information about our Company to investors and analysts. We welcomed numerous analysts and investors at similar events in 2005 and 2007.

2009 was another highly successful year for the Investor Relations department at Fresenius Medical Care. Our Company received a number of awards for its outstanding investor relations work. The German Investor Relations Association (DIRK – Deutscher Investor Relations Kreis) and Thomson Reuters Extel rated Fresenius Medical Care as having the best IR work in the DAX. A survey carried out by the U.S. magazine "Institutional Investor" ranked our company number one in the "healthcare" category in Europe for the second year in succession. Our annual report 2008 also won third place in the DAX in a competition held by "manager magazin" and received several awards from the U.S. League of American Communications Professionals (LACP).

If you would like to get in touch with Fresenius Medical Care Investor Relations or find out about key dates in our financial calendar 2010, then turn to the last page of this report – or visit us online at www.fmc-ag.com.

2

OUR FISCAL YEAR

DR. PAUL GASTAUER
Senior Vice President Manufacturing, Asia-Pacific

The Chinese market and other Asian markets are set to experience strong growth in the coming years. To benefit from this growth, we are planning to launch more products and step up production in the region. As well as being in touch with these markets, close cooperation with local inspection agencies is key to our success. Our high quality standards are an important asset in this respect.

Annual Report 2009
Corporate Report
Chapter 2

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OPERATIONS AND BUSINESS ENVIRONMENT

▸ GROUP STRUCTURE AND BUSINESS **Fresenius Medical Care is the world's leading provider of products and services that are needed for dialysis. Dialysis is a vital blood cleansing procedure to substitute 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.**

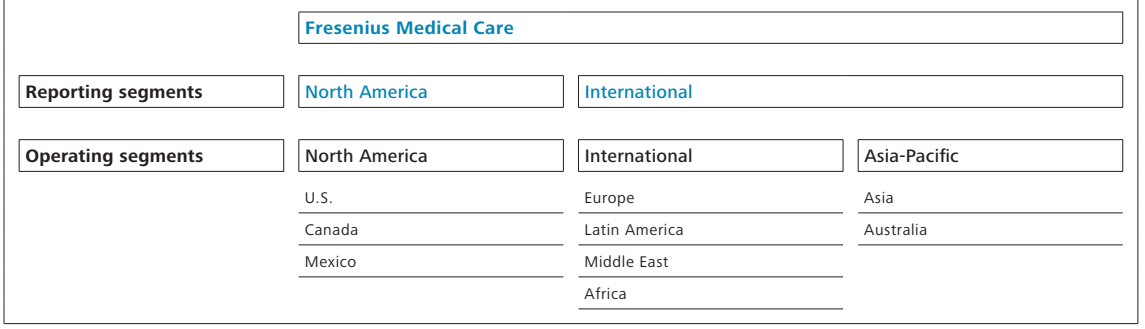
As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. On the one hand, we treated 195,651 dialysis patients worldwide in our 2,553 dialysis centers in the year under review. We are continuously developing this network of clinics – the largest and most international in the world – to accommodate the ever growing number of dialysis patients. On the other hand, we operate more than 30 production sites on all continents, which makes us the world's 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 United States (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. This is why they are relatively smaller in comparison to the above described major sites. An overview of our major production sites can be found in the "Production" section beginning ▸ *on page 80*.

Fresenius Medical Care's activities are organized on a regional level and divided into three operating segments: North America, International, and 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 the economic environment. Fresenius Medical Care's headquarters as well as the headquarters of the International operating segment are in Bad Homburg v.d.H., Germany. Our North American headquarters are located in Waltham, Massachusetts, U.S., while the regional administrative headquarters for Asia-Pacific are in Hong Kong.

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 120*. In December 2009, Fresenius Medical Care restructured its Management Board. Further information on this can be found in the "Management Board" section ▸ *on page 12* and under "Events Significant for Business Development" starting ▸ *on page 51*.

FRESENIUS MEDICAL CARE – WORLDWIDE

Chart 2.1.1



KEY PRODUCTS, SERVICES AND BUSINESS PROCESSES

At the end of 2009, about 1.895 million 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. Please also refer to the Magazine ▶ *on pages 43 and 45* for a detailed description of the treatment methods.

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

HEMODIALYSIS Through its network of dialysis clinics, Fresenius Medical Care provides dialysis services in more than 35 countries worldwide. In these clinics, most patients undergo hemodialysis (HD), 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, which are connected to the machine 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 41* and in the Glossary ▶ *on page 147.*

HOME DIALYSIS The two types of home dialysis are peritoneal dialysis (see above as well as Glossary ▶ *on page 149* 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 2009, only about 0.5 % of all patients received this treatment. We provided care to approximately 36,000 peritoneal dialysis patients and about 3,500 home hemodialysis patients by the end of the year under review, making us the world's second leading provider of home hemodialysis: around 35 % of all home hemodialysis patients use our hemodialysis machines and dialyzers.

ACUTE DIALYSIS Generally, dialysis patients suffer from end-stage renal disease (ESRD) – 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 are an integral part of our horizontal product portfolio 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 (EPO), therapeutic iron compounds, phosphate binders, vitamin D preparations and so-called calcimimetics, see Glossary starting ▶ *on page 144*.

LABORATORY SERVICES Nephrologists rely on extensive laboratory tests to tailor dialysis to each patient. For patients, the laboratory results have a significant impact on the quality of their treatment as well as their quality of life. Laboratory services round off Fresenius Medical Care's service portfolio. In the financial year 2009, our Spectra Laboratories subsidiary in the U.S. provided almost 57 million laboratory services for about 158,000 patients, a rise of approximately 3 % (2008: around 154,000 patients).

HOLIDAY DIALYSIS INTERNATIONAL (HDI) Usually, patients requiring regular dialysis are constrained in their mobility. Vacation 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.

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 10 % based on the number of treated patients. We provide services to the majority of dialysis patients and operate more dialysis clinics than any of our competitors: in 2009, we treated over 195,651 patients in 2,553 clinics worldwide. 68 % of our patients are located in North America, 17 % in Europe.

DIALYSIS PRODUCTS Our key markets for dialysis products are North America and Europe: in North America we generated approximately 68 % of our sales in the product business, in Europe 22 %. Our dialysis products accounted for a worldwide market share of around 32 % in 2009, which means that we are still the market leader in this area. The market share of our key products – dialyzers and dialysis machines – was significantly higher at more than 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 41*.

LEGAL, ECONOMIC AND SOCIAL FACTORS Fresenius Medical Care provides life-saving products and therapies for chronically ill patients suffering from ESRD and our dialysis business is therefore only exposed to economic cycles to a relatively small extent. In this respect, we are different from manufacturers of consumer goods that are exposed 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 sustained financial and economic crisis: although investments in dialysis products are somewhat down – slightly fewer dialysis machines have been replaced with new-generation models – the dialysis market as a whole has not been noticeably affected up to this point.

Fresenius Medical Care's business is more impacted by the reimbursement rates and systems specified by various governments. Dialysis reimbursement structures 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, to adapt our business to local needs and regulations, and to act profitably. Further information can be found in the "Dialysis Market" section starting ▸ *on page 41*.

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.

Last but not least, the dialysis market is continuing to grow based on demographic factors, including the aging population and the increasing incidence of diabetes and hypertension, which frequently precede the onset of ESRD. In recent years, forecasts regarding 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 285 million in 2010 to 438 million in 2030. According to a study conducted by the University of Chicago, the number of diabetes patients will rise to 44 million by 2034 in the United States alone, almost double the figure for 2009. In addition, the life expectancy of dialysis patients is increasing primarily due to continual 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.

▸ STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT **Our long-term strategy is geared towards continuously increasing our Company's value. We focus our business activities on patients' health, improving their quality of life, and raising their life expectancy. The Management Board uses a number of different instruments and key figures to evaluate the Company's business performance, develop the corporate strategy, and make investment decisions. Overall, we are still in an excellent position to achieve our growth targets and stay ahead of the competition sustainably.**

KEY PERFORMANCE INDICATORS The Management Board uses various financial indicators when operating the Company. In addition, it follows the course set out by the Company's growth strategy, GOAL 10, in its decision-making. This calls for Fresenius Medical Care to pursue four paths in parallel with the aim of successfully capturing a broader spectrum of the worldwide dialysis market and achieving its growth targets. Further information on GOAL 10 can be found in the "Growth Strategy" section ▸ *on page 36*. As GOAL 10 comes to a close in 2010, Fresenius Medical Care intends to set new goals that will allow us to maintain our outstanding market position and explore new paths into the future of dialysis.

In our view, EBIT (earnings before interest and taxes) is one of the most useful yardsticks for measuring the Company's profitability. Consequently, we manage the activities of our business segments based on their EBIT. The basis for determining the financial leverage, which among others is an indicator for the compliance with credit agreements, is EBITDA (earnings before interest, taxes, depreciation and amortization). The Management Board evaluates each segment based on target figures that reflect all of the segment's controllable revenues and expenses. Financing is a corporate function and therefore an area over which the individual segments have no control. Therefore, interest expenses for financing is not included in the segments' target figures. Neither are "corporate costs", which relate primarily to headquarters' expenses in the areas of accounting and finance, professional services, etc., or tax expenses, as the Company believes that these costs are also not within the control of the individual segments.

The operating cash flow is used to assess the extent to which a company can generate the necessary cash to maintain the assets reported in the balance sheet and make expansion investments.

The financial leverage, the debt/EBITDA ratio, is another important criterion for assessing corporate performance. This ratio compares the Company's debt to its EBITDA and 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 operates in the dialysis industry and holds a strong position in a global, growing, and largely non-cyclical market. The industry is characterized by stable and sustained cash flows that can be planned, as most of the Company's customers have a high credit rating. This means that we can work with a relatively large share of debt capital compared with companies in other industries.

We also gear our corporate management towards operational figures such as return on invested capital (ROIC). ROIC is an important indicator 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. With a value of 8.5 % in the year under review, this figure remained for Fresenius Medical Care nearly unchanged compared to 8.6 % in 2008.

When calculating our cost of capital, we use the weighted average cost of capital (WACC) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. The WACC of Fresenius Medical Care remained stable compared to the previous year, resulting in 6.9 % in 2009. The comparison of the WACC with the ROIC of 8.5 % indicates that Fresenius Medical Care not only generated its capital costs, but also increased the shareholder value.

Another key operating figure for corporate management is return on operating assets (ROOA). This expresses how efficiently employed capital is managed throughout the Company, as it calculates profit in relation to total capital. During the same period, ROOA at Fresenius Medical Care also remained nearly unchanged with 12.2 % (2008: 12.3 %).

In addition, we use return on equity (ROE). This key figure places net income (net income attributable to Fresenius Medical Care AG & Co. KGaA) in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA) to provide an insight into the profitability of the Company. Mainly due to the high increase of shareholders' equity, ROE (after taxes) decreased from 13.7 to 13.1 % in the last business year.

We generally manage our investments using a detailed coordination and evaluation process. The Management Board sets the complete investment budget for the group and investment targets based on investment proposals. Before concrete investment projects or acquisitions are realized, an 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 internal interest rate and incremental capital methods, as well as in consideration of multipliers and payback periods. This ensures that only investments and acquisitions are realized that contribute to the shareholder value increase.

Details on the development of these indicators as well as other financial figures can also be found in

IMPORTANT KEY FIGURES

Table 2.1.2

	2009	*2008*
EBIT *in $ millions*	1,756	1,672
EBITDA *in $ millions*	2,213	2,088
Debt/EBITDA ratio	2.46	2.69
Return on invested capital (ROIC)	8.5 %	8.6 %
Weighted average cost of capital (WACC)	6.9 %	6.9 %
Return on operating assets (ROOA)	12.2 %	12.3 %
Return on equity (ROE)	13.1 %	13.7 %

the "Results of Operations" section starting ▶ *on page 56,* "Financial Situation" section starting ▶ *on page 63* as well as in the financial report beginning ▶ *on page 153*.

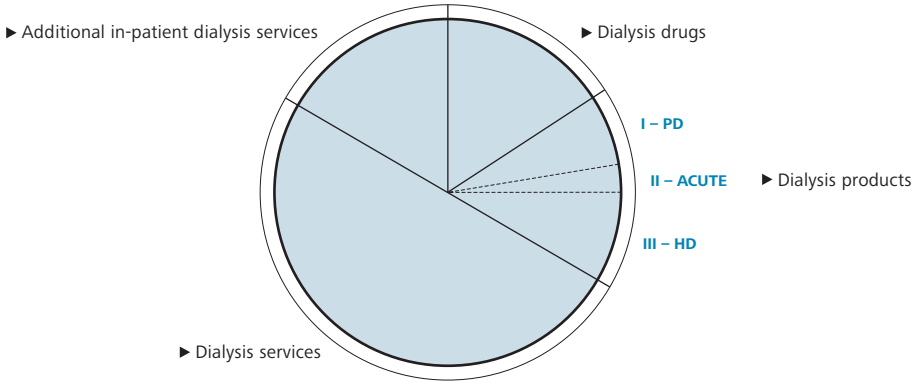
GROWTH STRATEGY Back in the spring of 2005, we presented a long-term strategy with defined objectives called "GOAL 10". GOAL 10 stands for "Growth Opportunities to Assure Leadership in 2010". It describes four paths ▶ *see Chart 2.1.3* that Fresenius Medical Care follows with the aim of boosting its success across the broadest possible spectrum of the global dialysis market and achieving its long-term growth targets. We are pursuing the four paths of GOAL 10 in a financially responsible way to consolidate our position as the world's market leader in dialysis. Expanding our production capacities, significantly enlarging our clinic network, and entering into alliances in the field of intravenously administered iron preparations in 2008, were important measures that will help us ensure long-term growth. We have elaborated on the GOAL 10 strategy in detail in previous annual reports and will therefore limit ourselves here to discussing a few important aspects.

PATH 1: ORGANIC GROWTH We intend to achieve annual organic growth of between 5 and 6 % by introducing dialysis services and innovative dialysis products such as the newly developed 5008 and 5008s series dialysis machines. 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 grow our range of integrated, innovative treatment concepts such as UltraCare, Nephrocare and P3, see chapter "Quality" beginning ▶ *on page 83* as well as cardioprotective dialysis and combine them with dialysis drugs, for example. We believe that this strategy will make us stand out significantly against our competitors.

PATH 2: ACQUISITIONS With our long-term growth objectives and our aim to boost profitability in mind, we regularly investigate possible acquisitions to se-

VOLUME OF DIALYSIS MARKET 2009: $ 65 BILLION

Chart 2.1.3



Path 1 Organic growth	Path 2 Acquisitions	Path 3 Horizontal expansion	Path 4 Home dialysis
Strong organic growth	U.S.	EPO	Peritoneal dialysis
Superior patient care	Eastern Europe	Phosphate binders	Hemodialysis
Cost leadership	Asia-Pacific (non Japan)	Vitamin D	Innovative therapy options
		Iron	

lectively expand our dialysis clinic network. In doing this, we concentrate on particularly attractive regions, although future investments in North America should be on a smaller scale than in the past as North America has the most consolidated dialysis market. However, we assume that most of our future growth will be generated organically with acquisitions helping us achieve our long-term objectives. Further information on acquisitions can be found in the "Capital Expenditures and Acquisitions" section ▸ *on page 65*.

PATH 3: HORIZONTAL EXPANSION In 2008, we added intravenously administered iron preparations to our range of dialysis drugs. This was achieved through alliances, which enabled us to extend our range of products expediently and in line with our strategy.

PATH 4: HOME DIALYSIS As in the past, a relatively small number of dialysis patients (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 encompasses concrete and measurable growth targets, but also takes into account long-term trends that we forecast for the dialysis market. In addition to growing patient numbers, we expect the quality of dialysis services and the products available to become more important. We therefore presume that compensation for dialysis care will depend to a greater degree on certain quality criteria being met in the future. More information on this can be found in the "Quality" section beginning ▸ *on page 83* as well as in the "Dialysis Market" section starting ▸ *on page 41*.

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

GROWTH TARGETS We have set ourselves ambitious targets again for the years to come. Overall, we expect our revenue to increase to over $ 12 billion in 2010, mainly as a result of organic growth. This is much higher than the original goal of $ 10 billion defined in 2005 as well as the $ 11.5 billion changed in 2006. Should we reach our net income goal of $ 950 to $ 980 million in 2010, this would represent an above-average increase of 15 to 16 % per year, which

GOAL 10 OBJECTIVES AND HISTORICAL DEVELOPMENT

Table 2.1.4

	Goal 10	***2009***	*2008*	*2007*	*2006*	*2005*
Revenue *in $ millions*	> 11,500	11,247	10,612	9,720	8,499	6,772
Annual revenue growth	~ 6 – 9 %	9 %	8 %	14 %	25 %	8 %
Share of dialysis market[1]	~ 18 %	17.3 %	16.3 %	15.7 %	15.5 %	12.9 %
Market volume[1] *in $ billions*	~ 67	~ 65	~ 65	~ 62	~ 55	~ 52.5
Annual growth in net income[2]	> 10 %	9 %	14 %	25 %	24 %	17 %

[1] *Company estimates.*
[2] *2005 excluding one-time and special effects.*
2006 excluding one-time and special effects as well as effects from SFAS 123R.

is also beyond the goal of an annual increase of more than 10 %.

You can read our detailed forecast in the "Outlook" section starting ▶ *on page 107*.

▶ ECONOMIC ENVIRONMENT **After a major downturn in 2008, the global economy recovered more quickly in 2009 than generally anticipated. Compared to other sectors, economic fluctuations only had a marginal impact on the development of the dialysis market and the service business in particular. However, the fact that many currencies depreciated against the U.S. dollar within a short space of time noticeably affected our operations, particularly in the first half of the year. Lower prices for raw materials and energy, on the other hand, had a slightly positive impact on the results of our operations.**

GENERAL ECONOMIC ENVIRONMENT In many industrialized countries, the economy returned to a moderate growth track around mid-2009. At the same time, inflation rates around the world were negative for much of the year due to the development of raw material prices and generally lower capacity utilization. Large-scale and long-term stimulus packages implemented by governments and central banks since the beginning of the previous year had a stabilizing effect on the economy. Production and trade, however, remain on a very low level. The global gross domestic product (GDP) for the financial year 2009 declined by around 1 % compared to the previous year as a result of the considerable slump in the first half of 2009. In individual regions, economic development differed in 2009: in many important industrialized countries, like in the U.S., Germany and Great Britain, GDP fell by 2 to 5 %, while in Japan it even shrank by approximately 5 to 6 %. In emerging countries, the situation varied greatly: while the Russian GDP declined by 8.5 % – more than in any other country of the world – the Chinese economy continued to grow as in previous years, increasing by even 9 % in this year.

EXCHANGE RATE DEVELOPMENT In line with the financial markets, developments on the currency markets in 2009 were marked on the whole by high volatility, i.e. pronounced and rapid fluctuations, as had been the case in the previous year. This was

REAL GROSS DOMESTIC PRODUCT AND INFLATION RATE

Expected change over previous year in %

Table 2.1.5

	Gross Domestic Product		*Consumer price index*	
	2009	*2008*	***2009***	*2008*
United States	−2.5	0.4	−0.3	3.9
Germany	−5.0	1.3	0.4	2.6
Euro zone	−4.0	0.5	0.2	3.3
Great Britain	−4.6	0.6	2.1	3.6
New EU member states	−4.0	0.6	0.5	3.3
EU 27	−4.0	0.9	0.7	3.5
Russia	−8.5	5.6	11.8	14.1
Japan	−5.6	−0.7	−1.3	1.4
China	8.6	9.0	−0.8	5.9
East Asia and Hong Kong	−0.6	2.9	1.4	6.0
Latin America	−2.7	4.1	6.4	7.7
▶ WORLDWIDE	**−1.0**	**3.1**	**2.9**	**5.7**

Source: Joint Economic Forecast Project Group "Zögerliche Belebung – steigende Staatsschulden. Gemeinschaftsdiagnose Herbst 2009". Essen, October 13, 2009, monthly reports of the Deutsche Bundesbank, Institut für Weltwirtschaft an der Universität in Kiel, „Weltkonjunktur im Winter 2009", December 15, 2009.

especially true for the first half of 2009. From the middle of the year, the value of the U.S. dollar continuously depreciated against a number of important currencies, reflecting the changed economic environment and prospects in the individual regions. On December 31, 2009, the U.S. dollar/euro exchange rate was 3 % lower than a year before, although in 2009, on average, it was 5 % higher than in the previous year.

The U.S. dollar and the euro and their relation to each other are particularly important for Fresenius Medical Care, because we earn a large part of our business 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).

Our production sites are predominantly decentralized to enable us to meet the demand in our dialysis product business. Our production sites are mainly located directly in the markets they serve, so that costs and revenue are generated in the same currency. We are therefore less affected by long-term currency fluctuations, and transaction risks, i.e. currency risks due to foreign currency items and potential currency rate fluctuations, are kept to a minimum.

However, significantly more volatile exchange rates make even Fresenius Medical Care more sensitive to these exchange rates in the short term. In each of the first three quarters of 2009, for example, currency effects had a negative impact on our international operating margin. This was due to purchasing products manufactured in Europe and Japan at a time when the euro and yen appreciated compared to local Asian currencies. On an annual basis, however, this effect was negligible.

In the field of dialysis care, which accounts for a larger share of our business than dialysis products, the transaction risk is minimal as business is local and therefore conducted in the respective currency area.

U.S. In the U.S., the economy continued to slow down in the first half of 2009. Supported by an increase in private consumer spending, house building investments and exports, the economic situation stabilized since midyear. However, the gross domestic product

DEVELOPMENT OF USD EXCHANGE RATE VERSUS THE EURO

Table 2.1.6

	1st quarter	*2nd quarter*	*3rd quarter*	*4th quarter*	*Average*
2009	1.3049	1.3376	1.4299	1.4762	1.3940
2008	1.4981	1.5623	1.5036	1.3185	1.4705

Source: Reuters, average rates

dropped by 2.5 % in 2009 mainly as a result of an overall considerable decrease in investment activities and restrained private consumption in the first half year. Price trends were strongly influenced by fluctuations in raw material prices over the past two years – especially the price of oil. At – 0.3 %, the inflation rate was slightly negative in 2009, after a considerable gain of 3.9 % in the previous year.

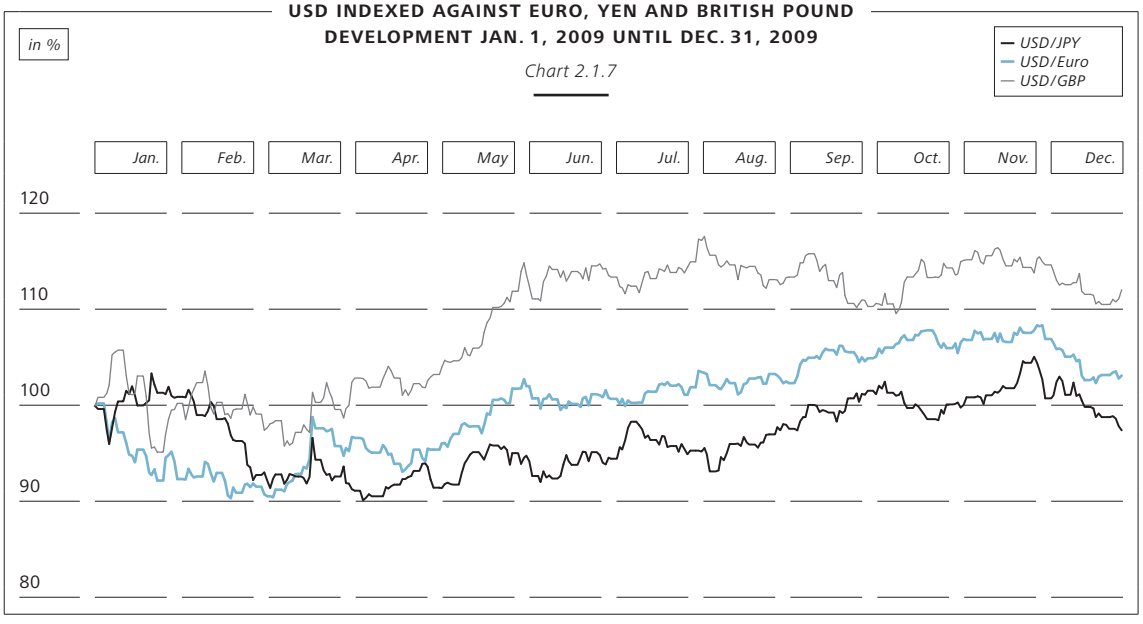
EUROPE Analogous to the development in the U.S., the economic decline also continued in the euro zone in the first half of 2009. It began to stabilize from the middle of the year thanks to export activities (net) and private consumption, which improved slightly due to fiscal policy measures and lower inflation. However, Europe's total GDP for 2009 fell by 4.0 %, after growing slightly by 0.5 % in the year before. This overall development in the euro zone is also true for large individual European economies such as Great Britain (– 4.6 %) and Germany (– 5 %) as well as Spain (– 3.7 %), Italy (– 4.8 %) and the Netherlands (– 4 %). As a consequence of Germany's weak economic development, its unemployment figures also rose slightly from 3.3 to 3.4 million. As a result, the average unemployment rate for 2009 was 8.2 %, up 0.4 percentage points on the previous year.

The global economic crisis also impacted negatively on developments in Russia. Here, the decline in global demand for raw materials and the concurrent deterioration of raw material prices resulted in export revenue dropping significantly. The GDP fell by 8.5 % in 2009. In the previous year, the Russian economy had recorded growth of around 6 %.

ASIA The total economic output of Japan and emerging Asian countries has grown significantly since spring 2009, driven by the recovery of the export business. At the same time, domestic demand remained moderate, as corporate investments continued to decrease across the board. Japan's GDP fell by 5.6 % in 2009, after declining slightly by 0.7 % in the previous year. Along with India, China remained a central growth driver. Its GDP increased by 8.6 % in 2009 (2008: + 9.0 %), thanks to comprehensive financial stimulus packages and investments in the country's infrastructure, focusing largely on the health sector.

USD INDEXED AGAINST EURO, YEN AND BRITISH POUND
DEVELOPMENT JAN. 1, 2009 UNTIL DEC. 31, 2009

Chart 2.1.7



LATIN AMERICA Although the economy in Latin America benefited from the premature rise in demand for raw materials, its GDP nevertheless dropped by 2.7 % in 2009, after growing by 4.1 % in the previous year. However, economic development in the individual countries was very diverse. As raw material producers and energy suppliers, most of the countries in the region profited from rising raw material prices. The economic outlook seems stable for many countries, but is slightly less optimistic for Mexico due to its strong dependence on the development of the U.S. economy.

Further information can be found ▸ *on page 53* in the "Comparison of the Actual Business Results with Forecasts" section and in the "Outlook" section starting ▸ *on page 107*.

▸ DIALYSIS MARKET **The dialysis market is growing worldwide and Fresenius Medical Care remained the uncontested market leader in the year under review. The downturn in the global economy had a slight impact on our dialysis machine sales, which as capital goods are more dependent on economic trends. The Company as a whole, however, was hardly impacted by this development. 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.**

In 2009, the value of the global dialysis market was estimated at around $ 65 billion, representing a growth of 5 % adjusted for foreign currency effects. Nominally the market volume remains at the same level as in the previous year. We estimate that the market can be divided into dialysis products with revenues of around $ 10.5 billion and dialysis services (including dialysis drugs) that account for approximately $ 55 billion of revenues. Detailed information on the data basis can be found in the section "Collection and analysis of market data" ▸ *on page 46* as well as in the Annual Report 2008 ▸ *on page 52*.

DIALYSIS PRODUCTS The key dialysis products offered include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with peritoneal dialysis products; also see glossary starting ▸ *on page 144*. The three largest manufacturers of dialysis products together accounted for almost 70 % of the worldwide market in 2009. With a market share of approximately 32 %, 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 formed the largest product group in the dialysis market with a worldwide sales volume of around 190 million units in 2009. Around 85 million 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. 85 % of dialyzers used around the world have a synthetic membrane. Fresenius Medical Care invented the high performance Polysulfone fiber, see glossary ▸ *on page 149*, pioneering its development and production 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 leaders. Of the roughly 65,000 dialysis machines sold in 2009, about 55 % were produced by Fresenius Medical Care. Nevertheless, we experienced a slight decrease in our dialysis machine sales in 2009. This is because dialysis machines as capital goods are more dependent on eco-

nomic trends than dialyzers, for example, which are disposable products and therefore less subject to cyclical demand. Given the steadily increasing number of dialysis patients worldwide, however, we expect significant growth again in the medium term. The Company as a whole, however, was hardly impacted by this development.

In the United States, which is our largest business region, our market share in these two product groups – dialyzers and dialysis machines – exceeded 75 % of the independent market and represents a significant improvement compared to the previous year's value of 70 %. We define the independent market as all dialysis clinics that do not belong to a major U.S.-wide dialysis care provider, such as Fresenius Medical Care or DaVita.

In 2009, at least 80 % of 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 90,000 units are currently in use there. Dialyzer sales also developed very positively. In the past financial year, we achieved record figures in the United States, selling more than 33 million dialyzers.

Our second-largest sales market for newly sold hemodialysis machines in 2009 after the U.S. was China, where we supplied more than 2,700 units. Almost half (over 45 %) of all hemodialysis machines currently used in China were produced by Fresenius Medical Care. With an annual growth rate of more than 20 % in the product business, China will continue to gain importance as a sales market for Fresenius Medical Care. The country's government follows numerous efforts to develop a modern healthcare system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers.

Last year, the number of peritoneal dialysis patients rose by more than 6 % worldwide to around 203,000. Approximately 36,000 of them were treated with products made by Fresenius Medical Care. In the area of peritoneal dialysis we account for 17 % of this market worldwide. Our market share in the U.S. was 31 %. 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 ▸ *on page 32*.

DIALYSIS SERVICES The term "dialysis services" refers to the range of dialysis treatments available under the care of specialist doctors and nursing staff. As a rule, renal patients receive such treatment in clinics or dialysis centers that they visit several times a week for several hours. They are treated either during the day or overnight while they sleep. Other treatments include home dialysis, where patients usually treat themselves at home under professional guidance and

MARKET POSITION IN MAJOR PRODUCT GROUPS 2009

Table 2.1.8

	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	Pisa

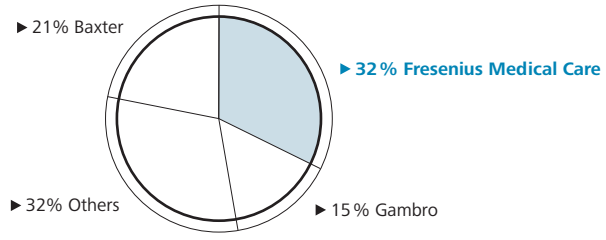
with the required equipment and dialysis during vacation, for example on cruise ships or at resorts. Fresenius Medical Care also offers its service for these types of treatment, but the vast majority of dialysis services are still provided in clinics or centers.

In the past year, most dialysis patients were treated in one of 29,000 dialysis centers worldwide, at an average of some 65 patients per center. The organizational structure of dialysis center operations ranges widely, depending on whether a country's health

DIALYSIS PRODUCTS 2009

Market shares

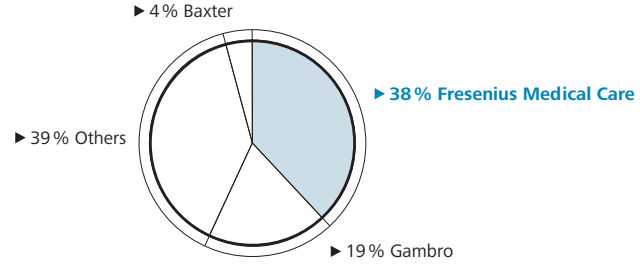
Chart 2.1.9



HEMODIALYSIS PRODUCTS 2009

Market shares

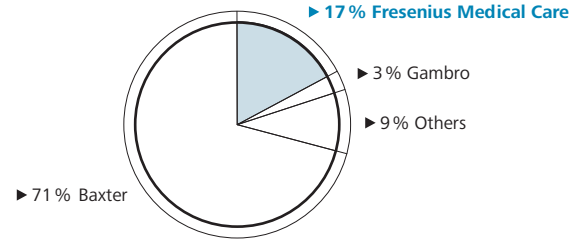
Chart 2.1.10



PERITONEAL DIALYSIS PRODUCTS 2009

Market shares

Chart 2.1.11



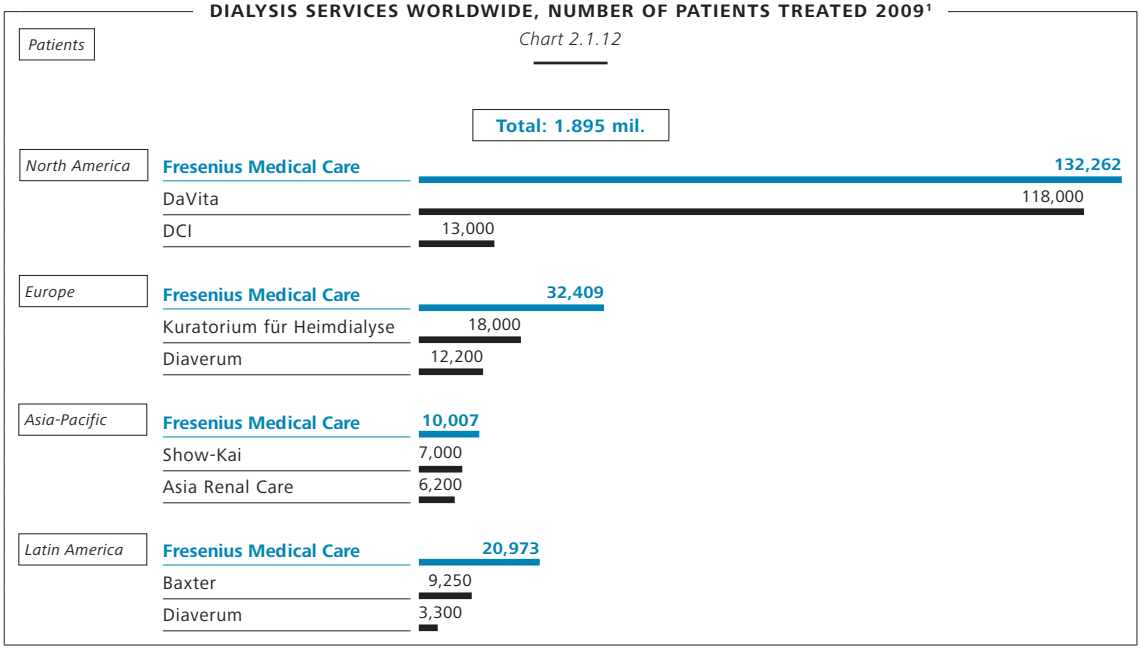
system is predominantly private or public. The United States and the European Union (EU) have around 5,000 dialysis centers each, but whereas in the U.S. only around 1 % of patients are treated in these publicly operated clinics, in the EU this number is about 61 %. In Japan, private nephrologists (doctors specializing in renal treatments) play a key role, treating about 80 % of dialysis patients in their facilities.

Fresenius Medical Care is able to operate its own therapy centers in countries where the healthcare system allows private sector companies to provide medical services and an appropriate reimbursement scheme is in place. Many healthcare systems have been under pressure for some years now to improve the quality of treatment as far as possible while at the same time keeping healthcare costs at the lowest possible level. To achieve this target, they are considering how specialized private companies might be able to help. Other healthcare systems are still at the development stage and these countries are specifically looking to interact with healthcare companies that are renowned for their quality to meet modern treatment standards. On both counts, Fresenius Medical Care, as an experienced, vertically integrated provider with high-quality and innovative products and services, is in an excellent position to continuously improve its position in the present and future dialysis market.

In the United States, the degree of concentration of dialysis centers is already relatively high. Fresenius Medical Care and the second largest company, DaVita, together treat approximately 64 % of all dialysis patients there. Fresenius Medical Care maintained its leading position in 2009 with more than 132,262 patients, representing about 32 % of total patients in the U.S. The dialysis market outside the United States

DIALYSIS SERVICES WORLDWIDE, NUMBER OF PATIENTS TREATED 2009[1]

Chart 2.1.12



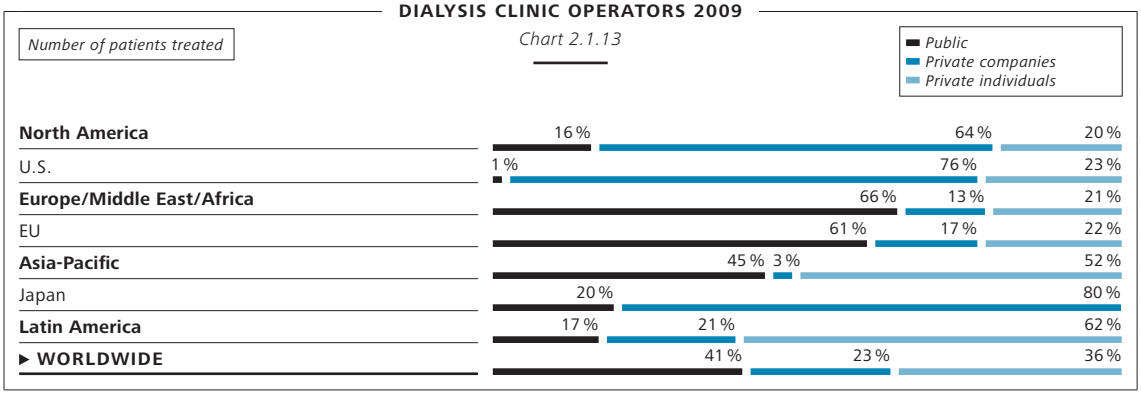
[1] *Based on company statements and estimates.*

is much more fragmented: with 769 centers in over 35 countries treating more than 63,000 patients, Fresenius Medical Care has by far the largest and most international dialysis center network.

Overall, Fresenius Medical Care continued to improve its clear leadership position in 2009, treating 195,651 dialysis patients in 2,553 clinics worldwide by the end of the year.

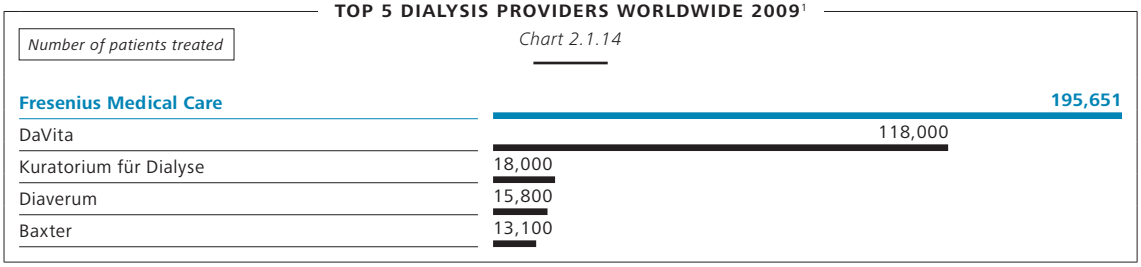
DIALYSIS CLINIC OPERATORS 2009

Chart 2.1.13



TOP 5 DIALYSIS PROVIDERS WORLDWIDE 2009[1]

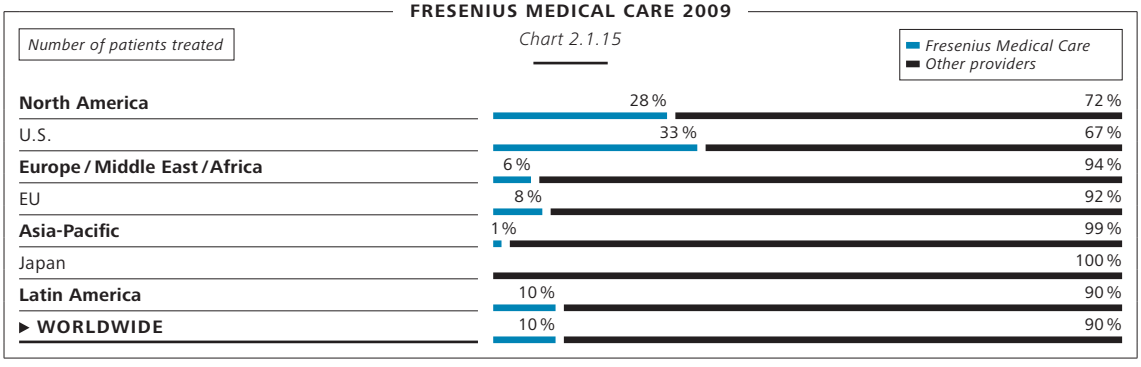
Chart 2.1.14



[1] *Based on company statements and estimates.*

FRESENIUS MEDICAL CARE 2009

Chart 2.1.15



SECTOR-SPECIFIC CONDITIONS

COLLECTION AND ANALYSIS OF MARKET DATA Fresenius Medical Care's success depends on having reliable information about changes in the dialysis market and its general conditions on a global, as well as regional and national level. This includes present and expected future numbers of patients, social and medical trends and the positions of our competitors.

To obtain and manage representative market information, Fresenius Medical Care has created its own tool, the Market & Competitor Survey (MCS). The MCS is designed to collect, analyze and communicate relevant market and competitor data throughout the Company worldwide. Country-by-country surveys are requested at the end of each calendar year and focus on the total number of patients treated for end-stage renal disease (ESRD), selected treatment modes, products used, treatment location and the structure of ESRD patient care providers. Questionnaires are distributed to professionals in the field of dialysis who are in a position to provide country-specific market data themselves or who can coordinate appropriate input from contacts with the relevant know-how in each country. The data from the questionnaires are then centrally assessed by cross-referencing them with official information provided by national associations and the results of past surveys. All information received is consolidated to draw conclusions on patients and markets, globally as well as regionally. Finally, the information is analyzed and used together with publicly available information on our competitors as a basis for strategic decisions on business 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, data in this chapter is based on internal estimates based on the MCS. Fresenius Medical Care uses its own system to collect market data for the following reasons: renowned organizations in many countries publish information on ESRD, demographic patient structures and relevant trends, either using renal registries (patient registries), such as the United States Renal Data System (USRDS), or the Japanese Society for Dialysis Therapy (JSDT), or multinational associations such as the European Renal Association – European Dialysis and Transplant Association (ERA-EDTA). But although this publicly available data is important reference material for Fresenius Medical Care, 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 organizations generally do not track the number of renal products used for dialysis, such as dialyzers or peritoneal dialysis solution bags.

We are continuously optimizing the MCS to adapt it to dynamic market developments and our growing demands as far as possible. 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 competitors.

PATIENTS ESRD has a global dimension. At the end of 2009, approximately 2.455 million patients underwent treatment for this disease. Around 1.895 million patients in more than 145 countries received renal replacement therapy in the form of dialysis. About 560,000 kidney patients live with a transplanted kidney.

Of the 1.895 million patients worldwide who received regular dialysis treatment by the end of 2009 approximately 20 % were treated in the United States, 17 % in the EU and 16 % in Japan. The remaining 47 % of dialysis patients were spread among 120 countries in other geographical regions. The number of dialysis patients worldwide increased as anticipated by approximately 6 % in 2009. Significant regional differences remained.

Patient numbers in different countries can be compared using a prevalence, which expresses the relative number of ESRD patients per million population (p.m.p.). The country prevalence values vary significantly, ranging from well under 100 to more than 2,000 p.m.p.

ESRD prevalence is highest in Taiwan with around 2,560 p.m.p., followed by Japan with around 2,430 p.m.p. and the U.S. with around 1,830 p.m.p. It averages at about 1,000 p.m.p. in the 27 countries that make up the EU.

The global average prevalence is approximately 360 p.m.p. – much lower than in the countries mentioned above. There are several reasons for this: on the one hand, there are differences in the demographic structure of the individual countries, for example with regard to age and the distribution of renal risk factors such as diabetes and hypertension. The genetic likelihood of contracting kidney disease, known as "genetic predisposition" also varies widely across the globe, and cultural differences such as diet also play a key role. On the other hand, access to treatment is still limited in many countries, meaning that a large number of patients with terminal renal failure do not receive treatment and are therefore not included in the p.m.p. calculation.

A comparison of national economic strength expressed as gross domestic product (GDP) with the prevalence of ESRD suggests that economic factors not only influence the demographics of the population but also the treatment available for kidney patients. Access to treatment is restricted especially in countries where the GDP per capita is below a value of around $ 10,000 per year. In countries whose economy performs better than this, there is no correlation between economic strength and ESRD prevalence. However, mounting global prevalence values over the years indicate a relative increase in the number of people receiving care for ESRD.

Patient numbers grew at a below-average pace in the U.S. and Japan, as well as in Western and Central Europe in 2009. In all these regions, the prevalence of terminal kidney failure is already relatively high and patients generally have access to treatment, usually dialysis. Annual growth rates in economically weaker regions, however, were above average, sometimes reaching double-digit figures. This indicates that accessibility to treatment is still limited in these countries, but is gradually improving. Not only better access to dialysis, but also other factors contribute to this increase in worldwide prevalence – for example the growing number of cases of diseases that damage the kidneys such as diabetes and hypertension, and the general aging of the world population as a result of medical progress.

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 147 and 149* 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 1.895 million patients who underwent dialysis treatment at the end of 2009, 1.692 million – more than 89 % – were treated with HD and around 203,000 with PD. In a global comparison of treatment methods, hemodialysis is clearly the most commonly used. Within the group of the 15 largest dialysis countries that 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 terminal kidney failure is kidney transplantation. Approximately 560,000 patients were living with a transplanted kidney at the end of 2009. 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 the global ESRD population lives with a donor organ. Despite ongoing and extensive efforts by regional initiatives to increase awareness of and willingness for kidney donation, the share of patients receiving kidney transplantation compared to other treatment modes has remained relatively unchanged over the past ten years.

CUSTOMERS State-owned and public health insurance companies as well as private health insurers and companies are among Fresenius Medical Care's major customers. The largest private company is the U.S.

PATIENTS WITH END-STAGE RENAL DISEASE (ESRD)

Table 2.1.16

Number in millions

ESRD patients treated	**2.455**
of which dialysis	1.895
Hemodialysis (HD)	1.692
Peritoneal dialysis (PD)	0.203
of which transplants	0.560

GLOBAL PREVALENCE RATES

Table 2.1.17

Patients per million population (p.m.p.)

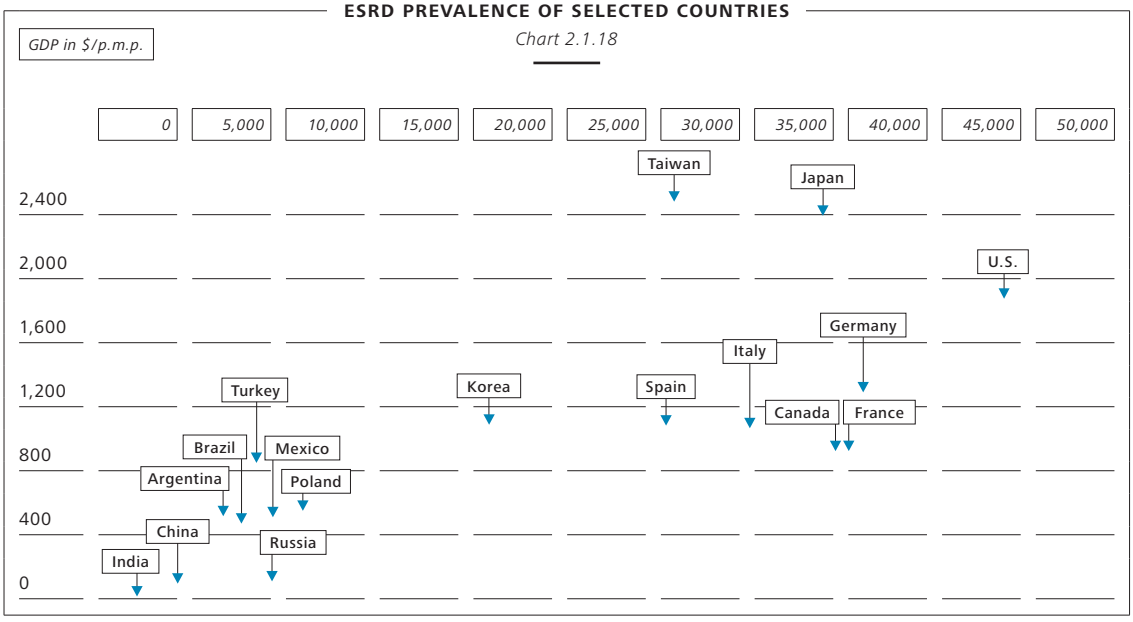
	2009	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*	*2000*	*1999*
ESRD	361	344	327	311	295	280	265	251	237	224	212
Dialysis	279	264	249	236	224	213	202	192	182	172	163

firm DaVita, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care.

HEALTHCARE 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

ESRD PREVALENCE OF SELECTED COUNTRIES

Chart 2.1.18



GDP: gross domestic product
p.m.p.: patients per million population

DIALYSIS PATIENTS – REGIONAL DEVELOPMENT

Table 2.1.19

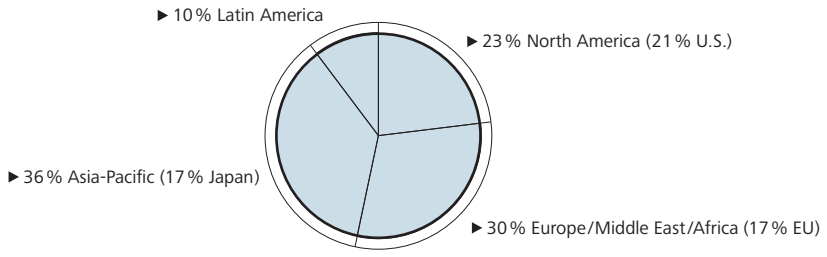
	2009	*Change*
North America	**465,000**	**4 – 5 %**
U.S.	385,000	3 – 4 %
Europe/Middle East/Africa	**550,000**	**4 – 5 %**
EU	313,000	3 – 4 %
Asia-Pacific	**680,000**	**8 – 10 %**
Japan	294,000	2 – 3 %
Latin America	**200,000**	**7 – 8 %**
▶ **WORLDWIDE**	**1,895,000**	**6 – 7 %**

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, to adapt our business to local needs and regulations and to act profitably.

The healthcare debate in some regions is currently focused on establishing reimbursement structures based on treatment quality. The goal of a reimbursement system of this kind is to improve the treatment quality while improving the current level of costs for the treatment of a dialysis patient. The example of Portugal, described in detail in our 2008 annual report ▶ *on page 102* 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 around 4,200 patients in 34 dialysis centers in Portugal. The Portuguese Ministry of Health and the national association of privately run dialysis

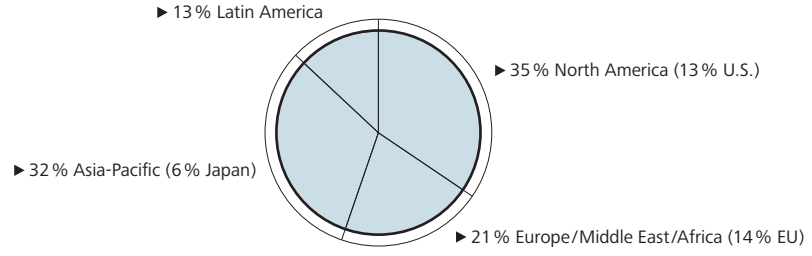
HEMODIALYSIS PATIENTS 2009

Chart 2.1.20



PERITONEAL DIALYSIS PATIENTS 2009

Chart 2.1.21



centers agreed at the beginning of 2008 on a new, quality-oriented flat-rate reimbursement plan for the ambulatory care of hemodialysis patients. The costs of individual dialysis services and products are no longer reimbursed separately, but rather a number of dialysis products and services are 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 us, 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.

In January 2011, the United States, our largest sales market, will also introduce a new flat-rate reimbursement system for the dialysis treatment of public healthcare patients (Medicare). The corresponding draft law was passed in July 2008, as we reported in the last annual report. All products and services presently reimbursed according to the composite rate will be reimbursed in one flat fee in the future. This includes services such as the administration of certain drugs and diagnostic laboratory tests that are currently reimbursed separately. The bundled reimbursement rate will be adapted to patients' characteristics such as age and weight. Adjustments are also planned for patients who require exceptional medical care that results in higher costs. In addition to the implementation of inflationary adjustments, other special features of this new reimbursement system include adherence to certain quality parameters. For example, the reimbursement rate will be reduced 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 2009, and will be raised again by another 1 % in 2010.

Terminal kidney failure is one of the few chronic illnesses whose treatment is covered by public health insurance in the United States. The care of more than 80 % 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 excellent position to work with the new system.

▸ EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

ACQUISITIONS AND DIVESTMENTS Investment strategy remained unchanged in 2009. We stepped up investments in our future growth by continually extending our network of clinics and expanding our production capacities. In the year under review, we spent a total of $ 188 million on acquisitions, with capital expenditures coming in at $ 562 million. Individual acquisitions and divestments were of lesser

significance here. For further information see the "Financial Situation" section starting ▶ *on page 63*.

COOPERATION AGREEMENTS We continued our existing cooperations in 2009, including the licensing and sales agreements concluded in 2008 to market and distribute intravenous iron preparations. We reported on this in detail in the 2008 annual report ▶ *on pages 60 and 100*. The Company did not conclude any new important cooperation agreements last year.

BUSINESS ENVIRONMENT The Company's business environment remained largely unchanged in 2009, as did the legal frameworks relevant for our business.

In Portugal, the reimbursement model introduced in 2008 proved to be a success: the new comprehensive reimbursement model is an integrated and quality-driven approach that pools a number of dialysis services and products and requires the successful implementation of an integrated disease management model see glossary ▶ *on page 146*. The aim is to achieve more comprehensive patient care and quality improvements while at the same time boosting the efficiency of the healthcare system as a whole. For additional information on the reimbursement system in Portugal, please see the "Healthcare and Reimbursement Systems" section ▶ *from page 49* onwards.

COMPANY MANAGEMENT In December 2009, Fresenius Medical Care announced changes to its Management Board: Dr. Ben J. Lipps's contract as Chairman and Chief Executive Officer was extended one year to December 31, 2012. At the same time, Rice Powell was appointed Deputy Chairman of Fresenius Medical Care and CEO of North America as of January 1, 2010, making him the designated successor to Dr. Lipps. Rice Powell has been working for the Company since 1997 and has been on the Management Board since 2004.

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

In addition, as of January 1, 2010, Kent Wanzek assumed the newly created position of Member of the Board responsible for Global Manufacturing Operations. In this role, he will overlook 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, Latin America, Middle East and Africa, Dr. Emanuele Gatti will now also be in charge of strategy development at Fresenius Medical Care. His contract has been extended.

Mats Wahlstrom, Co-CEO of Fresenius Medical Care North America and Member of the Management Board of Fresenius Medical Care, opted to reduce the hours he works for the Company from January 2010. He joined us in 2002 and was on the Management Board from 2004 until leaving at the end of 2009. He will retain his position on the Board of Directors at Fresenius Medical Care North America and will continue to advise the CEO for another five years on new therapies and services, the worldwide expansion of the service business and leadership development.

Roberto Fusté will continue to be responsible for the successful development of our activities in the Asia-Pacific region in the future. Dr. Rainer Runte will remain head of the segments Law, Compliance, Corporate Governance and Intellectual Property. His contract was also extended. In addition, he will act as Labor Relations Director in future, responsible for human resources in Germany, and support the implementation of Business Development projects.

You can read more about the Management Board of Fresenius Medical Care ▸ *on page 12*.

SUMMARY No other significant events took place in 2009 that had a material 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.

▸ COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS **Fresenius Medical Care can look back on another successful business year. Despite difficult conditions, particularly in the first half of 2009, we were again able to achieve new records both in terms of revenue and earnings. We met and in some cases even exceeded our ambitious targets for the full year 2009.**

2009 was a successful year for Fresenius Medical Care. At the beginning of the year, we predicted revenue in the region of $ 11.1 billion, up around 5 % on 2008. In fact, it grew by almost 6 % to $ 11.25 billion. In constant currency terms, revenue increased by 9 % and was therefore at the upper end of the 6 to 9 % target corridor specified in the GOAL 10 program (see also chapter "Growth Strategies" ▸ *on page 36*).

At the start of the year, we expected net income to be in the range between $ 850 and $ 890 million. This would have represented a 4 to 9 % increase compared with the 2008 figures. However, net income totaled $ 891 million (+ 9 %) at the end of 2009, and was thus slightly above the upper end of the envisaged spectrum. Since 2005, the year in which our GOAL 10 strategy was implemented, until 2009 average growth in earnings after tax was 17 % and was therefore clear above the target mark of more than 10 % p.a. If we reach our net income (attributable to Fresenius Medical Care AG & Co. KGaA) target of $ 950 to 980 million in the current business year 2010, this will correspond to an annual increase of 15 to 16 % since 2005.

In the year under review, the effective tax rate amounted to 33.7 %, a significantly better result than the 36 to 37 % we forecasted at the beginning of the financial year. The rate benefited from changes in the presentation of noncontrolling interest as a result of new accounting rules. Accordingly, income tax expense related to noncontrolling interest is no longer included in the consolidated income tax expense. The untaxed and therefore higher noncontrolling interest increases the amount of noncontrolling interest in the income statetement. Therefore, this presentation had no effect on the amount of net income attributable to Fresenius Medical Care AG & Co. KGaA.

The expected continued growth of the dividend is reflected in our dividend proposal: pending approval by the General Meeting, the dividend per ordinary share will increase by 5 % to € 0.61 (2008: € 0.58). More information on this can be found in the "Dividend" section ▶ *on page 24*.

At the beginning of the financial year, we expected our capital expenditures and acquisition spending to total approximately $ 750 to $ 950 million. Of this, $ 550 to $ 650 million were earmarked for capital expenditures and $ 200 to $ 300 million for acquisitions. We were within our planned budget with spending $ 562 million for capital expenditures. However, acquisitions were not realized in the planned period, so that the spending of $ 188 million was at the lower end of our forecast. Accordingly, the total amount for capital expenditures and acquisitions with $ 750 million did not reach our forecasts. We expect the realization of our acquisition projects within 2010 and have therefore increased our acquisition budget up to $ 400 million. Further information can be found in the "Outlook" section ▶ *on page 107*.

The operating cash flow, driven by earnings performance and ongoing good management of accounts receivable, was expected to be within the target range of 10 % of revenue. In 2009, the operating cash flow totaled $ 1.339 billion, corresponding to 11.9 % of revenue. This positive growth benefited from an effective accounts receivable management and the favorable development of the Days Sales Outstanding.

According to our forecast, the debt/EBITDA ratio was to drop to below 2.7 by the end of 2009. The actual debt/EBITDA ratio as of the reporting date was 2.46, and therefore also developed better than planned.

TARGETS AND RESULTS FOR 2009

Table 2.1.22

	*Results **2009***	*Targets 2009 after November increase*	*Target achieved*
Revenue	+6 % to $ 11.25 billion	+5 % (in constant currency +8 %) to > $ 11.2 billion	✓
Net income	+9 % to $ 891 million	~6–9 % to $ 865–$ 890 million	✓
Dividend	+5 % per ordinary share to € 0.61	continuous increase	✓
Investments	$ 562 million	$ 550–$ 650 million	✓
Acquisitions	$ 188 million	$ 200–$ 250 million	
Tax rate	33.7 %	36–37 %	✓
Debt/EBITDA ratio	2.46	<2.7	✓
Number of employees	67,988	over 67,000	✓
Research and development expenses	$ 94 million	~ $ 95 million	✓
Product innovations	e.g. 5008S dialysis machine	further expansion of product and service range	✓

At the end of 2009, the number of employees at Fresenius Medical Care (full-time equivalents) increased from 64,666 at the end of 2008 to 67,988, reaching our forecast figure of 67,000. The continued strong organic growth of the dialysis services business and the 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 $ 94 million and within our expectations and the targeted amount of $ 95 million. The focus is on further developing existing product groups. Details can be found ▸ *from page 71* onwards in the "Research and Development" section.

The general economic development in the year under review was initially marked by a sharp decline, followed by stabilization and moderate gains in the second half of the year. On balance, all important regions posted considerable decreases in terms of their gross domestic product in 2009 compared to the previous year, as we expected. The economies of emerging markets grew at a stronger rate than the U.S. and European markets, which are most important for us as they account for a larger share of our revenue volume. Further information can be found in the section "Economic Environment" starting ▸ *on page 38*. However, Fresenius Medical Care's dialysis business is less dependent on economic cycles than other industries. The dialysis market developed positively as we predicted: market volume was up by approximately 5 % adjusted for currency effects, and the number of patients worldwide grew by around 6 %. In terms of the allocation of dialysis patients to different treatment methods, there were no significant changes over the previous year. Hemodialysis remained by far the most important method used to treat chronic kidney failure.

▸ THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE 2009 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 main 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 market. We clearly maintained our position as market leader in North America – by far our biggest market. We also recorded some significant revenue growth in the markets outside of North America (Europe, Latin America and Asia), reinforcing our market position in these regions.

Fresenius Medical Care's profitability also continued to increase in the year under review. Once again, there were improvements in all relevant key figures. This is also linked to our large ongoing 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 2009 was another very successful year for Fresenius Medical Care. We achieved and in some cases exceeded our annual targets, which we had already revised upward on the basis of the positive figures in the third quarter. The Company again posted record revenue and earnings figures, with every region and segment contributing to growth and therefore helping to improve our market position.

REVENUE Fresenius Medical Care once again achieved a significant gain in revenue in 2009, up 6 % to $ 11.25 billion. This represents a 9 % increase in constant currency. Organic revenue growth was 8 %, while acquisitions accounted for 1 % of the revenue increase.

Both segments – North America and International – contributed to the boost in revenue in 2009. Revenue in North America rose by 9 % to $ 7.61 billion, with organic revenue up 8 %. North America remains the most important business region for Fresenius Medical Care. In the year under review, we generated around 68 % of our total revenue in this region, up from about 66 % in the previous year. Operations in the International segment, which encompasses all regions outside of North America, developed very positively, as reflected in its organic revenue growth of 8 %. Acquisitions also had a moderately positive impact (+ 2 %), while negative exchange rate effects of 8 % as well as clinic sales and closures (1 %) meant that revenue reported in U.S. dollars only rose slightly by 1 % to $ 3.64 billion. As a result, the International segment's share of total revenue fell by two percentage points to 32 %.

As in the previous years, dialysis services provided in North America contributed most to revenue (89 %). Due to the widespread expansion of our clinic network, the focus of the International segment also shifted slightly towards the services business last year. However, dialysis product sales still dominate this segment, generating 57 % of revenue. There are several reasons why the revenue distribution of dialysis services and products in North America differs so much from that in the International segment. One main reason is the individual development and structure of the healthcare systems. For example, in major dialysis markets such as Germany and Japan, extensive legal restrictions are imposed on the operation of dialysis clinics by private companies such as

REVENUE BY SEGMENT

Table 2.2.1

in $ millions

	2009	2008	Change
North America			
Dialysis products	818	758	8 %
Dialysis services	6,794	6,247	9 %
▶ TOTAL	**7,612**	**7,005**	**9 %**
International			
Dialysis products	2,079	2,117	– 2 %
Dialysis services	1,556	1,490	4 %
▶ TOTAL	**3,635**	**3,607**	**1 %**
Worldwide			
Dialysis products	2,897	2,875	1 %
Dialysis services	8,350	7,737	8 %
▶ TOTAL	**11,247**	**10,612**	**6 %**

Fresenius Medical Care. This makes the expansion of our clinic network in these countries more difficult. In addition, we rapidly expanded our dialysis care business in North America after the founding of Fresenius Medical Care in 1996 and the associated acquisition of National Medical Care (NMC).

Revenue from dialysis services in North America increased by 9 % to $ 6.79 billion. Organic revenue growth was 8 %. The average fee per dialysis treatment in the U.S. – our main market – rose by 5 % from $ 330 in 2008 to $ 347 in 2009. This development is mainly attributable to an increase in the reimbursement rate, especially among private health insurers, and a rise in the prescription of pharmaceuticals.

Revenue from dialysis products in North America rose by 8 % to $ 818 million, primarily due to improved drug sales, particularly of the newly licensed intravenous iron products. These gains were partly negated by comparatively low revenue from the phosphate binder PhosLo®. This can be explained by the launch of a generic drug by a competitor in the U.S. in October 2008.

Revenue from dialysis services in the International segment grew by 4 % compared to the previous year to $ 1.56 billion. In constant currency terms, this represents an increase of 14 %. In contrast, revenue from dialysis products fell by 2 % to $ 2.08 billion. However, adjusted for currency fluctuations, revenue grew by 6 %. Improved sales in many areas of the product portfolio (e.g. drugs, dialyzers, blood lines and concentrates) were more than offset by negative exchange rate effects of 8 % and dwindling sales figures for hemodialysis machines.

EARNINGS

OPERATING INCOME (EBIT, EARNINGS BEFORE INTEREST AND TAXES) In 2009, operating income (EBIT) grew by 5 % to $ 1.76 billion. The operating margin was 15.6 %, slightly down on the previous year's figure of 15.8 %. The main reasons for the lower operating margin were higher prices for renal drugs, the launch of a generic drug similar to the phosphate binder PhosLo® by a competitor in the U.S., higher depreciation and amortization, as well as negative exchange rate effects. These were partially offset by the positive development of reimbursement rates in the U.S. and lower production costs.

In the North America segment, operating income rose by 7 % to $ 1.25 billion in the year under review. The operating margin was 16.4 % compared to 16.7 % in 2008. This decline is mainly due to a rise in prices for pharmaceuticals and the impact of the launch of a generic version of PhosLo® in the U.S. market, as well as higher personnel costs and depreciation and amortization. This was compensated in particular by higher reimbursement rates, increased use of pharmaceuticals and lower expenditures for adjustments on receivables.

REVENUE DEVELOPMENT BY SEGMENT

in $ millions

Table 2.2.2

	2009	*2008*	*Change*	*Organic growth*	*Exchange rate effects*	*Acquisitions/ divestitures*	*Percentage of total revenue*
North America	7,612	7,005	9 %	8 %	–	1 % (net)	68 %
International	3,635	3,607	1 %	8 %	– 8 %	1 % (net)	32 %
▶ **TOTAL**	**11,247**	**10,612**	**6 %**	**8 %**	**– 3 %**	**1 % (net)**	**100 %**

We recorded a slight increase in operating income of 3 % to $ 637 million in the International segment in 2009, compared to $ 616 million in the previous year. The operating margin improved from 17.1 to 17.5 %. This is attributable to a drop in production costs caused by falling prices for raw materials and energy and the effects of economies of scale, as well as valuation adjustments to inventories. In contrast, exchange rate effects had a negative influence on results.

As anticipated, costs for the corporate center also rose in the year under review, particularly due to higher expenditures for patent disputes and for research and development. These costs were not taken into account when calculating the EBIT of the International and North America segments. Fresenius Medical Care considers these to be costs that are not controlled by the individual business segments. They mainly comprise corporate expenses in accounting and finance as well as in other areas like research and development. Total corporate operating costs amounted to $ 131 million in 2009, compared to $ 112 million in the previous year.

In 2009, dialysis services accounted for the majority of revenue, contributing 74 % (2008: 73 %). 26 % of revenue was generated from dialysis products (2008: 27 %).

Revenue from dialysis services worldwide grew by 8 % in 2009, coming in at $ 8.35 billion. This rise in revenue was the result of organic growth of 9 % and acquisitions of 1 %, while exchange rate effects had a negative impact of 2 %.

At the end of 2009, we operated 2,553 dialysis clinics, 7 % more than at the end of 2008. We treated more than 195,651 patients in the year under review, up 6 % from the previous year. The number of treatments also grew by 6 %, to approximately 29.43 million.

Worldwide dialysis product revenue increased by 1 % to $ 2.90 billion in 2009. In constant currency terms, this corresponds to a revenue growth of 6 %. The main reasons for this rise were an increase in pharmaceutical sales, especially the newly licensed intravenous iron products, as well as a boost in sales of dialyzers. These were partially offset by a drop in sales of our phosphate binding drug PhosLo® and a decline in sales of hemodialysis machines. Including revenue from our own dialysis clinics, revenue from dialysis products rose by 3 % to $ 3.84 billion.

Europe/Middle East/Africa is the largest business region in the International segment. Revenue in this region fell by 1 % to $ 2.48 billion due to negative exchange rate effects. In constant currency, revenue grew by 8 %, helping us to further consolidate our market position. In 2009, the region accounted for 22 % of total revenue (2008: 24 %). At the end of the year, we provided dialysis services to nearly 32,400 patients in 435 dialysis clinics – over 2,500 patients (+ 9 %) more than twelve months before. We generated revenue of $ 980 million from dialysis services in 2009, up 3 % from the previous year. In constant currency terms, this represents a 14 % increase. Revenue from dialysis products was $ 1.50 billion, a fall of 4 %; however, in constant currency, this corresponded to a growth of 4 %.

OPERATING INCOME (EBIT)

Table 2.2.3

in $ millions

	2009	*2008*	*Change*
North America	1,250	1,168	7 %
International	637	616	3 %
Corporate	(131)	(112)	–
▶ **TOTAL**	**1,756**	**1,672**	**5 %**

PATIENTS

Table 2.2.4

	2009	2008	Change
North America	132,262	125,857	5 %
Europe/Middle East/Africa	32,409	29,841	9 %
Latin America	20,973	19,230	9 %
Asia-Pacific	10,007	9,158	9 %
▶ **TOTAL**	**195,651**	**184,086**	**6 %**

TREATMENTS

in millions

Table 2.2.5

	2009	2008	Change
North America	19.87	19.15	4 %
Europe/Middle East/Africa	4.83	4.46	8 %
Latin America	3.22	2.92	10 %
Asia-Pacific	1.51	1.34	13 %
▶ **TOTAL**	**29.43**	**27.87**	**6 %**

CLINICS

Table 2.2.6

	2009	2008	Change
North America	1,784	1,686	6 %
Europe/Middle East/Africa	435	400	9 %
Latin America	191	177	8 %
Asia-Pacific	143	125	14 %
▶ **TOTAL**	**2,553**	**2,388**	**7 %**

Business also developed positively in Latin America. Revenue grew by 5 % to $ 517 million, a 16 % increase adjusted for exchange rate effects. The region accounted for 5 % of total revenue, compared to 4 % in the previous year. Revenue from dialysis services rose by 6 % (18 % in constant currency) to $ 349 million. We generated $ 168 million of revenue from dialysis products, up 4 % compared to 2008 (12 % in constant currency). At the end of 2009, we treated almost 21,000 patients in 191 dialysis clinics in this business region.

The Asia-Pacific region recorded revenue growth of 6 % to $ 639 million. In constant currency terms, revenue grew by 8 %. This region accounted for 5 % of Fresenius Medical Care's total revenue, compared to 6 % in the previous year. Revenue from dialysis services was up 7 % (5 % in constant currency) to $ 227 million. Dialysis product revenue in this region grew by 5 % (9 % in constant currency) to $ 412 million.

Order volume is not a significant indicator for Fresenius Medical Care as nearly 75 % of our business model are related to regularly provided services. In addition, 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 indicator.

REVENUE BY REGION

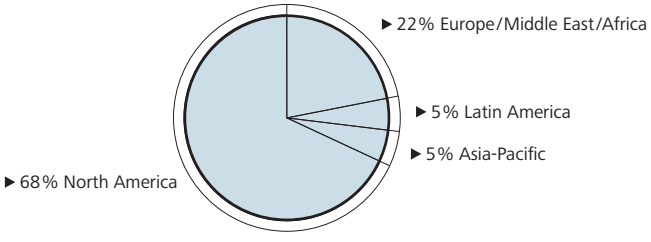
Table 2.2.7

in $ millions

	2009	*2008*	*Change*
North America	7,612	7,005	9 %
Europe/Middle East/Africa	2,479	2,510	– 1 %
Latin America	517	491	5 %
Asia-Pacific	639	606	5 %
▶ **TOTAL**	**11,247**	**10,612**	**6 %**

SHARE OF REVENUE BY REGION IN 2009

Chart 2.2.8



EARNINGS BEFORE TAXES Earnings before taxes increased to $ 1.46 billion, up 9 % from the previous year ($ 1.34 billion).

NET INCOME (net income attributable to Fresenius Medical Care AG & Co. KGaA) In 2009, net income rose by 9 % to $ 891 million, compared to $ 818 million in 2008.

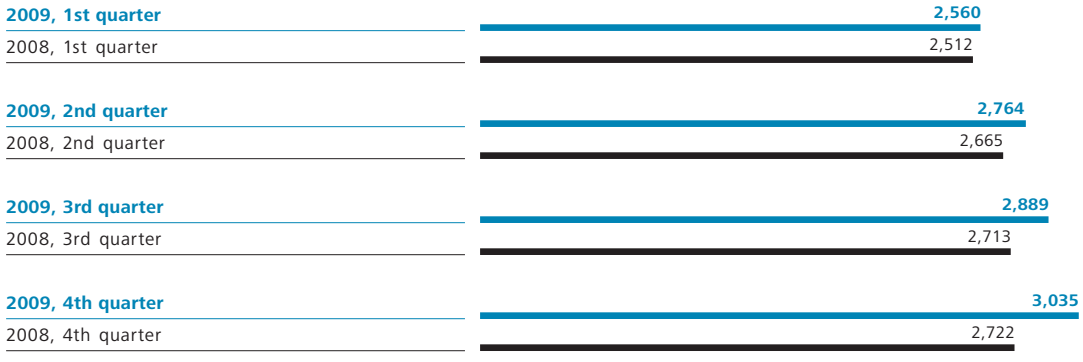
DEVELOPMENT OF OTHER MAJOR ITEMS IN THE INCOME STATEMENT

GROSS PROFIT Gross profit amounted to $ 3.83 billion in 2009, up 6 % compared to the previous year. During the same period, the gross profit margin fell slightly from 34.2 to 34.1 %.

REVENUE DEVELOPMENT BY QUARTER

in $ millions

Chart 2.2.9



CONDENSED STATEMENT OF INCOME

in $ millions

Table 2.2.10

	2009	*2008*	*Change*
Net revenue	11,247	10,612	6 %
Costs of revenue	7,415	6,983	6 %
▶ **GROSS PROFIT**	**3,832**	**3,629**	**6 %**
in % of revenue	34,1	34,2	–
▶ **OPERATING INCOME (EBIT)**	**1,756**	**1,672**	**5 %**
Interest expense (net)	300	336	– 11 %
▶ **EARNINGS BEFORE TAXES**	**1,456**	**1,336**	**9 %**
▶ **NET INCOME**[1]	**891**	**818**	**9 %**

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

This marginal fall is mainly attributable to increased drug prices and the launch of a generic version of PhosLo® by a competitor in the U.S., higher depreciation and amortization, as well as negative exchange rate effects. This was offset, for example, by reimbursement rate increases in the U.S. and lower manufacturing costs.

Selling, general and administrative expenses went up by 6 % to $ 1.98 billion (2008: $ 1.88 billion). These expenses corresponded to 17.6 % of revenue, a slight drop from the previous year (2008: 17.7 %).

Depreciation and amortization in 2009 came to $ 457 million, compared to $ 416 million in 2008. This rise was the result of higher investment activity, especially in our production plants in the U.S., Germany, France, and China.

Research and development expenditure rose from $ 80 million in 2008 to $ 94 million in 2009. This was mainly due to additional research and development programs in the fields of hemodialysis equipment and extracorporeal critical care therapies.

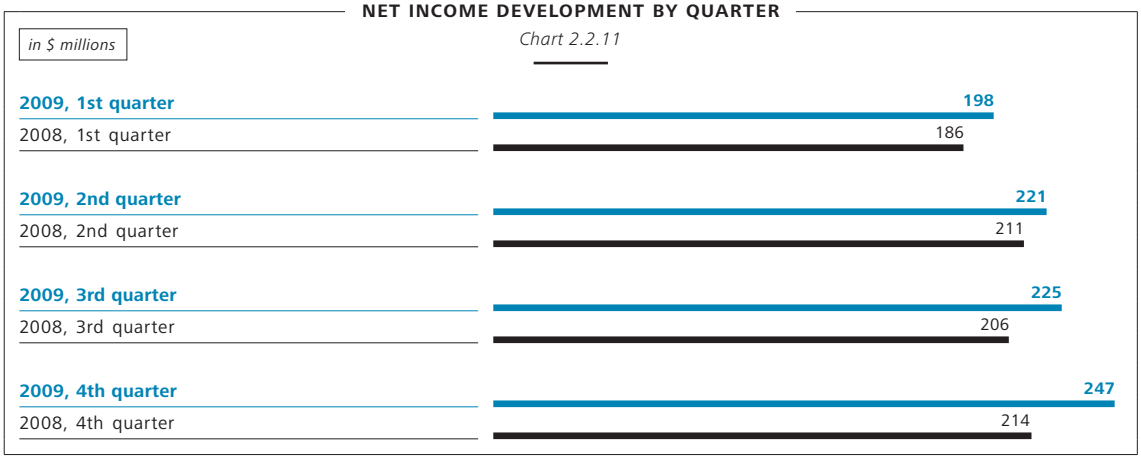
NET INTEREST EXPENSE Net interest expense decreased to $ 300 million in 2009 (2008: $ 336 million), as a result of lower average short-term interest rates. More information on our financial situation can be found starting ▶ *on page 63* as well as in note 10 of the financial report starting ▶ *on page 215.*

TAX RATE Income tax expense in 2009 was $ 490 million, compared to $ 476 million in the previous year, reflecting an effective tax rate of 33.7 % (2008: 35.6 %). This was mainly due to a rise in non-taxable noncontrolling interests in North America. Please also see the "Comparison of the Actual Business Results with Forecasts" section beginning ▶ *on page 53.*

EARNINGS PER SHARE Earnings per share (EPS) grew by 9 % in 2009 to $ 2.99 per ordinary share compared to $ 2.75 in 2008. These figures also apply to our ordinary ADS (American Depository Shares). The weighted average number of shares outstanding was approximately 298.3 million in 2009 (2008: 297.0 million), of which 294.4 million were ordinary shares (2008: 293.2 million). The rise in the number of outstanding shares was due to stock options being ex-

NET INCOME DEVELOPMENT BY QUARTER

Chart 2.2.11



ercised. Detailed information on earnings per share can be found ▸ *on page 229* of the financial report.

VALUE ADDED STATEMENT The value added statement reflects Fresenius Medical Care's total economic output in 2009. All goods and services purchased as well as depreciation and amortization are subtracted from this figure. Fresenius Medical Care's value added was $ 5.5 billion in 2009 (2008: $ 5.2 billion), up 5.4 % compared to the previous year. Of this amount, the largest share, $ 3.7 billion or 68 %, was handed out to our employees, while 9 % went to the state. In addition, lenders received around $ 321 million, or 6 %, while around $ 329 million (approximately 6 %) were distributed to shareholders and minority interest holders. The Company retained $ 636 million for reinvestment.

▸ FINANCIAL SITUATION **Our investment and financing strategy did not change substantially in the past fiscal year despite the continuing uncertainty on the financial markets. The reason for this is our business model, which allows for a stable and high cash flow, enabling us to have a more consistent and higher level of borrowing than is the case in other industries. We will focus our financing activities in the coming years more on reducing subordinated financing instruments. We still regard our refinancing options as being stable and flexible, and intend to continue our scheduled investments in 2010. We also intend to make the most of opportunities to expand our network of dialysis clinics this year. Therefore, our investment activities will center more on our service business, particularly as we extended our production capacities for major product groups in previous years.**

FINANCIAL MANAGEMENT POLICIES AND GOALS Financial flexibility is key to Fresenius Medical Care's financing strategy. The Company ensures this flexibility by using a wide range of financial instruments as well as diverse investors and banks. Our maturity profile is characterized by a broad distribution of maturities with a large number of medium-term and long-term financing options. In selecting financial instruments, we consider market capacity, financing

VALUE ADDED STATEMENT

Table 2.2.12

in $ millions

	2009		*2008*	
Creation				
Company output	11,325	100 %	10,668	100 %
Materials and services purchased	(5,382)	– 48 %	(5,049)	– 47 %
Gross value added	5,943	52 %	5,619	53 %
Depreciation/Amortization	(457)	– 4 %	(415)	– 4 %
▸ NET VALUE ADDED	**5,486**	**48 %**	**5,204**	**49 %**
Distribution[1]				
Employees	3,709	68 %	3,506	67 %
State	490	9 %	476	9 %
Lenders	321	6 %	362	7 %
Shareholders & minority interest holders	329	6 %	296	6 %
Company	636	11 %	564	11 %
▸ NET VALUE ADDED	**5,486**	**100 %**	**5,204**	**100 %**

[1] *Provided the profit distribution for 2009 is accepted by the Annual General Meeting.*

costs, investor diversification, flexibility, qualification requirements, and maturities. At the same time, we focus on optimizing our financing costs. Fresenius Medical Care manages its financing needs through a combination of operating cash flow as well as short, medium, and long-term debt. In addition to the financing instruments employed, Fresenius Medical Care has sufficient financial leverage in the form of a syndicated credit facility, which can be used on a revolving basis if needed.

Fresenius Medical Care uses the debt/EBITDA ratio (leverage ratio) as a guideline for its long-term financial planning. This ratio compares the Company's 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 dialysis industry's growing, global and non-cyclical markets. The industry is characterized by relatively stable cash flows, most of the Company's customers therefore have high creditworthiness. This enables us to generate high, stable, sustainable and easy-to-plan cash flows, which again provide for an appropriate ratio of debt, i.e. a balanced combination of financial debt liabilities. At the end of 2009, the debt/EBITDA ratio was 2.46 compared to 2.69 in the previous year. Further information on this can be found in the "Strategy, Objectives, and Corporate Management" section starting ▶ *on page 34.*

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 aim to maintain secured and unutilized credit facilities of at least $ 300 to $ 500 million.

We will also focus our financing activities on reducing subordinated financing instruments in the coming years. At the end of April 2009, the Company issued euro notes totaling € 200 million. They consist of four fixed and floating rate tranches with maturities of 3.5 and 5.5 years. At the start of 2010, Fresenius Medical Care issued senior notes worth € 250 million which will mature in 2016. The proceeds from the issue were used to pay back short-term financial liabilities and for general business purposes.

Our short-term refinancing requirements are limited to the dividend payment of approximately € 183 million in May 2010 as well as to the extension of the accounts receivable facility in October 2010.

For detailed information on financing, please see the financial report section "Liquidity and Capital Resources" starting ▶ *on page 172,* Notes 9 and 10 of the financial report and the "Outlook" section ▶ *on page 107.*

RATING Over the course of the past year, the rating agencies Standard & Poor's (in the second quarter of 2009) and Fitch (in the third quarter of 2009) upgraded Fresenius Medical Care's outlook from "negative" to "stable". All other ratings were confirmed in the year under review. Moody's rating therefore remained at "Ba1" (also with a stable outlook), while the rating agencies Fitch and Standard & Poor's gave Fresenius Medical Care a "BB" rating.

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 For detailed information on liquidity, please see the "Liquidity and Capital Resources" section of the financial report starting ▸ *on page 172.*

DIVIDENDS Fresenius Medical Care will propose the thirteenth consecutive dividend increase at the Annual General Meeting: This should bring the dividend for 2009 up to € 0.61 per ordinary share (2008: € 0.58) and € 0.63 per preference share (2008: € 0.60). This represents an increase of 5 % in both cases. The total dividend payout is expected to be approximately € 183 million (2008: € 173 million). For further information on dividends, please refer to the "Dividend" section starting ▸ *on page 24.*

CAPITAL EXPENDITURES AND ACQUISITIONS In the year under review, key areas for capital expenditure were maintaining existing clinics and setting up new clinics. In addition, funds were invested in maintaining and expanding production facilities. Capitalization of dialysis machines, primarily for customers in the International segment, also took up a portion of

MEDIUM-TERM AND LONG-TERM FINANCING INSTRUMENTS

Table 2.2.13

	Year issued	*Amount in millions*	*Coupon*	*Maturity*
Credit Agreement Term Loan A	2006	1,850 $[1]	–	Mar. 31, 2011
Credit Agreement Term Loan B	2006	1,750 $[1]	–	Mar. 31, 2013
Senior Notes 2007 – 2017	2007	500 $	6 7/8 %	Jul. 15, 2017
Trust Preferred Securities IV	2001	225 $	7 7/8 %	Jun. 15, 2011
Trust Preferred Securities V	2001	300 €	7 3/8 %	Jun. 15, 2011
Euro Notes	2009	155 €	–	Oct. 27, 2012
Euro Notes	2009	45 €	–	Oct. 27, 2014
Accounts Receivable Facility	2009[2]	650 $	–	October 2010
Credits of European Investment Bank	2005, 2006, 2009	271 €	–	September 2013, February 2014

[1] *Original amount before repayments*
[2] *Extension*

RATING

Table 2.2.14

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

capital expenditure. These investments are financed through operating cash flow or through existing or new credit facilities.

In 2009, Fresenius Medical Care spent $ 766 million on capital expenditures, acquisitions and purchasing intangible assets. Of this amount, $ 762 million were cash transactions. $ 423 million went to North America and $ 339 million was spent on the International segment.

A total of $ 562 million was spent on net investments in property, plant and equipment, compared to $ 673 million in the previous year. A large portion of the investment expenditure – $ 318 million – went towards maintaining existing clinics and setting up new ones. Additionally, $ 159 million was used to maintain and expand production capacities, mainly in Germany and North America, but also in Japan, France and China. Another $ 97 million was invested in the capitalization of dialysis machines provided to customers by our distribution companies, primarily in the International segment. A relatively small amount of $ 12 million accrued due to divestments. Capital expenditures on property, plant and equipment totaled around 5 % of total revenue in 2009, slightly below the previous year's figure of 6 %, as expected.

About 51 % of net investments was used for expansion measures, while 49 % was spent on maintaining existing production sites and dialysis clinics.

We invested approximately 52 % in North America, followed by 38 % in Europe, 6 % in the Asia-Pacific region and 4 % in Latin America.

In 2009, around $ 188 million was spent on acquisitions, primarily dialysis clinics and licensing and sales agreements. Of this amount, $ 124 million went to North America and $ 64 million was spent on the International segment. The Company recorded receipts totaling $ 52 million in connection with divestitures and a credit redemption granted to Fresenius SE in 2008.

All in all, $ 698 million was spent on capital expenditures and acquisitions in 2009, taking into account divestments. This represents a decrease of $ 193 million compared to the previous year ($ 891 million).

CASH FLOW ANALYSIS Our operating cash flow in 2009 was $ 1.34 billion, up 32 % on the previous year ($ 1.02 billion). This rise is primarily attributable to effective receivables management, a reduction in days sales outstanding and improved income figures. The cash inflow was used for investments (property, plant and equipment as well as acquisitions).

A detailed description of additional factors is listed in the financial report in the "Liquidity and Capital Resources" section starting ▶ *on page 172.*

In 2009, 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, developed positively in the year under review. They are at a very low level both in North America and the International segment compared to other companies in our industry. The substantial reduction in days sales outstanding in the North America segment in 2009 was primarily the result of changes

made in the past to the management and structure of invoicing as well as ongoing improvements to workflows and processes with the aim of encouraging incoming receivables. The anticipated slight increase in days sales outstanding for the International segment mainly reflects slight payment delays by government and private entities affected by the worldwide financial crisis. As the majority of our reimbursement comes from public healthcare organizations and private insurers, we expect to recover most of our outstanding accounts. 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.

In 2009, our free cash flow, excluding acquisitions and dividends, was $ 777 million compared to $ 343 million in 2008. Taking into account acquisition expenses (less divestitures) of $ 136 million (2008: $ 218 million) and dividends amounting to $ 232 million (2008: $ 252 million), free cash flow amounted to $ 409 million, compared to – $ 127 million in the previous year. For

NET INVESTMENTS AND ACQUISITIONS BY SEGMENT

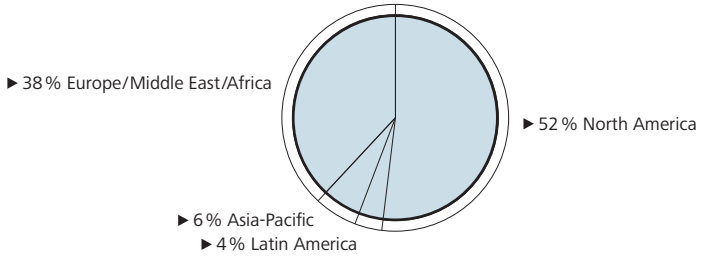
Table 2.2.15

in $ millions

	2009	*2008*	*Thereof property, plant and equipment*	*Thereof acquisitions/ intangible assets and other investments*	*Thereof divestures*	*Change*	*Percentage of total volume*
North America	418	444	295	124	1	(26)	60 %
International	330	340	267	64	1	(11)	47 %
Corporate	(50)	107	0	0	50	(157)	– 7 %
▶ **TOTAL**	**698**	**891**	**562**	**188**	**52**	**(193)**	**100 %**

NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGIONS

Chart 2.2.16



further information, please see the "Capital Expenditures and Acquisitions" section ▶ *on page 65.*

▶ ASSETS AND LIABILITIES **In 2009, 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 6 % year-on-year from $ 14.92 billion to $ 15.82 billion. In constant currency, this would have been an increase of 4 %.

DAY SALES OUTSTANDING

In days

Table 2.2.17

	2009	2008	Change
North America	52	60	– 8
International	110	107	3
▶ TOTAL	**72**	**77**	**– 5**

ABBREVIATED STATEMENT OF CASH FLOW

in $ millions

Table 2.2.18

	2009	2008	Change
Cash at the beginning of the year	222	245	– 9 %
Net cash provided by operating activities	1,339	1,016	32 %
Cash provided by investing activities	(698)	(891)	–
Cash from/used in financing activities	(559)	(156)	–
Effect of exchange rate changes on cash and cash equivalents	(3)	8	–
Cash at the end of the year	301	222	36 %
Free cash flow	777	343	127 %

A detailed representation can be found in the consolidated financial statements in the financial report from page 192.

OPERATING CASH FLOW

in $ millions

Chart 2.2.19

Fixed assets rose by 4 % (+ 2 % in constant currency) to $ 11.09 billion at the end of 2009. This corresponds to approximately 70 % of the Company's total assets, slightly below last year's level of 72 %. 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 $ 7.51 billion, mainly due to the acquisition of Renal Care Group in 2005 as well as the founding of Fresenius Medical Care in 1996. The slight increase in goodwill compared to the previous year ($ 7.31 billion) was the result of acquisitions undertaken in the year under review and currency translation effects. Property, plant and equipment rose by 8 % to $ 2.42 billion in 2009, mainly due to capital expenditures of $ 574 million and currency translation effects of $ 41 million less depreciation amounting to $ 397 million and divestitures of $ 26 million. Further information on acquisitions can be found in the "Capital Expenditures and Acquisitions" section ▸ *on page 65.*

Current assets rose by 12 % to $ 4.73 billion (9 % in constant currency). Key drivers were higher accounts receivable and inventory levels as well as increases in other current assets, and cash and cash equivalents.

In 2009, the Group's inventories grew by 16 % to $ 822 million. In constant currency, the increase amounted to 13 %. This can be attributed on the one hand to an accumulation of inventories for production and a $ 23 million increase in the book value effective January 1, 2009, together with a decline in manufacturing costs, and on the other to higher inventory levels for dialyzers.

Trade accounts receivable went up by 5 % to $ 2.29 billion in 2009, corresponding to a 2 % increase in constant currency terms. This was below the revenue growth of 6 % in 2009 and reflects the drop in days sales outstanding. For further information, please see the "Financial Situation" section starting ▸ *on page 63*.

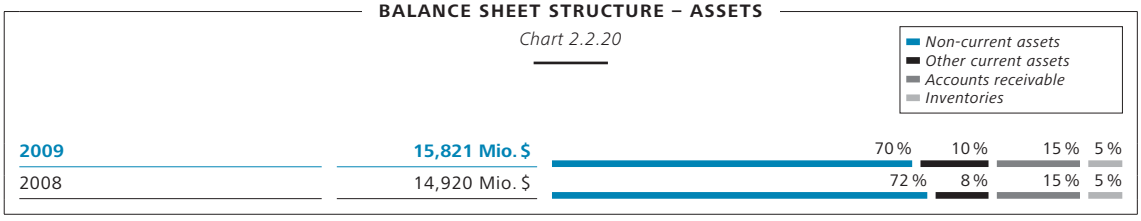
SHAREHOLDERS' EQUITY FURTHER STRENGTHENED IN 2009 The liabilities side of the balance sheet saw a 15 % increase in shareholders' equity to $ 7.03 billion, compared to $ 6.12 billion in 2008. This rise was mainly driven by Group earnings (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) of $ 891 million, currency translation effects of $ 81 million, changes in exercising stock options of $ 67 million, and minority interests of $ 49 million. Shareholders' equity was reduced by dividend payouts for 2008 amounting to $ 232 million. In the period under review, the equity ratio rose by three percentage points to 44 %.

Debt remained almost unchanged at $ 8.79 billion (2008: $ 8.80 billion). Financial liabilities amounted to $ 5.57 billion (2008: $ 5.74 billion), $ 484 million of which were attributable to short-term borrowings (2008: $ 1.14 million). Medium to long-term financial liabilities amounted to $ 5.08 billion, compared to $ 4.60 billion in 2008. 77 % of financial liabilities are dollar denominated (2008: 80 %).

The Group has no significant accruals. The largest single accrual of $ 115 million 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 for further details starting ▶ *on page 239*.

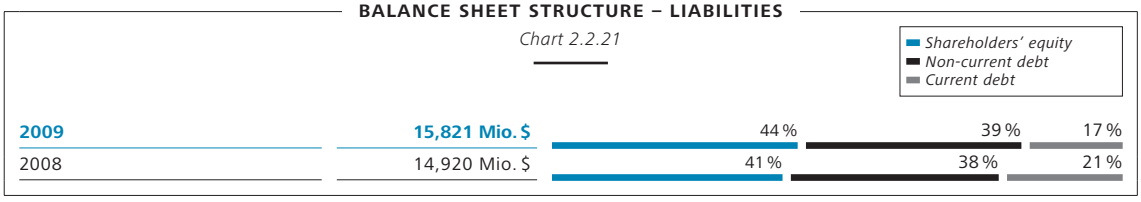
BALANCE SHEET STRUCTURE – ASSETS

Chart 2.2.20



BALANCE SHEET STRUCTURE – LIABILITIES

Chart 2.2.21



▸ RESEARCH AND DEVELOPMENT As a leading global dialysis company, Fresenius Medical Care focuses its research and development strategy on three essential objectives: First, to continuously enhance the quality of life of patients with chronic kidney failure using innovative products and treatment concepts; second, to offer our customers high-quality services while keeping our prices as low as possible; and third, based on these, to continue to expand our position as the dialysis market leader. These objectives should inspire our employees in research and development (R&D) to continually perform at a high level to create sustainable value for our patients, partners and shareholders as well as for the Company itself.

DEVELOPMENT PROJECTS IN THE YEAR UNDER REVIEW In 2009, Fresenius Medical Care expanded its activities in its key areas of strategic development – for example in the field of ONLINE HDF (ONLINE hemodiafiltration) and the 5008 therapy system based on it. In May 2009, we presented another innovation built on this development platform at the industry congress ERA-EDTA, see glossary ▸ *on page 146,* in Milan, Italy: MIXED HDF. This treatment method is a new form of ONLINE HDF therapy. Its core element is an innovative control technology with which the treatment can be tailored even more precisely to the medical needs of individual patients. This means that even more patients suffering from chronic kidney failure can be treated with ONLINE HDF and thus benefit from the advantages of our high-performing 5008 therapy system. Fresenius Medical Care is the first company to get MIXED HDF ready for market launch. The technology is the result of many years of work by a team comprising dialysis, software and membrane specialists as well as experts in the field of nephrology. We are convinced that this innovation will further contribute to establishing ONLINE HDF as a standard dialysis treatment and expect to achieve a clear market edge with this trend-setting technology. The ONLINE HDF mode of our 5008 therapy system also saves on resources: the device uses up to 30 % less energy, water and concentrate than traditional hemodialysis methods during treatment.

ONLINE HDF technology combines two different methods for treating chronic kidney failure – hemodialysis and hemofiltration. It can therefore be used to clean patients' blood particularly effectively, as has become increasingly apparent in scientific studies. ONLINE means that the dialysis machine also automatically produces the infusion solution for treatment. This solution must have the right medical composition and be free of all chemical and microbiological contamination (e.g. microorganisms and their metabolic waste products, or fragments of dead microorganisms). The ONLINE method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

We also continued to develop our portfolio in the area of home dialysis in 2009 – another of our strategic development platforms. In 2008, we introduced the Liberty Cycler, our therapy system for peritoneal dialysis (PD), in the U.S. It was a resounding success: over 2,500 patients are now being treated with the device. Our strategy is to make this system one of our core products in North America. To achieve this, we have continued to improve the Liberty Cycler ever since we introduced it – for instance with an expanded alarm system to help users avoid application errors. The ongoing development of the device's software means that patients' individual treatment settings and results can be processed even more comprehensively and transmitted to the attending clinic. There, the data is regularly checked to adapt the treatment to individual patients in the best possible way.

As a home dialysis treatment method – i.e., a treatment that is performed in the patient's home environment – PD requires a high level of individual responsibility from patients as they usually carry it out themselves. It is therefore crucial that these patients receive intensive training on hygiene and safety matters. With its intuitive user interface and easy-to-understand instructions, which guide patients through the device settings step-by-step via a screen, the Liberty Cycler is one of the simplest and

safest devices in this respect. To further increase the user-friendliness of the cycler, we are currently working on new help software, which uses short instructional videos and text information to demonstrate how the device should be used. It will also allow patients to receive prompt answers to their questions via a help menu, even during treatment. We plan to make this new feature standard for the device in 2011.

Another development focus at Fresenius Medical Care is the Body Composition Monitor (BCM), which we presented in our annual report 2008 and successfully launched in additional countries in 2009. The BCM can determine the exact make-up of the human body and its fluids (body water, fat, and fat-free body mass). This provides doctors with information on the patients' general health – for instance on the constitution of their blood vessels – and helps them to determine to what extent a patient may be suffering from overhydration. Such information can substantially improve the treatment quality of dialysis, as both heart and vascular diseases and overhydration are common side effects of chronic kidney disease and have been shown to reduce the life expectancy of hemodialysis patients considerably. We are currently working on making the advantages of BCM technology, which to this point have only been documented in the treatment of hemodialysis patients, available to other patient groups. This will enable us to tap new markets for the BCM. Initial studies have shown, for example, that PD patients can also benefit immensely from professional "fluid management", a regular check of their fluid status with the treatment adjusted accordingly. Another group of patients whose treatment could be improved with the use of BCM technology are people who suffer from acute kidney failure.

Besides our activities in our strategic focal areas, we also improved and continued to develop our traditional hemodialysis products in the year under review. The 4008S classic is a new addition to our range of hemodialysis machines. This device offers excellent treatment quality along with high reliability and safety at an affordable price thanks to its high-quality basic configuration. We also presented the 4008S classic at the ERA-EDTA congress in Milan. Thanks to its cost effectiveness and simple operability, it should provide access to high-quality dialysis treatment for even more dialysis patients, especially in areas with a poor infrastructure.

In the U.S., we also improved our classical range of products to better suit the needs of our patients and customers and are therefore well-positioned for the planned introduction of a new quality-oriented bundled reimbursement system for dialysis. A good example of this is the 2008T, a new product generation of the 2008 hemodialysis series, which gained approval from the Food and Drug Administration (FDA) in the U.S. in the year under review. In addition to further improving the machine's usability and safety and thus its treatment performance, for instance by means of the bibag ▶ *see glossary on page 144*, the 2008T is the first hemodialysis machine on the American market to use an integrated computer system, which automatically compiles clinical treatment data. The reimbursement reform, which will come into effect in 2011, requires dialysis treatment to fulfil certain quality criteria, among other things. This means that the 2008T, which automatically compiles data, offers a distinct advantage as it can measure the success of the treatment and thus help to improve it even more effectively. For additional information on the planned reimbursement system in the U.S. please see the section "Dialysis Market" starting ▶ *on page 41.* The 2008T is especially flexible as it can connect to various data management systems used in dialysis clinics in the U.S. The new machine also fulfils the technical requirements for implementing citrate based dialysate. This innovative method based on the natural substance citric acid can be used to inhibit the coagulation of the blood of a large

number of dialysis patients more effectively, gently and at a lower cost than with the traditionally used heparin – which it can partially replace. Inhibiting blood coagulation is an essential precondition for successful dialysis treatment, as without a suitable additive, the blood cannot be effectively cleansed by the dialyzer. We presented the new 2008T in the year under review at the most important industry conference in the U.S., the ASN (American Society of Nephrology Conference), and are aiming to launch the device in 2010.

CLINICAL RESEARCH In addition to developing new products and treatments and enhancing existing ones, known as sustaining engineering, our employees also carry out clinical research on dialysis and terminal kidney failure. These projects enable us to better understand the complex medical implications of kidney disease, helping us to further improve our patients' quality of life. An important partner for clinical research is the U.S.-based Renal Research Institute (RRI). 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, and is widely acknowledged as the leading institute in the field of clinical treatment of chronic kidney failure. The goal of RRI is to improve the treatment and care of kidney patients by exploring new technologies. It cooperates with several U.S. universities and publishes up to 25 articles a year in the industry's renowned journals. Its network currently comprises 15 facilities in six U.S. states.

In 2009, RRI continued research in the field of sorbent systems, see glossary ▸ *on page 149*, among others. This project focuses on sorbents – particular substances that bind toxins in liquids so that they can be removed. These sorbents can be used, for example, to recycle dialysis solution, which absorbs toxins during PD or HD treatment that have been filtered out of the patients' blood. By cleansing and then recycling the dialysate with the help of sorbents, the amount of water typically needed during dialysis treatment can be reduced from 120 to 200 liters to approximately six to ten liters. This innovative sorbent technology is particularly important for our "wearable artificial kidney" project, as a device of this kind must be able to function with a substantially smaller amount of liquid to be light and small enough to be worn on the body. Further information on the "wearable artificial kidney" is available in our magazine ▸ *from page 16* onwards.

Other research projects carried out by RRI in the year under review centered on citrate anticoagulation, a method which can be used together with the substance heparin for hemodilution (see above), and on the lifespan of red blood cells in connection with inflammatory processes in the body. A more in-depth knowledge of the characteristics of red blood cells can be advantageous for treating dialysis patients with the erythropoiesis stimulating agent EPO or with iron compounds. In the year under review, RRI also researched why dialysis treatment seems to lead to better results in overweight patients than in slimmer people. The research was based on the scientific assumption that the body of an overweight kidney patient with its higher fat and muscle volume can dilute and break down uremic toxins, which healthy people discard through urination. Slimmer patients have a lower body mass and are therefore less able to handle these toxins.

In addition to our work with RRI, we cooperate closely with the University of Michigan (on a long-term study of chronic kidney patients) and the University Krems in Austria (on extracorporeal methods that are applied outside the human body). We are currently constructing a new research laboratory in Krems specializing in sorbent technology. It is set to open in mid-2010 and will employ around 15 people. For our collaboration with universities and other scientific institutions in Germany and abroad, we use various financing models, some of which are publicly funded.

PATENTS, EXPENSES, CONTRIBUTION TO REVENUE At the end of 2009, Fresenius Medical Care's patent portfolio encompassed about 2,850 property rights in around 560 patent families, meaning groups of patents linked to an invention. Our developments in the year under review gave rise to 111 additional patent families, which will protect future innovations in important dialysis products and treatment methods.

In 2009, Fresenius Medical Care's research and development expenditures amounted to about $ 94 million – an increase of around 19 % compared to the previous year. This rise is mainly due to expenditures for projects related to hemodialysis machines as well as extracorporeal intensive care therapies.

At around 3 % of our total dialysis product revenue, our expenditure in this area is well within the range typically observed in the dialysis industry. As the projects we took on in the last year reveal, we focus our activities more on continuously enhancing and improving our products and treatment concepts for our patients and users and less on inventing new products entailing high investments.

Furthermore, in our business, it is very difficult to make a distinct connection between revenue growth and individual innovations or to allocate these to a particular fiscal year because, as a rule, new product generations do not replace their predecessors, but more often than not, both generations exist on the market in parallel due to the longevity of our products. Moreover, it can take several years to launch a new product in all markets as the approval processes for medical devices vary from country to country.

RESEARCH AND DEVELOPMENT AT FRESENIUS MEDICAL CARE

EMPLOYEES Fresenius Medical Care conducts research and development in the area of dialysis at its various sites around the world. In 2009, a total of 477 employees (full-time equivalents) worked in Fresenius Medical Care's R & D departments; due to the expansion of our product portfolio, their number thus increased by 62 compared to 2008. They come from various backgrounds: medical professionals work side by side with software specialists, business administration graduates and, above all, engineers on various projects. At Fresenius Medical Care, human resources development and quality management work closely together to promote the ongoing professional development of its research and development employees. One key element of the Company's efforts in this area is a seminar program offering a host of topics, from project management to legal, scientific and technical issues. Through research cooperation agreements with international universities or support programs for young scientists, such as scholarships for PhD programs, we get to talk to interesting young researchers, who we might not reach through our conventional personnel recruiting efforts alone, and in doing so attract highly-qualified new employees to our research and development departments.

Our largest R & D unit with around 300 employees is in the International segment (for an overview of their academic grades and disciplines ▶ *see tables 2.3.2 and 2.3.3*). Most of these colleagues are employed at the Schweinfurt and Bad Homburg sites. Smaller teams work in St. Wendel, Germany, and in Romania, where

NUMBER OF EMPLOYEES IN R&D

Table 2.3.1

Full-time equivalents

	2009	*2008*	*2007*
▶ **TOTAL**	**477**	**415**	**372**

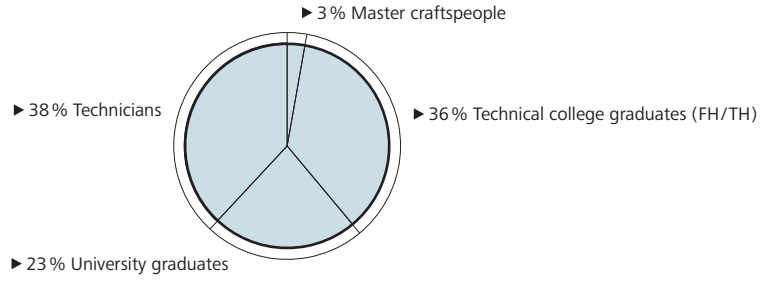
an R&D competency center specializing in software development has been established. In addition, we have research and development departments in North America and in the Asia-Pacific region. Our R&D units are usually located at production sites, allowing them to benefit from the direct exchange of ideas with production colleagues. The various units are also closely networked and work together on many projects worldwide.

INNOVATION MANAGEMENT A successful innovation policy requires an efficient infrastructure that makes optimum use of resources, pools competencies wisely and minimizes risks wherever possible. At Fresenius Medical Care, every product idea goes through a structured development process with clearly defined project phases, milestones and reporting lines. This ensures that we only pursue ideas that truly create value. Another factor crucial to the success of our research and development is having an open innovation culture. This is practiced both internally and externally at Fresenius Medical Care in the form of a professional, creative and personal exchange of knowledge and ideas.

This culture is founded on the fact that our Company is vertically integrated – i.e. we not only offer dialysis products but also provide dialysis treatments. Our proximity to patients, nursing staff, and doctors in our own clinics worldwide enables us to gauge the

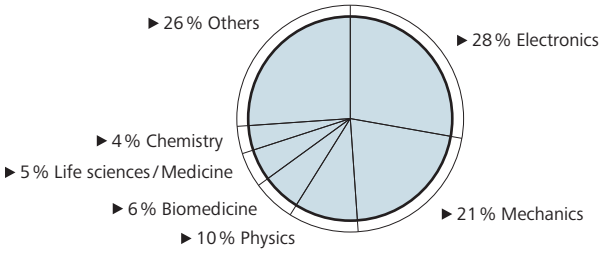
LEVEL OF EDUCATION OF R&D EMPLOYEES IN INTERNATIONAL SEGMENT

Chart 2.3.2



PROFESSIONAL GROUPS OF R&D EMPLOYEES IN INTERNATIONAL SEGMENT

Chart 2.3.3



success of our work directly, helping us to further improve our performance. Our R&D employees also regularly exchange their knowledge with technical customer service and sales across regions. In the year under review, for example, technical customer service employees from all over the Asia-Pacific region came to Schweinfurt to discuss quality assurance and improvements with their colleagues from research and development. This gave them the opportunity to pass on valuable suggestions from their customers to the R&D team. The internal R&D conferences, which our employees attend every year, are another excellent way for our staff to enter into professional and creative dialog: at the "Entwicklertag 2009" event in Schweinfurt, around 220 research and development colleagues from all regions discussed joint projects as well as overriding trends and topics in the field of dialysis. Our employees also visit research events worldwide and participate actively in scientific discourse. This not only enables them to inject new concepts into their teamwork; it also strengthens the Company's excellent reputation in the international professional community. Intensive cooperation with international universities and institutions provides us with a further important stimulus. 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 check whether they offer synergies for our development work.

INNOVATION AND PRODUCT RESPONSIBILITY Dialysis places very high demands on safety and quality, and is therefore a strongly regulated form of treatment: after all, for kidney patients, it is a matter of life and death. Fresenius Medical Care therefore bases its R&D work on numerous legal regulations, international standards and norms for product responsibility, all of which are constantly evolving. To meet our own quality targets, we have also established guidelines for research and development, which in places even exceed the high legal requirements. We document our work in comprehensive scientific studies and publications, produce detailed product information packs and instructions for users, and conduct risk and error analyses according to the most thorough criteria. This allows us to aim for results that generate reliable added value for patients and customers, and therefore for our business. As with all extracorporeal treatment methods (i.e. treatment that takes place outside of the body), dialysis involves a number of risks that cannot be fully ruled out and that can prove fatal in the worst case, such as blood loss. That is why we see it as our responsibility to minimize this uncertainty from a technical and medical point of view with the help of a continuous product improvement process.

As a medical service, dialysis treatment inevitably has its price, and it is up to countries' health systems to

RESEARCH AND DEVELOPMENT EXPENDITURES

Table 2.3.4

in $ millions

	2009	2008	2007	2006	2005
▶ TOTAL	94	80	67	51	51

NUMBER OF PATENTS AND PATENT APPLICATIONS

Table 2.3.5

	2009	2008	2007	2006	2005
▶ TOTAL	2,850	2,402	1,932	1,752	1,542

cover these costs. Therefore, in order to achieve sustainable improvements for patients, innovations should always be financially viable – particularly given the current debate on the rising cost of healthcare in many countries. Fresenius Medical Care has set itself the target of achieving the highest development quality while working as cost-effectively as possible and has incorporated this in its internal research guidelines. And it is possible to reconcile these goals; after all, high-quality treatment is also cost effective as it minimizes risks and complications as far as possible, therefore avoiding additional costs like hospital stays. Our consistent global standards for quality and product responsibility ensure that patients and their well-being always take center stage, regardless of regional variations in markets, cultures and legal regulations. Thanks to these quality standards that are embedded in our corporate culture, we as a dialysis company can communicate the value of high treatment standards in a particularly credible way. Our research and development employees worldwide are committed to providing access to high-quality dialysis treatment by working with national and international bodies to help shape product and treatment standards. In close cooperation with representatives of national organizations and medical professional associations they also contribute to creating the legal framework for our industry – especially in regions where healthcare systems are still developing.

As a life-preserving medical service, dialysis treatment also has some impact on the environment. For example, a hemodialysis machine cannot function without disposable accessories, which are usually made of plastic and therefore create waste. One example of this sort of product is the dialyzer, the "artificial kidney" at the heart of dialysis. In addition, dialysis machines consume electricity, a considerable amount of water and concentrate during treatment. After treatment, the machines have to be cleaned with the help of disinfectant before they can be used again. We therefore work continuously on designing our products and processes to be as environmentally compatible as possible. To achieve this, we make targeted use of new materials with improved environmental properties, push the development of new technologies that reduce the resources used by our dialysis machines to a minimum, and use energy and raw materials efficiently in production. Our FX generation dialyzers are one example: we were able to reduce their weight – and thus the amount of waste created – by over 50 % compared to the previous generation of dialyzers. We have already mentioned the energy and water-saving properties of our 5008 therapy system; our research in the field of sorbents can also contribute considerably to saving resources in the long term. We presented our eco-labeled PD products made of the environmentally friendly material Biofine in our annual report 2008. Further information regarding environmental activities are presented in the "Environment" section starting ▸ *on page 89.*

▸ PROCUREMENT AND LOGISTICS To enable us to meet the stringent quality and safety standards that apply to our products efficiently and consistently, our plants require a steady supply of high-quality production materials and components at the best possible prices. The resulting products then have to be warehoused and shipped safely, flexibly and economically so that our patients and customers receive their orders at the agreed conditions. To ensure that these tasks are fulfilled as effectively as possible, Fresenius Medical Care relies on partnerships with suppliers and on close cooperation between logistics, production and sales.

Our purchasing strategy is designed to enable us to source the materials and components required for manufacturing in the highest quality and at a competitive price through long-term business relationships with our suppliers around the world. This is particularly crucial for us as a manufacturer of medical products. In the year under review, this strategy

again proved its value: in the International segment, for example, our purchasing team was again able to extend contracts with key suppliers, achieving long-term supply guarantees and considerable cost reductions for 2010. We use master contracts of this nature to secure the supply of strategically important raw materials in particular.

Supplier management is a critical factor in our long-term purchasing strategy. It puts us in a position to carefully select our suppliers based on their suitability and performance. In our efforts to achieve the most competitive terms, we increasingly coordinate this selection beyond specific regions. In 2009, we rolled out a new Supplier Relationship Management (SRM) data management and information system to further centralize supplier management in the International segment and improve the value added of our purchasing activities. The SRM system will consolidate and standardize our bid management, purchasing controlling, supplier rating system and contract management at our largest European plants, leveraging cost-saving synergies.

System modules for bid management and controlling have already been implemented. In the first half of 2010, we will focus on rolling out contract management and the supplier rating system. In the International segment, we categorize and rate the performance of new and existing suppliers based on demanding quality criteria, including compliance with labor law and environmental standards, for example. We conduct audits to establish whether our suppliers comply with these criteria. The resulting performance assessment is a crucial basis for planning and making purchasing decisions. We have enhanced and standardized our catalog of quality criteria for supplier rating as part of the new SRM system. Furthermore, the new system will reconcile audit findings with our ongoing evaluation of delivery quality and adherence to delivery dates. This will help us increase the transparency and comparability of the supplier assessment in different production sites and product groups and at the same time improve risk management in purchasing.

At the end of 2009, we launched a new program in the International segment as part of our supplier management efforts: Supplier e-VALUE-ation. This program is designed to help us shape our supplier relationships according to the value they create for the Company. Based on the new performance rating system described above, Supplier e-VALUE-ation will serve to further consolidate our supplier base. At the same time, we are committed to identifying potential new suppliers and cooperating with them at an early stage to enable us to benefit even more from their technological expertise and to prevent us from becoming dependent on any individual supplier of raw materials from the outset. Ultimately, our objective is to create close business ties to existing and new suppliers whose profile and performance make them potential strategic partners for Fresenius Medical Care even sooner and to involve them in our production processes. One way of achieving this is by running joint projects and workshops in the area of product and process development. Partnerships of this nature are gaining significance for Fresenius Medical Care: by cooperating closely with key suppliers as early as the product and process design phase, we can further improve the quality of our products and boost the efficiency of manufacturing processes. The added value we achieve for our customers through these innovations can counteract unfavorable price influences.

In 2009, we were able to make use of the opportunities created by general developments in the market for our Company in the area of purchasing in Europe. For example, we were able to successfully negotiate price agreements with our partners due to lower energy and raw material prices as a result of the global financial crisis, among others. At the same time, however, the general economic situation forced us to intensify risk management in purchasing to hedge against the possibility of suppliers going bankrupt. For example, we implemented a new early warning system for financial risks at our most important suppliers in Europe in 2009, which we will continue to enhance in the course of 2010.

We also plan to streamline and harmonize our logistics processes in the International segment: one initiative in this field is SCALE. In the period under review, we rolled out a standardized planning system for production and warehousing across the Europe, Middle East, Africa and Latin America (EMEALA) region, marking the first step in this project scheduled to last several years. The new system reconciles the demand for products reported by our sales units in the Europe, Latin America and Asia-Pacific regions more accurately with our production capacities, increasing the efficiency of our warehousing planning activities. This will enable us to further cut costs, especially when it comes to launching new products, phasing out older product generations and processing orders issued by new customers. In the coming years, measures introduced as part of the SCALE initiative will help to further enhance the flexibility, profitability and cross-regional alignment of our supply chain management. Supply chain management refers to the organization and coordination of all purchasing and logistics processes.

One component of this strategy is our new distribution center in Biebesheim, Germany, which started operations at the beginning of 2009. With a total floor space of 28,500 square meters and 40-meter-high racks, it merges and expands the capacities of the main warehouses in Gernsheim and Darmstadt, both close to Biebesheim. In the first half of 2009, all activities from Gernsheim were integrated into the processes of the new distribution center. This was followed by the move of the Darmstadt warehouse. Since then, Biebesheim has been supplying customers such as hospitals and home dialysis patients in more than 140 countries around the globe with products from our European production sites, including dialysis machines and dialyzers. We have been able to further increase the quality and the efficiency of our logistics services thanks to the distribution center's state-of-the-art equipment and infrastructure: all processes are now managed completely electronically using barcodes. The time required for goods to be stocked and removed from the warehouse has been slashed by more than half, while the number of goods movements has more than doubled. Excellent connections to highways, the container terminal and airport also contribute to improving the efficiency of our logistics services. From 2010, we will also be able to put a figure on the advantages the new distribution center has to offer: we expect annual cost savings in the single-digit million range. Pooling our warehousing capacities in Biebesheim also reduces the environmental impact of our logistics activities as tours between our previous warehouses in Darmstadt and Gernsheim are no longer necessary. This also results in fewer exhaust emissions.

Fresenius Medical Care operates 15 distribution centers in the U.S. and supplies more than 6,000 clinics and around 7,800 home dialysis patients, mainly with our own truck fleet. In 2009, most of our North American transport volumes were moved by more than 400 of our own trucks (2008: 300). As we operate our own vehicle fleet, we are not only more cost effective, but can also offer superior transport quality compared to external service providers. This was the finding of a review of our processes based on the "Lean Six Sigma" method (see the "Production" section starting ▸ *on page 80* and the "Quality" section starting ▸ *on page 83*). Since 2008, we have been selling part of our load capacity to other companies. In the previous year, this logistics business grew by 70 %. In the period under review, we launched the TruBlu Logistics brand to strategically enhance our visibility in this market and raise awareness of our high-end transport services. It represents the entire range of logistics services offered by our Company and is intended to further increase the value added of our transport infrastructure. By selling load capacity to other companies we can increase the capacity utilization of our trucks, e.g. on return trips to our distribution center, as well as generating additional revenue. In the period under review, TruBlu Logistics achieved a revenue of $ 5.6 million, an increase of over 160 % compared to the prior year. TruBlu has a competitive advantage thanks to the superior quality of our warehousing and our high occupational and transport safety standards, which are critical for our own business with medical products. For years now, these have exceeded the requirements of the U.S. Department of Labor, Occupational Safety and Health Administration, as well as the Department of Transportation, which both regularly review our performance.

In addition, we continued to optimize our distribution network in the U.S. in the year under review. Now the two logistics units in the U.S. and in Mexico cooperate more closely. In 2009, we imported saline for injections from our plant in Guadalajara, Mexico, to the U.S. for the first time, after having received FDA approval in the same year. Further information on Guadalajara and FDA approval can be found in the "Quality" section starting ▶ *on page 83.*

▶ PRODUCTION The number of dialysis patients is constantly on the rise. At the same time, healthcare systems around the world are faced with the challenge of providing comprehensive medical care with ever scarcer funds. To keep in touch with our customers and the market, Fresenius Medical Care supplies dialysis products of the highest quality at the lowest possible price. This is why we are constantly working on improving our production processes with the aim of further enhancing performance and cost effectiveness. In addition, we are expanding our production capacities to cover the growing demand for our products. This allows us to supply local markets from local production sites wherever this is possible and makes business sense.

Fresenius Medical Care has a worldwide network of over 30 production sites. In terms of production volume, our largest plants are in the United States, Germany, and Japan. An overview of our most important production sites worldwide is provided in Chart 2.3.6 ▶ *on page 81*. We primarily produce hemodialysis devices at two locations – in Schweinfurt, Germany, and in Walnut Creek, California (U.S.). While the German plant manufactures components as well as machines, the Californian site is specialized in assembling and testing devices for the North American market. Our analyses show that the benefits from pooling production know-how in this complex product group justify the higher transport costs to our international sales markets. Our vertical integration plays a major role in protecting this know-how. The most important parts of a dialysis machine, the components that are decisive for the reliability and cost of the final product, are produced at our own plants instead of by external suppliers. This approach allows us to work more efficiently and gives us greater control over the quality and safety of the components.

We manufacture other products in regions where demand is particularly high. Dialyzers and the corresponding hollow fibers, for example, are produced and assembled in our facility in Ogden, Utah, in the U.S., as well as in St. Wendel in Germany, L'Arbresle in France, and Buzen in Japan, among others. We make hemodialysis concentrate at various plants worldwide, for example in Italy, Germany, Great Britain, Spain, Turkey, Morocco, Argentina, Brazil, Columbia, Australia, and the U.S. Our products for peritoneal dialysis (PD), such as PD devices and the corresponding single-use products, are also manufactured in all regions. St. Wendel and Ogden produce the largest volume of PD solutions, for example. Our plant in Reynosa, Mexico, is the Company's biggest bloodline manufacturing facility in terms of production volume.

To further intensify links between our worldwide production activities within the Group, we created a position on the Fresenius Medical Care Management Board with responsibility for Global Products Manufacturing Operations in the year under review, for more information ▶ *see page 52*. The new Board member started his work at the beginning of 2010.

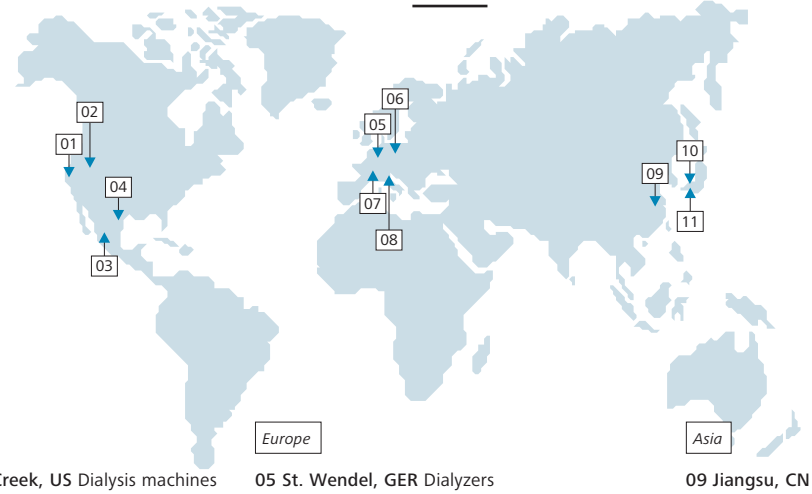
In 2008 we invested in locations worldwide, paving the way for growth in the years to come. In the year under review we continued to focus our efforts on improving the performance and efficiency of our production. At our St. Wendel site in Germany, for example, we continued to push the automation of our fiber bundle production after successfully integrating the first automatic bundling machine for processing fibers into production in 2008. In 2009, we planned to instal three more of these systems and they are due to be put into operation this year. An

automatic bundling machine automatically carries out all the necessary steps to prepare hollow fibers for dialyzer production by creating bundles with a fixed number of fibers. These form the core of the dialyzer, filtering the patient's blood. Given the extremely high standards for product quality and safety, these steps previously had to be carried out by hand – the highly sensitive and delicate fibers are just a quarter of a millimeter thick, which means they are about as thin as a human hair, and hollow inside, and they all have to be intact as components of a medical product. The new technology, which was developed in-house over the course of several years and optimized to the stage where it is ready for production, not only fulfils the exacting production requirements; it also slashes production costs by around 15 %. We are planning to switch all fiber processing in St. Wendel to the new system over the next few years and are also considering introducing the technology at other locations.

Our largest plant in the U.S. in Ogden, Utah, achieved record volumes and efficiency in 2009 in the production of hollow fibers for dialyzers. Operational Equipment Efficiency (OEE) is a key figure in this respect, allowing us to measure and analyze the productivity of our manufacturing activities. We achieved an OEE of 87.5 % in the year under review – our best result up to now, surpassing the previous year's very good result (82.2 %) by more than five percentage points. This boost in efficiency enabled us to raise production volume by another 7 % without having to expand production capacity. OEE is calculated based on system availability and performance as well as the quality of the volume produced. We also stepped up our efficiency in dialyzer production, despite once again increasing production volumes from 34.6 million in 2008 to 37.0 million in the year under review on the back of investments in two new production lines in 2008. All in all, we saved around $ 4.8 million in 2009 by improving the efficiency of hollow fiber and dialyzer production in Ogden.

MAJOR PRODUCTION SITES

Chart 2.3.6



America

01 Walnut Creek, US Dialysis machines
02 Ogden, US Dialyzers
03 Guadalajara, MX Dialysis solutions
04 Reynosa, MX Tubing systems

Europe

05 St. Wendel, GER Dialyzers
06 Schweinfurt, GER Dialysis machines
07 L´Arbresle, FR Dialyzers & dialysis solutions
08 Cremona, IT Tubing systems

Asia

09 Jiangsu, CN Tubing systems
10 Buzen, JP Dialyzers
11 Inukai, JP Dialyzers

The highly evolved dialyzer production technology developed in St. Wendel and employed at our locations worldwide gives Fresenius Medical Care a clear competitive edge. It allows us to produce dialyzers as a cost leader and in consistently high quality, setting standards in the industry in terms of performance and range of application. As a result, Fresenius Medical Care remained world leader in dialyzer production with a market share of around 45 % in the year under review. Further information on this can be found in the "Dialysis Market" section starting ▶ *on page 41*.

One tool which helps us continually enhance quality and efficiency in complex processes like dialyzer production is "Lean Six Sigma" (for more information on this, see the "Quality" section ▶ *on page 83*). This management instrument makes it possible for specially trained employees to analyze production flows and coordinate them as consistently as possible. The aim is to achieve even better production results, and in particular reduce defect rates, while shortening manufacturing cycle times. Lean Six Sigma as a management philosophy is also designed to enhance the corporate culture as well as relations with suppliers and customers. After all, this method encourages employees to reconsider previous processes and structures with a view to providing practical and more creative solutions. The Lean Six Sigma management system has already been rolled out at Company sites around the globe. One of these is the plant in Jaguariúna, Brazil, where we make products like accessories for peritoneal dialysis. The management method has been applied to the entire production process there since 2006, and it has certainly paid off: in the area of PD tubing systems, for instance, employee productivity has nearly tripled on average, while it has almost doubled in the production of PD bags. We were also able to reduce the amount of space required in production by around 30 %, providing room for new production lines, and significantly cut the cost of temporarily storing production materials.

Lean Six Sigma was also a vital driver for production improvements at our plant in Schweinfurt in the year under review, particularly against the background of the downturn in the global economy. Although the Company as a whole was hardly impacted by the unfavorable global economic development, the Schweinfurt site, which produces dialysis machines, in other words investment goods, did not achieve its original growth targets and production volumes there fell by 3.4 % (more information on this can be found in the "Dialysis market" section starting ▶ *on page 41*). However, thanks to Lean Six Sigma, we were still able to further boost productivity at the plant overall. In addition, we further improved the quality of all dialyzer machine families. The reliability of the 5008 product series, for example, was up 20 % measured by the number of repair jobs done by our technical customer service. In the year under review, we also set up production lines in Schweinfurt for the new 4008S classic dialysis machine, which is set for series production this year (further information on this can be found in the "Research and Development" section starting ▶ *on page 71)*. Despite the slump in the global economy, Fresenius Medical Care remained market leader in dialysis machines in the year under review: every second dialysis machine manufactured worldwide comes from our plant in Schweinfurt. The site celebrated thirty years of operations in 2009 – for more information on this landmark turn ▶ *to page 11.*

At the end of 2009, our Jiangsu site, near Shanghai, China, where we currently primarily produce bloodlines for the Chinese market and other Asian markets, received approval from the health authorities to commence production of peritoneal dialysis solutions. This means that we have successfully completed the first step in China's complicated approval process for pharmaceutical and medical products, which can often last several years, and can now start the second and final phase of obtaining product approval. Currently, we are going through similar processes for a second product that we intend to manufacture in Jiangsu: concentrate for hemodialysis. We are therefore getting closer to achieving our goal of manufacturing other products for the Chinese market in Jiangsu and gradually expanding the products delivered to other Asian markets from the site. Our overriding aim is to increase the number of

products we manufacture and introduce into the growing Asian markets. This would allow us to cover the rising local demand and satisfy the local logistical and regulatory requirements. Further information on Jiangsu and the growing importance of China for the Company is available in our magazine ▸ *on page 4.*

▸ **QUALITY** Markets, legislation, and cultures vary from region to region. The decentralized corporate structure of Fresenius Medical Care and the Company's differentiated portfolio take this into account. But no matter how much regions differ, our goal as a worldwide leading dialysis company remains the same everywhere: we are committed to providing patients and customers with the best product and treatment quality possible. In an effort to meet these requirements and the numerous regulatory constraints described in the research and development section, Fresenius Medical Care has comprehensive quality management systems in place in its regions that reflect the local conditions as well as the global responsibility of the Company.

These systems regulate and monitor the compliance of all our products and procedures with quality and safety standards – from development, production, and market approval to clinical application, customer training, and handling complaints. They combine our internal regulations and processes with the specifications of external standards and guidelines that are relevant to our business, in the respective regions as well as internationally.

Two important external standards with regard to our quality management system in the EMEA (Europe, Middle East, Africa) region, the Integrated Management System (IMS), are ISO 9001:2000 for quality management systems and the related norm ISO 13485:2003 for the manufacturing of medical products. The number of our dialysis clinics in Europe certified according to ISO 9001:2000 is growing steadily. At the end of the year under review, 76 % were certified – 5 % more than in the previous year. Our production sites in Europe are certified according to ISO 9001:2000 in combination with ISO 13485:2003. In the U.S., our quality management system follows the standards of the FDA (Food and Drug Administration); in Asia-Pacific and Latin America we also adhere to the relevant local standards in addition to our own quality guidelines. An example of external guidelines that are important for our quality management worldwide are the Good Manufacturing Practices (GMP). These international sets of rules govern the safe, high-quality production of pharmaceutical products and medical devices.

Some of our production sites even operate according to more than one regional standard: our North American production sites in Ogden, Utah, and Walnut Creek, California, as well as our Mexican site in Reynosa are certified according to the European norm ISO 13485 for medical products, as are our production plants in Pilar, Argentina, Buzen, Japan, and our site in Jiangsu, China. These two Asian production plants are also certified according to the CE standard, meaning that the products made there meet European health and safety requirements. The German plant at St. Wendel, on the other hand, not only manufactures according to ISO standards, but also complies with FDA requirements. By certifying our products according to different standards, we are able to serve markets worldwide flexibly and thus minimize any risks regarding reliable delivery.

As part of our quality management worldwide, we also rely on recognized management tools such as Lean Six Sigma (see the "Production" section ▸ *on page 80*) and certain risk analysis tools. These help us to analyze processes in the Company to find possible weaknesses and improve their efficiency. One such instrument is CAPA – Corrective and Preventive Action. This has the aim of preventing shortcomings in production processes, for example, from the start, and by doing so minimizing risk. Our production site in Buzen, Japan, used CAPA to improve its production process for dialyzers in the year under review. In 2009, we were able to realize savings of € 500,000 from this project alone.

In order to evaluate the quality of treatment provided in our clinics, we also draw on medical parameters that are generally recognized throughout the

dialysis industry and ascertain these using anonymized data management systems. One parameter is hemoglobin, the part of red blood cells that transports oxygen within the body. In cooperation with the responsible nephrologists, we aim to achieve a defined hemoglobin level for our patients. Another quality parameter used to monitor a patient's general nutritional condition is albumin, a protein. The so-called Kt/v value shows the cleansing performance of dialysis treatment. It is calculated by analyzing the relationship between the duration of treatment and the amount of specific toxins removed from the blood. The number of days patients are hospitalized is also crucial for determining treatment quality, as these are particularly cost-intensive and can significantly reduce dialysis patients' quality of life. By constantly measuring these and other parameters, we can further improve our performance in providing dialysis treatment. More information on quality data is provided in the table 2.3.7.

We have our sites and dialysis centers inspected regularly by external institutions to ensure that quality management standards are being implemented properly. In Europe, this is handled by the TÜV (Technischer Überwachungsverein – Technical Inspection Association). These conformance and certification experts check our corporate headquarters and production plants as well as sales and clinical organizations in yearly audits. In our clinics, the inspection is not only based on ISO 9001, but also on the TÜV standard "Good Dialysis Practice". In North America, our production plants are regularly audited by the FDA and TÜV North America, while our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), which represent the governmental healthcare program in the U.S. In 2009, the FDA performed inspections at four of our major manufacturing sites in the region, including our production site in Guadalajara, Mexico. This successful week-long FDA audit was the final step toward gaining clearance for importing saline for injection. Fresenius Medical Care thus became the first company in Mexico to receive FDA approval to import this product into the U.S. Considering the FDA's high quality standards regarding water purity in production, we see this approval as an important confirmation of our quality systems and standards. In the regions of Asia-Pacific and Latin America, comparable audits are performed by local and, in some cases, European inspection agencies to examine whether these external standards are observed. We also check the performance of our quality management systems at our production sites and in our clinics worldwide using internal audits performed by employees who we specifically train and qualify for this purpose.

Learning what patients and customers think of the quality of our portfolio is also very important to us – and surveys play a vital role in achieving this. For instance, a survey carried out in 2009 as part of a patient program in the EMEALA (Europe, Middle East, Africa, Latin America) region confirmed that home patients are very satisfied with the peritoneal dialysis products and care provided by Fresenius Medical Care. 95 % of those surveyed would recommend us to other patients, and 94 % prefer home dialysis to treatment at a medical facility. These and other surveys supply Fresenius Medical Care with essential feedback, for example on the acceptance of its customer, delivery, and technical services, its vacation and travel service, as well as its home visits and general treatment quality.

A management system can only be successful when it is implemented by qualified, responsible employees. This is why Fresenius Medical Care puts so much effort into training its employees when it comes to quality. This year we further expanded the training management system introduced in the International segment for this purpose in 2008. We now offer basic and advanced seminars for employees on topics such as quality management, environmental management, or pharmaceutical law. E-learning is increasingly used as the medium of choice (read more about this in the "Employees" section ▸ *on page 91*). More than 200 employees from various departments, such as marketing and sales, participated in the program last year. In China, we have developed a special training program for employees at our comparably young plant in Jiangsu: it not only covers quality issues such as hygiene, assembly and Good Manufacturing Prac-

tice, but also focuses on the importance of teamwork and cost leadership.

Our employees in sales, technical customer service, and dialysis clinics around the world also receive regular training. After all, they represent our commitment to quality and are the ones who support patients, doctors, and care personnel in using our products correctly, selecting the suitable treatment methods, and achieving the best possible results. For example, our new training center for care personnel in Brazil, which opened in 2008, started operations in 2009. Around 430 employees have already participated in the courses that provide both technical know-how and expertise in the area of dialysis treatment. In an effort to further qualify employees and foster motivation, another training program for clinic personnel was initiated in the U.S. last year. Read more about this in the "Employees" section ▸ *on page 91.* Sales force employees also work closely with product management to gain the relevant know-how to expertly advise their customers. They also have access to a wealth of product brochures and informational material. Customer surveys help to gauge the success of their work.

QUALITY AND RESPONSIBILITY As a vertically integrated dialysis company that employs its products and procedures in its own clinics on a daily basis, the terms quality and responsibility cannot be solely defined using norms and standards: it starts with the business model. Our proximity to patients, clinic personnel, and doctors in our worldwide network of dialysis centers ensures that we always have the needs of our most important stakeholders – and therefore our obligation to quality – in mind. This holistic view of responsibility is also anchored in our corporate values: quality, honesty, and integrity, innovation and improvement, respect and dignity.

OUR THERAPY CONCEPT Fresenius Medical Care's holistic quality approach is reflected in our service concept for dialysis treatment: with our two brands for dialysis care, UltraCare in the North American region and NephroCare in the EMEALA and Asia-Pacific regions, we have established a comprehensive therapy concept in our clinics around the world. It includes the use of high-quality dialysis products, renal drugs and therapies, which are constantly being improved by our research and development departments, as well as care from qualified, motivated clinic personnel who regularly receive further training. Clinic data management systems support the individual centers in their efforts to continuously improve the quality and efficiency of therapy with reliable, effective treatment that minimizes medical risks, and with efficient clinic management. Using this approach, Fresenius Medical Care aims to provide its patients with the best possible service while keeping costs as low as possible for its healthcare partners around the

QUALITY DATA

For the last respective quarter, in %

Table 2.3.7

	U.S.		*Europe/Middle East/Africa*	
	2009	*2008*	***2009***	*2008*
Kt/v > 1.2	96	95	95	95
Hemoglobin = 10–12 g/dl	64	61	52	50
Hemoglobin = 10–13 g/dl	88	85	76	75
Albumin ≥ 3.5 g/dl[1]	83	80	88	85
Phosphate 3.5–5.5mg/dl	53	53	61	61

[1] *International Standard BCR CRM470*

globe, despite the different requirements and healthcare systems in the individual regions. We use specific performance indicators to review, compare, and improve how we deliver on the brand promises of NephroCare and UltraCare in individual clinics as well as at a regional level. These indicators are defined in the "NephroCare Balanced Scorecard" and the "UltraScore" systems. They reflect clinical quality goals such as Kt/v and hemoglobin levels (see table 2.3.7 ▶ *on page 85*), or, in the case of NephroCare, the clinics' environmental performance such as water and energy consumption as well as waste management. In addition, we measure patient and employee satisfaction by means of surveys.

Under the brand name P3, we introduced a holistic therapy concept for peritoneal dialysis (PD) in the EMEALA region in 2009. This ground-breaking program combines all of the elements that are necessary for high-quality, safe and gentle PD as a complete therapy solution: from the PD system, which, depending on the treatment method used may include a PD device (cycler), and our biocompatible PD solutions designed to preserve the peritoneal function, to special software and safety applications to monitor and improve therapy as well as prevent infections. P3 should help doctors and care personnel to tailor the medical parameters of PD treatment even more precisely to the needs of their patients so that they can gain the best possible results from their home dialysis treatment. We introduced P3 at Europe's most important industry event for peritoneal dialysis – the EuroPD in Strasbourg – in October 2009 and are gradually rolling out the brand to the countries in the region.

SERVICE AND COMMITMENT TO PATIENTS AND PARTNERS For Fresenius Medical Care, a holistic understanding of quality and responsibility means offering our patients, customers, and partners the best possible service even beyond our core portfolio of dialysis products and services. This includes training, consultation and special care services, as well as voluntary initiatives to further improve our patients' quality of life.

INFORMATION, TRAINING AND ADVICE The more kidney patients know about their disease and the actions they can take to influence its course positively, the better the overall treatment results. For this reason, Fresenius Medical Care places great value on giving its patients intensive medical advice. One of these training offers is called "Kidney Options". The program introduces patients to the course of chronic kidney failure and possible therapy options using clear informational material. It gives a general, yet comprehensive, overview of peritoneal dialysis and hemodialysis (HD) procedures as well as kidney transplants. "Kidney Options" was originally developed in the U.S. but has been rolled out to the Asia-Pacific and EMEALA regions over the past years due to great demand. The program was introduced in Brazil and Russia in the past year, among other countries, and is now available in 28 languages in over 40 countries around the world. We also opened a new training center in Australia for home dialysis patients in the year under review. Aborigine patients in particular will benefit from the new facility: they often live in remote areas and have to travel long distances from their families to be treated at a dialysis clinic – often for periods lasting several years. Now, thanks to the new training center, even more patients can learn how to perform PD or home HD treatments themselves, so that they can stay at home with their families and friends after they have completed the training.

Continuous training is just as important for doctors and care personnel as for patients in the complex and relatively young medical discipline of dialysis. This is reflected in the high demand for our Advanced Renal Education Program (AREP) – an internet-based training program in the U.S. that deals with the treatment and care of dialysis patients. We

expanded the range of offers in our learning portal in 2009 with full and half-day seminars for nephrologists as well as E-learning courses for doctors and care personnel. One focus of AREP is on raising the awareness of peritoneal dialysis as a possible therapy alternative. PD is employed much less frequently than HD, but can provide qualified patients with greater independence – as the above example from Australia shows. We are also putting greater emphasis on training doctors in Asia, Africa, and the Middle East on quality in dialysis. In these areas, treatment standards are still being developed and there is therefore high demand for professional advice. In Indonesia, for example, we organized specialist events in 2009 together with nephrology experts, which included lectures, workshops, and clinic visits. In addition, we entered a public-private partnership in 2008 with the Indonesian Society of Nephrology and a development bank, with the aim of improving access to dialysis treatment in the rural regions of the country as well as enhancing the quality of the treatment itself. Within this partnership, we are providing 40 hemodialysis machines, four water treatment systems as well as accessories for dialysis in order to expand four dialysis centers in rural Indonesia. Furthermore, with the support of our partners, we are training physicians and nurses from public hospitals in the field of dialysis.

We also advise health authorities and organizations. In Russia, for instance, Fresenius Medical Care has been supporting several initiatives committed to developing new quality standards in dialysis since the start of 2009. These are under the aegis of, among others, a German-Russian non-governmental organization that coordinates projects to improve medical standards between both countries. German healthcare companies are regarded as reliable and qualified partners in this region thanks to their know-how. We also advise dialysis centers in Japan, the majority of which are operated by private nephrologists, on how they can provide cost-effective and high-quality dialysis services for their patients. As is the case in many other countries, healthcare costs on the one hand and rising patient numbers on the other are an important issue in Japan.

Our comprehensive range of training and advice also contributes to further enhancing the good reputation our Company enjoys as an experienced provider of high-quality dialysis products and services. Fresenius Medical Care's code of conduct, which is described in detail ▸ *on page 120* and implemented in every region, provides our employees with a framework. It encourages them to conduct themselves in a professional and responsible manner at all times, within the Company as well as towards our patients, external partners and the public and to always respect the local laws and the Company's standards of conduct.

SPECIAL CARE SERVICES The supplementary care that we provide to make our dialysis patients' lives easier and ensure that they receive their life-sustaining treatment even in emergency situations is another example of our commitment to holistic quality. The care program KidneyTel, which we introduced last year in the U.S., is just one instance of this. The brand combines our many years of activities in the area of disease management (DM) with a new service offer. Fresenius Medical Care has offered a DM program for privately insured kidney patients in North America for over ten years. It tailors preventive measures, healthcare services, and the treatment of concomitant diseases to the individual needs of kidney patients and the requirements of their insurance companies. The goal is to provide patients with the fastest and best coordinated care possible – thereby avoiding additional hospital stays and saving costs in the process. Since 2009, the service has also included so-called telemedical care: the patient is connected to KidneyTel's central IT and call center by a device that enables remote medical consultation and diagnosis. This method has already proven its worth in

connection with other serious diseases such as diabetes. In the case of a risk or emergency being reported, the KidneyTel clinic team looks for a suitable solution together with patients and their families and coordinates the necessary response with the dialysis center, responsible nephrologists, and any other healthcare providers. Our DM program was certified by the National Committee on Quality Assurance (NCQA) and the Utilization Review Accreditation Committee (URAC) in 2009. Both non-profit organizations are recognized across the U.S. as certification authorities in healthcare.

In North America, professional emergency response teams from Fresenius Medical Care are activated in the case of extreme weather conditions or even natural catastrophes such as severe storms and floods to maintain patients' life-sustaining dialysis treatment. During the hurricane season, for instance, these teams coordinate emergency shelters, organize power generators, distribute food and fuel, as well as involving other employees as the situation requires. Fresenius Medical Care North America's Incident Command Center is in close contact with the US-wide Kidney Community Emergency Response Coalition (KCER), a network of different organizations such as patient and professional associations in nephrology, dialysis providers, hospitals, as well as federal agencies such as the FDA and the Centers for Medicare and Medicaid Services (CMS). This cooperation allows us to coordinate our crisis management with government emergency organizations such as the Federal Emergency Management Agency (FEMA) and the United States Department of Homeland Security, to which FEMA belongs. Even though the 2009 hurricane season was comparatively quiet, our teams were still in demand due to ice and snow storms. Fresenius Medical Care also developed a power generating truck in the year under review that can supply dialysis clinics in the U.S. with electricity for more than 48 hours in the case of a power outage. The vehicle is currently serving the greater Chicago area but there are plans to make more trucks available to serve other areas, too. We also demonstrated our excellence in crisis management in Europe in 2009: following the devastating earthquake in the Italian city of L'Aquila in April, the local hospital was able to continue its vital treatment of dialysis patients within a very short period of time thanks to support from Fresenius Medical Care. Among other emergency efforts, the Company provided a mobile emergency dialysis center with over ten treatment stations free of charge.

SOCIAL COMMITMENT Fresenius Medical Care employees are also involved in voluntary projects and initiatives in their local regions aimed at enhancing patients' quality of life. All around the world, for example, we support regional and national patient associations which are dedicated to helping patients lead an active and healthy life. In Columbia, we have set up a charity foundation which provides dialysis patients with transport to treatment as well as organizing joint leisure activities. We donate dialysis machines and accessories in crisis situations and when natural catastrophes strike, such as the earthquakes in Italy and China in the past two years. We are also committed to helping institutions in need of support. In the year under review, for example, we supplied five of the neediest dialysis facilities in Bosnia-Herzegovina with new hemodialysis machines in a joint project with the Ministry of Health. In Australia, we are supporting a project run by MALPA, an initiative dedicated to raising awareness of chronic kidney problems among Aborigines. Last but not least, Fresenius Medical Care also does its bit to highlight health issues among the population at large. In Taiwan, for example, we organize an educational event every year together with the Taiwan Society of Nephrology and a number of different hospitals. The event is designed to promote healthy living among the local population and help people to recognize the warning signs of kidney disease at an early stage. In the U.S., we supported a

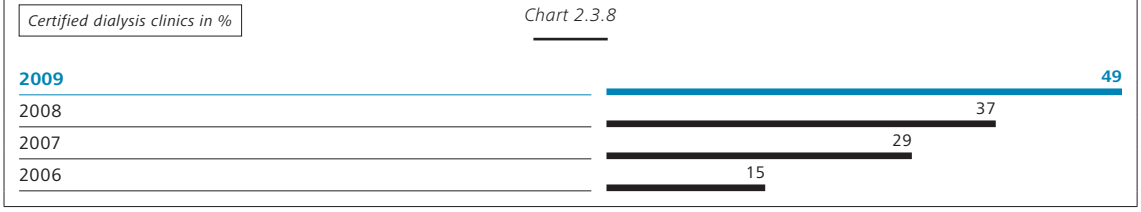
kidney disease awareness event organized by the American Nephrology Nurses' Association (ANNA), where we offered lectures on different treatment options for patients with chronic kidney failure. Our magazine features another example of Fresenius Medical Care's voluntary work ▸ *on page 24.*

▸ **ENVIRONMENT** Fresenius Medical Care has launched numerous initiatives and projects at its sites to foster greater environmental awareness and protection. We are continuously making efforts to improve our operational efficiency, for instance by introducing measures to save energy or reduce the amount of raw materials used in production. This enables us on the one hand to help the Company sustain its successful development, even in times of rising energy and raw materials prices; on the other, it limits the impact of our activities on the environment. For this reason, conserving drinking water and energy, and cutting emissions and waste have been central elements of Fresenius Medical Care's environmental management for years, as well as designing and equipping buildings and production sites to be as environmentally friendly as possible.

In 2009, for example, we launched the project "Go Green in Dialysis" together with EDTNA/ERCA (European Dialysis and Transplant Nurses Association/European Renal Care Association). The project will start running in spring 2010. Its aim is to raise environmental awareness among dialysis nurses in Europe and to support them in making the processes at their workplace more environment-friendly, e.g. by consuming water, electricity and dialysis concentrate more efficiently as well as improving waste management. To achieve this goal, the joint "Go Green" project team with members from EDTNA/ERCA and Fresenius Medical Care plans to create training materials for dialysis nurses as well as a set of environmental guidelines especially for dialysis clinics within the next two years. The interdisciplinary team comprises dialysis care experts, dialysis technicians as well as quality and environmental management officers. Fresenius Medical Care employees around the world are committed to making clinic operations as environmentally friendly as possible. Since 2007, for example, we have been partnering with a specialized waste disposal company in the U.S. to reuse containers for medical waste. We are also increasingly utilizing heat exchangers in our clinics, thus reusing up to three quarters of waste heat produced during dialysis treatment. Fresenius Medical Care is also committed to constantly improving the environmental performance of its production sites. For example, at our largest production site in North America, in Ogden, Utah, we set ourselves the goal of reducing energy consumption by 7 % per production unit in 2009 compared to the previous year by improving our processes. We even surpassed this goal, slashing our energy consumption by around 18 % and our natural gas usage by around 3 % per production unit. In the coming years, we have set ourselves the target of reducing energy consumption by a further 5 % per year and production unit. Since 2000, the amount of natural gas used per product unit in Ogden has been cut by 54 %, with electricity consumption also dropping 17 %. In addition, we introduced a recycling program in Ogden in the final quarter of 2008, which helped us to recycle over 2,000

EUROPE: CERTIFICATIONS ACCORDING TO THE ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM

Chart 2.3.8



tons of different components from all areas of the site until the end of 2009, including different types of plastics and cardboard. We also operate a recycling program at our Californian site in Walnut Creek together with a recycling company specialized in separating waste and reusing medical and electronic devices. In this case, parts from our dialysis machines are refurbished to be reused as spare parts. Thanks to this program, the site saved over 300 tons of machine waste from going to landfills in 2009.

At the St. Wendel production site in Western Germany, our engineers initiated energy efficiency projects that cut the site's consumption of natural gas by around 400,000 cubic meters in the year under review – the equivalent of the annual energy required by around 170 homes. The site also became a partner of the EU Commission's "Greenlight Program" by equipping the vast majority of its production buildings with energy-saving lighting. This initiative helped the site reduce its energy consumption for lighting by over 40 %. In addition, St. Wendel invested in environmentally-friendly processes and systems in 2009: for example, it replaced older boilers with state-of-the-art models which have substantially cut emissions of nitrogen oxide by 60 % and reduced overall energy consumption.

At our plant in Jiangsu, China, we reduced the amount of solvent used in production by over 60 % per product unit in the year under review while improving production quality. Environment-related targets are one element in a set of criteria we use to measure the performance of all our production sites in Asia. These include minimizing the use of chemicals in our production process and continuously reducing energy and water consumption per product produced.

In the EMEA region (Europe, Middle East, Africa), our environmental management is an integral part of the quality management system and is certified by TÜV (Technischer Überwachungsverein – Technical Inspection Association). It encompasses eco-controlling at production sites and dialysis clinics – in other words, gathering environmental data on variables like emissions, water, and electricity consumption. Other fields of action include formulating environmental goals and strategies, coordinating internal and external environmental audits, reducing environmental risks, providing training and further education to environmental managers within the Company, raising employees' awareness of environmental issues, and further expanding our environmental management efforts in the region.

The environmental management team in the EMEA region has developed an environmental program in close cooperation with research and development, production, sales, and dialysis care. It was launched in 2007 and will be completed in 2010. One of the program's goals is to further improve the energy efficiency at our European sites and to reduce our emissions. We already achieved this target in 2009: as planned, our "Energy Squeeze" efficiency initiative was rolled out at our principal European plants. Employees in the various areas of production developed over 100 ideas which enabled us to reduce the previous energy consumption levels at the sites by 5 %. In addition to other measures, we continued optimizing the eco-controlling system for our fast-growing number of dialysis clinics in Europe: e-con 5 is our new clinic software system for managing environmental data like water and electricity consumption or waste disposal. In the year under review, it was rolled out to 264 dialysis clinics in nine countries – that represents 63 % of all our European clinics. We developed e-con 5 based on our clinical quality database EuCliD5. The ultimate goal is to gradually roll out the system to our clinics and build up a comprehensive environmental data management system in Europe over the coming years. We are already benefiting from the improved data quality and efficient data collection made possible by e-con 5: for instance, our country organizations can now compare the environmental efficiency of their clinics on a monthly basis. This means they can easily identify potential improvements and take these observations into account when planning new investments, such as new reverse osmosis units for water treatment. In some cases, we were even

able to re-negotiate with certain suppliers or waste disposal companies due to the improved database.

In 2009, we also made further progress in the EMEA region in implementing the environmental management standard ISO 14001. 204, or 49 %, of our European dialysis clinics are now certified – 61 more clinics than last year, representing a rise of over 12 %. Our five largest production sites in Europe already hold ISO 14001 environmental certification as does the region's medical device development department. In 2009, we rolled out the environmental management system at the production plants in Ober-Erlenbach, Germany, and Vrsac, Serbia. We expect both sites to receive ISO 14001 certification from TÜV in 2010. We also continued implementing the EU chemical regulation REACH at our European plants, which also aims at protecting human health and the environment. In the year under review, we produced internal guidelines for observing REACH requirements with a view to aiding this process. Fresenius Medical Care is an active member of the REACH working group of the Federal Association of the Medical Device Industry in Germany (Bundesverband Medizintechnologie, BVMed).

In North America, we introduced a formal certified environmental health and safety audit program at our U.S. 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.

▸ **EMPLOYEES** We owe the close bond that our Company enjoys with its patients, customers and partners to our employees' commitment and motivation to maintain Fresenius Medical Care's high quality standards in their everyday work. To remain an attractive employer for our workforce, we aim to offer a superior working environment and long-term career prospects. We also want to enhance our attractiveness as an employer in the competition for specialist and management personnel with targeted human resources development activities and measures aimed at recruiting new talent. This will also help the Company prepare for the challenges posed by demographic change and the growing internationalization of markets.

At the end of 2009, 67,988 employees (full-time equivalents) worked for Fresenius Medical Care. Our workforce therefore grew once again, with 3,322, or 5 %, more people than in the previous year. This rise in numbers was primarily due to the continued organic growth of our dialysis services business as well as acquisitions in all regions, most of which were dialysis clinics. 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 8 % annually since the Company was founded in 1996.

In percentage terms, the Latin America region recorded the strongest growth in staff numbers, up 16 % on the previous year. This was followed by the Asia-Pacific region with 11 %. In 2009, our organic growth in these regions was supported by acquisitions, mostly clinics. In all other regions, the number of clinics, and therefore employees, also rose again.

At the end of the year under review, as in 2008, approximately 3,600 people were employed by Fresenius Medical Care in Germany, accounting for around 5.3 % of the total workforce – another example of our high degree of internationalization. The average age of Fresenius Medical Care employees in Germany was 41.1 years, up slightly on 2008 (40.3 years old). The average length of employment in the Company increased from 10.1 years in 2008 to 10.9 years in 2009. Our rate of staff turnover was again very low at 1.9 % compared to 2.8 % in the previous year.

In 2009, the Company decided to introduce flexible working hours: from October 2010 onwards, employees will be able to make their own contributions,

such as vacation entitlement or parts of their salary, to a compensation time account in addition to a salary component in line with collective pay agreements. They can then draw on this account to take time out for training measures, for example, to care for relatives at home, or for a flexible transition to retirement. On the one hand, this enables us to offer our employees attractive long-term prospects in the Company. On the other, we can benefit from the knowledge of experienced employees for longer by giving them the opportunity to structure their working hours more flexibly as they get older. In this way, the model takes into account the future challenges posed by demographic change: falling birth rates combined with a rise in life expectancy, particularly in Europe and the U.S., mean that the supply of specialist personnel will become scarcer in the long term, while the number of older employees will grow. In the coming years, we intend to prepare ourselves for this trend more intensively.

Fresenius Medical Care's worldwide personnel costs totaled $ 3.71 billion in 2009, some 6 % more than in 2008 ($ 3.51 billion). As in 2008, personnel costs accounted for around 33 % of revenue. The average cost per employee was $ 54,600 in 2009 (2008: $ 54,200).

HUMAN RESOURCES MARKETING, RECRUITING AND DEVELOPMENT As Fresenius Medical Care's business grows, so does its need for qualified and motivated employees. Our high level of financial stability contributed significantly to our attractiveness as an employer in 2009, as confirmed by the renewed increase in the number of applications we received in Germany as well as the positive comments many applicants made about our Company. However, as a relatively young company, we need to raise our profile further, especially among young people and therefore potential future employees. To this end, we continued expanding our university marketing efforts in 2009 and stepped up our cooperation with selected universities. One example of this is our collaboration with the University of Applied Sciences Würzburg-Schweinfurt. Its graduates are particularly interesting as future employees for the Company due to their excellent training in electrical engineering with a focus on medical technology and automation. In addition to a long-term sponsoring agreement signed by our Schweinfurt site with the university comprising regular excursions to the site for university students, joint semester projects with various departments, and our participation at the university's annual career fair, we set up a new dual study course in electrical engineering together with the university in 2009. The new five-year course combines a vocational training program as an electronic technician at the Schweinfurt site with an academic degree in electrical engineering at the University of Applied Sciences Würzburg-Schweinfurt. Several years ago, our cooperation with the university paved the way for a degree with in-depth practical training. This dual program provides particularly talented students with the opportunity to work for several months in various departments of the Company's Schweinfurt site or at Fresenius Medical Care facilities outside of Germany. Furthermore, through our support in supervising internships, project and thesis work, for a number of years now we have managed to convince highly-qualified graduates from the university to join our team in Schweinfurt, where our expertise in manufacturing and developing dialysis machines is pooled. Further information on our activities in Schweinfurt can be found in the "Production" section ▸ *on page 80* and the "Research and Development" section ▸ *on page 71.*

In addition, we increased the number of internships for graduates and students at our German sites by over 30 % in 2009. In some cases, we help them with their bachelor, master and diploma theses during their placement. This is part of our effort to attract more potential future employees to the Company at an early stage. In the year under review, we were once again able to recruit interns and students as full-time employees after they completed their programs with us. To enable us to place the young recruits in the best possible position within the Company according to their skills, we also introduced regular interview rounds, where the newcom-

ers have a chance to present themselves to the HR managers of our German sites.

In the light of demographic change, evolving markets around the world and Fresenius Medical Care's growth-driven corporate strategy, it is becoming increasingly important for us to attract talented young employees to specialist and management level positions and to support their development at the Company with targeted measures. Our trainee program and Graduate Development Program offer attractive entry options. Both are designed to enable highly-qualified university graduates to start on a project-based, specialist or management career at the Company. The 18-month trainee program instructs entry-level employees for a career in a particular

NUMBER OF EMPLOYEES

Chart 2.3.9

Full-time equivalents

EMPLOYEES BY REGION

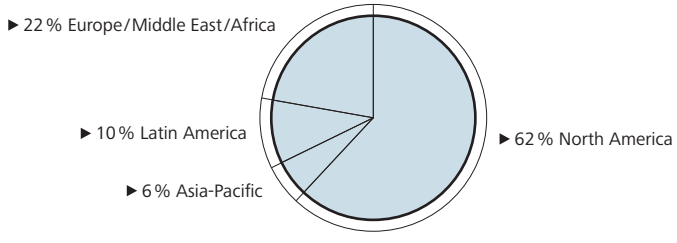
Table 2.3.10

Full-time equivalents

	2009	*2008*	*Change*
North America	42,175	40,509	4 %
Europe/Middle East/Africa	14,998	14,664	2 %
Latin America	6,857	5,935	16 %
Asia-Pacific	3,958	3,558	11 %
▶ **TOTAL**	**67,988**	**64,666**	**5 %**

EMPLOYEES BY REGION

Chart 2.3.11



area, like controlling or marketing, with on-the-job placements lasting several months, one of which is generally abroad, as well as additional training and E-learning modules. The Graduate Development Program, in contrast, prepares young professionals for a career in a predefined function in Germany or abroad over a period of up to twelve months. Both programs include participation in the Fresenius junior staff program, which focuses on training entry-level professionals in social and communication skills through seminars and workshops.

We believe our employees should be able to use their personal and professional strengths and talents at Fresenius Medical Care in the best possible way and have the opportunity 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, continuous feedback on performance and work quality, and providing professional challenges in line with employees' abilities as part of our personnel development. Senior management has the duty to ensure that these tools are implemented throughout the entire Company. The support and comprehensive further education and qualification measures provided by our human resources management team help them in this task. In collaboration with the Danube University Krems in Austria, with which we also cooperate on research projects, we are offering a part-time MBA program for qualified employees who have not had any formal business training. This allows us, as a research-driven dialysis company, to prepare scientists and medical professionals for management and leadership tasks. In most cases, these professionals already have outstanding specialist knowledge and key research experience, but have not learned about the specific requirements of a commercial enterprise in the course of their training.

We are one of the largest employers of medical personnel worldwide and our dialysis care business is constantly growing. As such, providing training and further education to specialized dialysis personnel was a focus of our human resources development work in the year under review. In the Asia-Pacific region, for instance, the Fresenius Medical Care Institute of Dialysis Nursing (F.I.D.N.) in the Philippines commenced regular operations with the first graduates completing the one-year dialysis nurse training course. Almost 100 of these graduates, both male and female, are now making their next career step by taking up positions in our dialysis clinics in the U.S., where they are familiarized with their clinic and integrated into the teams on the ground. Currently, around 450 qualified registered nurses are taking part in the institute's courses. Fresenius Medical Care established the F.I.D.N. with the aim of training first-class specialist personnel for dialysis units, particularly with a view to covering the Company's growing demand for clinic staff around the globe. The F.I.D.N. is a worldwide pioneer when it comes to the content of its courses, and leads the way in the healthcare industry in terms of quality.

Last year, we launched a pilot program in North America for the professional development of specialized dialysis personnel – the UltraCare Clinical Advancement Program (UCAP). The aim is to intensify support for our employees and managers in the clinical environment in developing and expanding their specialist and management expertise, and to strengthen their long-term loyalty. UltraCare is our holistic therapy concept for dialysis clinics in North America (further information on this is available in the "Quality and Responsibility" section starting ▶ *on page 85*). Both new and long-time employees can take part in UCAP courses. After a pilot phase lasting several months, the program will be rolled out at our clinics across the U.S. by the end of 2010.

In 2009, we launched the Online Learning Center in the EMEALA (Europe, Middle East, Africa, Latin America) region with a view to providing advanced training options, not only for our clinic personnel, but for employees in all departments. The Online Learning Center is a so-called E-learning portal, i.e. a digital learning platform. It allows employees to take advantage of free courses on a wide range of topics, from nephrology and dialysis patient care to product features and financial/compliance content. One major advantage is that employees are free to choose when

they learn. They can also manage ongoing and planned courses in personal user accounts and view content from previous training courses at the click of a button. Users also have the opportunity to discuss course content with specialists and other participants from around the world in internet forums and by e-mail. Individual countries can also develop their own content and offer this in addition to international courses. Around 6,000 employees from 24 different countries have already registered for the Online Learning Center since it was established.

In the year under review, our plant in St. Wendel was named a "Partner für Weiterbildung 2009" (Training partner 2009) by the Saarland Employment Agency. The Agency recognized the site's long-term, successful commitment to securing jobs. One particular training program, for instance, allows long-serving production employees in St. Wendel to complete a certified course as a "Machine operations specialist" offered by the Chamber of Commerce and Industry (Industrie- und Handelskammer – IHK), extending their know-how to include new manufacturing processes. This not only benefits the professional development of our employees, it is also a success factor for the site as a whole. After all, the technical understanding of our workforce has to keep pace with the increasing automation required for more efficient and effective production. Further information on our St. Wendel site can be found in the "Production" section beginning ▸ *on page 80*.

To promote the development of international senior managers, we continued the successful alliance last year with our longstanding partner, INSEAD business school, at its locations in Fontainebleau, Singapore and Abu Dhabi. Here, leading managers from various international companies come together to take part in seminars and discussions. A follow-up program then encourages international networking between the participating managers.

VOCATIONAL TRAINING The vocational training of young people at Fresenius Medical Care is still a vital investment in the future of our Company. Within the Fresenius Group, we train young people in various qualified occupations at our German sites. These range from electronics technicians for devices and systems, IT specialists and biological and chemical laboratory technicians to industrial business management assistants and industrial mechanics. We continued to train beyond our own needs in the year under review: the Fresenius Group increased the number of trainee positions at all its German sites that offer training by another 7 %, following a 10 % rise in the previous year. In addition, in 2009, over 30 students were enrolled in the degree programs such as business information technology and international business administration that the Fresenius Group offers in cooperation with vocational colleges and universities. We also organize initiatives, such as the annual management simulation game, in which trainees from all specialist areas, age groups and locations have the opportunity to assume the role of an entrepreneur. In addition to the benefits offered by the game's specialist training content, the young people also learn social skills that are crucial to professional life, such as team spirit and a sense of responsibility. Trainees from Fresenius Medical Care were once again recognized for their outstanding performance in the year under review, picking up local chamber of commerce and national awards. In the last few years, we have been able to successfully recruit all trainees and vocational students who completed their programs with good grades. At the Schweinfurt site alone, around 57 % of all former trainees who have completed training programs since they were introduced 25 years ago are still working at the Company today.

Through our close involvement in and with schools, such as providing informational events, company tours, internships and application training programs, we want to continue to attract young people to a career at Fresenius Medical Care. In 2009, we again held an open day on the topic of vocational training at Group headquarters. This gave students and their parents the opportunity to learn more about the vocational training and degree programs on offer as well as the career prospects available at our Company. We also took part in Girls' Day again in 2009. This nationwide event is a platform for companies in

Germany to provide girls and young women with an insight into technical and scientific careers with the aim of sparking their interest in jobs that are still very much seen as typically male-dominated.

PROFIT SHARING Our employees identify with the Company to a high degree – something that is a key success factor for Fresenius Medical Care. The fact that employees have a stake in the Company's success contributes to this sense of identification. The annual bonus is tied to Group operating income (EBIT). In 2009, each eligible employee (full-time equivalent) received €1,585.50 through the profit-sharing program for the preceding financial year. Two-thirds of the bonus were paid to employees in shares, while the final 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 million options for ordinary bearer shares. They can exercise these after a period of three years under the condition that the adjusted earnings per share (EPS) were at least 8% in each year of the waiting period ▶ *see also page 230.* If this hurdle is only cleared in one or two years, the options are reduced accordingly. If it falls short of the mark completely, the options are cancelled. The stock option program enables managers to participate in both the Company's financial opportunities and risks, and provides them with an internationally competitive remuneration. In 2009, some 600 senior managers participated in the future success of Fresenius Medical Care through this program. Further information on the stock option plan can be found in the financial report starting ▶ *on page 229.*

PROFIT SHARING

Table 2.3.12

Year[1]	***2009***	*2008*	*2007*	*2006*	*2005*
Value *in €*	1,586	1,527	1,444	1,000	1,000
Number of eligible employees	2,765	2,581	2,483	2,436	2,298

[1] *Profit sharing is paid retroactively and reflects the Fresenius Group EBIT for the previous year.*

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. Only by assuming risks can we seize the opportunities that our business offers. As a provider of life-preserving products and therapies, we are only slightly affected by economic cycles. This is a key difference between us and, for example, a manufacturer of consumer goods. At the same time, our technological experience and comprehensive market know-how provide a sound basis for detecting risks as early and as reliably as possible.

Fresenius Medical Care sees risk management as the ongoing task of determining, analyzing and evaluating the spectrum of potential and actual developments, and, if possible, taking corrective measures. Our far-reaching risk management system, the principles of which are stipulated in group-wide guidelines, is therefore an important component of our control management. It enables management to identify at an early stage risks that could threaten the Company's going concern or growth, and thus minimize their impact as far as possible.

Risk management is part of our integrated management information system and is based on group-wide controlling as well as an internal monitoring system. Regional monitoring systems form the backbone of our risk management system and watch over all inherent industry and market-specific risks. The responsible risk managers present status reports to the Management Board twice a year. These reports include qualitative and quantitative appraisals of the likelihood of risks that have been identified as potentially harmful to Fresenius Medical Care, as well as the potential extent of damage. In addition, the Management Board is directly and immediately informed in case of newly identified risks.

Efficient reporting is essential for controlling and monitoring risks as well as for taking preventive measures. Therefore, the management of Fresenius Medical Care receives information on a monthly and quarterly basis about the state of the healthcare industry, our operational and non-operational business, as well as analyses of our assets, financial and earnings position.

Furthermore, the Audit and Corporate Governance Committee of the Supervisory Board regularly deals with risk management and the status report in its meetings.

Our risk management system is reinforced by our internal audit department. The department operates in compliance with the standards set by the Institute of Internal Auditors (IIA) and is independent of the regions. 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, but also full-scope audits of all business processes of a subsidiary or business unit. The audit reports are presented to the Management Board. The internal audit department also monitors the implementation of measures documented in the audit reports. The Management Board is regularly informed about the implementation status. In addition, the Audit and Corporate Governance Committee of the Supervisory Board is advised about the audit results. In 2009, a total of 34 audits were carried out.

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

Fresenius Medical Care's opportunities management is a result of our efforts to closely observe individual markets and recognize trends early on. We identify opportunities based on comprehensive quantitative

and qualitative analyses of market data, research plans and general health trends. The close cooperation between our strategy and planning departments and those responsible for M&A activities allows us to recognize opportunities worldwide as early as possible. Our ability to anticipate general economic, market-specific, regional and local trends at an early stage enables us to adjust our business model accordingly. As discussed in the "Dialysis Market" section starting ▶ *on page 41*, health systems and reimbursement criteria differ from country to country. Fresenius Medical Care's position as a technologically leading provider in the dialysis market with innovative products and therapies creates opportunities for future growth. We aim to take advantage of these with our long-term growth strategy GOAL 10 released in 2005 ▶ *see page 36*. Our Company objectives are discussed in detail in the "Outlook" section beginning ▶ *on page 107*.

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 comply with the applicable rules. Fresenius Medical Care's reporting process, which is generally carried out at four levels, makes for a particularly intensive discussion and control. At each of these levels (local entity, region, division, Company), the financial data and key figures 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 department responsible for preparing the annual financial statements and Group's consolidated financial statement. These matters are also reviewed and discussed on a quarterly basis in the Supervisory Board's Audit and Corporate Governance Committee.

The internal control system over financial reporting has the purpose of ensuring compliance with applicable accounting standards and includes policies and guidelines that

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. guarantee that earnings and expenses are only recorded in accordance with the authorization of the Management Board, and

5. provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of Fresenius Medical Care's assets that could have a material effect on Fresenius Medical Care's financial statements.

Other principles to guarantee reliable financial reporting and that transactions are correctly accounted for, are control mechanisms, such as automated and manual controls, and the separation of functions. 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. In addition, we track changes in accounting standards and provide

regular, comprehensive training for employees entrusted with financial reporting.

Fresenius Medical Care has implemented comprehensive quality mangement systems and a compliance program in every region. We thereby want to ensure that Fresenius Medical Care successfully aligns its business activities to recognized standards as well as to local laws and regulations. Part of our compliance program is our code of business 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, within the Company as well as toward our patients, external partners and the public and to always respect the local laws and the Company's standards of conduct.

As Fresenius Medical Care is listed on the New York Stock Exchange, it is required to adhere to the specifications of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act stipulates that the Management Board of companies listed in the U.S. must take responsibility for implementing and adhering to an appropriate internal control system to guarantee reliable financial reporting.

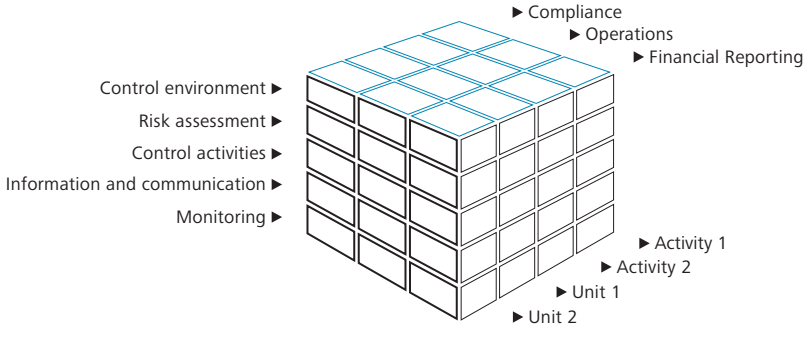
The legality and efficiency of the Company's operations and the effectiveness of its internal monitoring systems are reviewed in internal and external audits. The framework to evaluate the effectiveness of the internal control system of financial reporting is provided by the criteria described in the COSO model. The COSO model is based on the "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission. In accordance with the COSO model, the internal control system over financial reporting is divided into five levels and assessed 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 evaluated.

All internal controls at Fresenius Medical Care are based on Entity Level Controls.

Our review of the internal control system over financial reporting complies with the guidelines published on May 23, 2007 by the Securities and Exchange Commission (SEC) for the evaluation of the internal control system for financial reporting by management.

COSO FRAMEWORK

Chart 2.4.1



The definitions as well as the requirements set out in the guidelines have been incorporated in the Sarbanes-Oxley Act 404 compliance software. 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. Management assesses the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A steering committee meets to communicate changes and new requirements of the Sarbanes-Oxley Act as well as to discuss possible control weaknesses and to derive further measures. In addition, the Audit and Corporate Governance Committee of the Supervisory Board reviews the results of the management's assessment on a regular basis.

On May 29, 2009 the "German Act on the Modernisation of Accounting Law" (BilMoG) came into effect. The act contains a number of provisions with the aim of enhancing and improving the corporate governance of companies participating in the capital market. Management took BilMoG as an opportunity to review its existing internal reporting and control processes, and to further improve them if necessary and appropriate.

As of December 31, 2009, management assessed the effectiveness of Fresenius Medical Care's internal control system over financial reporting. Based on this assessment, management determined that Fresenius Medical Care's internal control system over financial reporting was effective as of December 31, 2009.

The internal control system over 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. Therefore, even if the internal control system over 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 the degree of compliance with the policies or procedures may deteriorate.

▸ **RISK AREAS** The main risk areas with an impact on the business activities of the Fresenius Medical Care Group are as follows:

RISK DUE TO ECONOMIC CONDITIONS In addition to observing and evaluating the development of the global economy, we pay special attention to monitoring and assessing the political, legal and financial conditions. As Fresenius Medical Care predominately operates in international markets, it is also essential that we conduct continuous, intensive analyses of country-specific risks.

RISK RELATED TO THE GENERAL ECONOMIC ENVIRONMENT Fresenius Medical Care is affected by general economic fluctuations to a lesser degree than companies in other industries. Demand for dialysis products and services is largely independent of economic cycles and is also relatively stable. At present, the development of the global economy presents no substantial danger to Fresenius Medical Care. However, all the leading economic institutes forecast a moderate recovery of the global economy for 2010, which

could have a slightly adverse effect on the growth of Fresenius Medical Care. Further information can be found in the "Outlook" section ▸ *from page 107* onwards.

RISKS IN THE HEALTHCARE INDUSTRY Risks related to changes in the healthcare market are of major importance to Fresenius Medical Care. The main risks include the development of new products and therapies by competitors, the financing of healthcare systems, and reimbursement in the healthcare sector.

We actively minimize risks by closely monitoring the market, especially the products of our competitors and the introduction of new dialysis-related products. As part of our active risk management, Fresenius Medical Care has internal strategic departments that help us to anticipate 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. In addition, close ties with the medical and scientific communities allow us to quickly identify and capitalize on technological innovation. These alliances also keep us up-to-date on alternative treatment methods and enable us to evaluate and, if necessary, adjust our corporate strategy. As a result, we continuously analyze and evaluate trends and review the progress of research and development projects. The development of new and innovative products will remain a decisive factor for success in the dialysis market in the foreseeable future.

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. This is especially true in the United States, where we generate about 89 % of our revenue with dialysis services, the majority of which are financed by public health insurance programs. Regulatory changes outside our most important market could also have a significant impact on the Company. 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. can be found in the "Healthcare and Reimbursement Systems" section beginning ▸ *on page 49*.

RISKS ASSOCIATED WITH OPERATING ACTIVITIES We counter potential risks in production, products and services with preventive and quality assurance measures.

RESEARCH AND DEVELOPMENT The risk that goals may not be achieved or be achieved later than anticipated is inherent in the development of new products and therapies. A new product has to undergo comprehensive, cost-intensive preclinical and clinical studies before it receives regulatory approval and is 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 dialysis products research team develops new products and technologies in close cooperation with representatives from the medical and scientific community. Trade relations are established early on in the development phase. Further information can be found in the "Research and Development" section starting ▸ *on page 71*.

PROCUREMENT We impose comprehensive quality standards on suppliers to counter the risk of low-quality sourced raw materials, semi-finished goods and other components. For example, we demand certification through external institutes and perform our own inspections of suppliers as well as evaluating sample products and carrying out regular quality control checks. Fresenius Medical Care only accepts high-quality and safe products that are proven to be appropriate 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 using our exacting supplier management system.

Fresenius Medical Care accepts market-related dependencies on suppliers of strategically relevant materials in exceptional cases only and subject to defined conditions. In this regard, our purchasing strategy is aimed at supporting and developing our partners and strategic suppliers through long-term contracts while at the same time ensuring that we have at least two sources for all products and raw materials (dual sourcing, multiple sourcing) to ensure a steady supply at favorable prices. Thanks to our contract agreements, we do not need to worry about bottleneck situations even if market demand should rise again.

Furthermore, we will continue to coordinate our supplier relationship management system. This tool promotes transparency in the production plants, enabling us to analyze supplier performance even more efficiently. By improving our quality and performance rating system, we can ensure that our quality standards are adhered to even more strictly.

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. Further information on procurement processes can be found ▶ *on page 77*.

PRODUCTION Compliance with internal and legal product and manufacturing regulations is ensured by our Integrated Management System in accordance with ISO 9001, ISO 13485 and Good Manufacturing Practice (GMP) requirements, and implemented according 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. In 2006, our production site for dialyzers in St. Wendel, Germany, successfully passed an FDA (Food and Drug Administration) GMP Audit conducted by TÜV Süd Product Service Munich under the mutual recognition agreement between the European Union and the U.S. The Food and Drug Administration is a U.S. authority that assesses production sites to ensure that they conform with GMP. We have also introduced Lean Six Sigma in some of our plants. This is a management system used to analyze and better coordinate all production processes to permanently reduce the error rate. We intend to achieve even better production results and to further improve the quality of our products and related production processes. Further information can be found in the "Production" section starting ▶ *on page 80*.

PERSONNEL RISK Fresenius Medical Care has developed a code of conduct which provides our employees with a framework for their actions, within the Company as well as toward our patients, external parnters and the public standards of conduct. With this code and our compliance program, we aim to fulfil 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 ▸ *from page 120* onwards.

Employees who are entrusted with confidential or insider information are under obligation to comply with relevant guidelines and handle the information responsibly.

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees. We counteract the risk of a shortage of qualified personnel through pre-emptive measures, such as employee development programs and comprehensive recruiting. Furthermore, we offer our employees performance-related bonus payments and attractive social benefits. Further details on Fresenius Medical Care's employee bonus scheme can be found ▸ *on page 96*.

In addition, we have launched initiatives to further increase job satisfaction among clinical staff, to improve motivation and retain qualified staff in our clinics. These initiatives involve implementing improvement measures where they are needed, based on comprehensive satisfaction analyses. To deal with the general shortage of trained clinical personnel, we use targeted marketing programs to locate qualified and motivated personnel for our clinics and thus ensure the high standard of our treatment quality. Comprehensive training programs such as the F.I.D.N., which is discussed ▸ *from page 94* onwards, also counteract a possible shortage of clinic personnel. Risks in the area of personnel marketing are considered insignificant as a result of our risk management strategies.

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. Our ISO 9001 certified clinic quality management system is part of our Integrated Management System (IMS), as detailed ▸ *on page 83*. The ISO 9001 certificate also attests to "Good Dialysis Practice". In the U.S., we have successfully implemented the standards outlined in the Kidney Disease Outcome Quality Initiative (KDOQI) and the Center for Medicare and Medicaid Services (CMS) using our internal quality enhancement program. In addition to assessing our treatment data internally, we review our processes in annual internal audits to enable us to continually improve them. Our clinic quality management system is also audited each year by external certification institutes such as the German TÜV or Medicare and CMS Networks 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.

The IMS also covers environmental management, as manufacturing dialysis products requires the use of environmental resources and running dialysis centers produces clinical waste. We have therefore implemented an environmental management system, certified according to the ISO 14001 environmental

standard, in some of our production sites and dialysis clinics to further protect the environment and resources while identifying potential savings. Please refer to the "Quality" and "Environment" sections starting ▸ *on page 83 and 89* for further details.

MAJOR COSTUMERS In addition to a number of state-owned and public health insurance carriers, private health insurers and companies are among Fresenius Medical Care's customers. The largest private company is DaVita, which is also the world's second-largest provider in the dialysis services sector.

Fresenius Medical Care achieved about 1 % of its total revenue with DaVita in 2009. Therefore we assess the risks 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 professionals. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) using minimum requirements for 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 subsequently on the basis of these key figures. Further information on corporate performance measures can be found ▸ *on page 31*.

FINANCIAL RISKS The main financial risks that affect our Company are currency and interest rate risks. All other risks in this category are of secondary importance for Fresenius Medical Care.

We actively manage foreign currency and interest rate exposures that result from our business activities. Risk management is based on strategies defined in close cooperation with the Management Board. These include, for example, guidelines that govern all steps and levels of the risk management process. They define responsibilities 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. These, however, are restricted to hedge exposures in relation to underlying transactions and not for trading or speculation purposes. All transactions are conducted with highly rated financial institutions that are approved by the Management Board.

We use interest rate hedging instruments to protect ourselves against the risk of interest rate increases from our floating-rate financial liabilities. The aggregate nominal value of the respective hedge contracts, which all expire between 2009 and 2012, was $ 2.4 billion at the balance sheet date. This meant that, as of December 31, 2009, 66 % of the Group's financial debt was protected against increases in interest rates either by fixed-rate borrowings or by interest rate hedges and only 34 % was exposed to the risk of rising interest rates. We are therefore hedged to a large extent. According to a sensitivity analysis, based on the current level of hedging, if the relevant reference interest rates for the Company increased or decreased by 50 basis points, the effect on the net income of Fresenius Medical Care would be less than 1 %.

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 foreign exchange derivatives as of December 31, 2009 was $ 1.83 billion. Based on a sensitivity analysis, Fresenius Medical Care estimates the effect on operating earnings at about $ 7 million. 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 section "Liquidity and Capital Resources" ▸ *on page 172* for further details.

DEBTORS 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 payments while assessing the possibility of default. Please ▸ *see page 159* of the financial report for further details on outstanding debts.

LEGAL RISKS Risks associated with litigation are continuously identified, assessed and communicated within our organization. Fresenius Medical Care is involved in various legal proceedings resulting from our business operations. For details on ongoing proceedings and further information on material legal risks that Fresenius Medical Care is exposed to, please refer to Note 18 ▸ *from page 239* onwards of the financial report.

IT RISKS Fresenius Medical Care uses the latest hardware and software to reduce potential risks in the area of information technology (IT). As part of our Information Security Management System (ISMS) based on accepted international standards, we continuously enhance IT security guidelines and procedures within our organization with the aim of improving the reliability of data security and mitigating IT risks. Our IT infrastructure is highly reliable and stable. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on a regular basis. Fresenius Medical Care operates three data centers at different locations, each with an associated disaster recovery plan, thus further improving availability and reducing the potential impact of a disaster at any one site. We use a mirrored infrastructure that creates a copy of critical systems, including clinical systems and the communication infrastructure and servers. To minimize organizational risks such as manipulation or unauthorized access to sensitive data and programs, we use access protection by means of passwords. In addition, internal procedures must be observed that govern authorization assignment. These are monitored to ensure that they comply with Section 404 of the Sarbanes-Oxley Act. Operational and security audits take place annually.

OTHER OPERATIVE RISKS Potential risks that can arise 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 sites, we use internal milestones which we monitor constantly. Further 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 case 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.

OVERALL RISK The Management Board's evaluation of general risk is based on Fresenius Medical Care's risk management system, which is subject to regular external reviews and scrutiny from management. The effectiveness of the risk management system is monitored and improved if necessary as part of the group-wide review of the integrated management information system. The Management Board will continue to develop the risk management system as well as its review of the related management system to be able to identify, examine and evaluate potential risks even more quickly and take appropriate countermeasures.

Based on the general principles for estimating risk factors described ▸ *from page 97* onwards, we currently assume that none of the mentioned risks 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 2008. We have established a structure that will allow us to quickly identify emerging risk situations.

Chapter 2.5

SUBSEQUENT EVENTS

▶ ECONOMIC AND BUSINESS ENVIRONMENT At the beginning of the first quarter of 2010, Fresenius Medical Care issued a senior unsecured bond with a volume of € 250 million. The bond is due in 2016 and has a coupon of 6.5 %. With an issue price of 98.6636 % the redemption yield was 5.75 % on the date of issuance. The bond was issued by Fresenius Medical Care Finance VI S.A., Luxembourg, a wholly-owned subsidiary of Fresenius Medical Care AG & Co. KGaA. The bond is guaranteed joint and several by Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Holdings, Inc. and Fresenius Medical Care Deutschland GmbH.

The hearing on the challenge of the shareholders' resolutions, originally scheduled for March 2010, was rescheduled by the court to April 2010 ▶ *see page 244.*

No significant events took place between the closing date of December 31, 2009, and the annual report's printing date of March 12, 2010. 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 treatment 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 2010.

As discussed in the Outlook section that follows, there is continued high demand for our dialysis products and services worldwide. 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 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.

OUTLOOK

After achieving and partially exceeding our goals last year, we expect our business to continue growing in 2010, resulting in new records in terms of revenue and earnings. Despite the still unfavourable economic conditions worldwide, we consider ourselves to be well prepared to achieve our goals in 2010 and 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. Already in 2005, we have defined our long-term growth strategy, which we continue to pursue. After announcing changes to our management structure in December 2009, we intend to set new goals in the current business year.

▸ **GENERAL ECONOMIC DEVELOPMENT** The economic environment started to improve slightly in the past year as a result of extensive intervention from central banks and government stimulus packages. Production and trade, however, remain at a very low level, while all leading indicators point to a slow economic recovery. The world's major economic research institutes have only marginally adjusted their forecasts for economic development in 2010 over the last few months. The outlook for worldwide economic growth continues to be characterized by great uncertainty, but the risk of downward adjustment seems to be low. It is also unclear when stronger growth can be expected. For the current year, the global gross domestic product (GDP) is forecast to grow by 3.6 % on average following a 1.0 % decline in the previous year. This outlook is based on the assumption that the price of crude oil does not exceed $ 80 per barrel for a sustained period and that the exchange rates between the U.S. dollar, the euro, and the yen remain largely stable.

REAL GROSS DOMESTIC PRODUCT AND INFLATION RATE

Table 2.6.1

Expected change from the previous year in %

	Gross domestic product			*Consumer price index*		
	2009	*2010*	*2011*	***2009***	*2010*	*2011*
U.S.	−2.5	2.0	2.2	−0.3	1.4	1.2
Germany	−5.0	1.2	2.0	0.2	0.7	1.3
Euro zone	−4.0	0.8	1.6	0.2	0.8	1.3
Great Britain	−4.6	0.6	1.4	2.1	1.7	0.9
New EU member states	−4.0	0.8	1.6	0.5	1.0	1.3
EU 27	−4.0	0.9	1.7	0.7	1.1	1.4
Russia	−8.5	3.9	4.5	11.8	8.1	8.8
Japan	−5.6	1.7	1.1	−1.3	−0.5	−0.2
China	8.6	10.4	9.5	−0.8	1.8	2.5
East Asia and Hong Kong	−0.6	4.5	4.0	1.4	2.5	2.9
Latin America	−2.7	3.2	4.0	6.4	6.0	6.5
▸ WORLDWIDE	**−1.0**	**3.6**	**3.9**	**2.9**	**3.4**	**3.4**

Sources: Institute for the World Economy at Kiel University: "Weltkonjunktur im Winter 2009", December 15, 2009, monthly reports of the Deutsche Bundesbank and the European Central Bank, German Federal Statistics Office

U.S. The main growth drivers of the U.S. economy are government stimulus packages, together with positive trends in the manufacturing industry and residential property market. GDP should increase by 2.0 % in 2010, after a drop of 2.5 % in the previous year.

EUROPE Developments in the euro zone are similar to those in the U.S. The recovery of export activities, ongoing extensive economic stimulus packages and various measures to stabilize the financial system all have a positive effect on the European GDP, which should rise by 0.8 % in 2010. Forecasts predict that demand will remain low and that the inflation rate will therefore only rise marginally by 0.8 % – assuming that oil prices and the current exchange rate between the U.S. dollar and the euro stabilize.

Following the economic slump in winter 2008, the German economy stabilized from mid-2009 onwards, but at a considerably lower production level. In recent months, nearly all economic indicators have improved to some extent, however, a quick and significant economic recovery is not on the cards. On the one hand, this is due to the fact that the global economy is generally expected to recover only very slowly, so that economic activities are likely to improve moderately at best. On the other hand, unemployment is expected to rise and companies are likely to remain reluctant to invest. The German GDP should grow by 1.2 % in 2010, after an anticipated decline of 5.0 % in 2009.

In Great Britain, the economy is expected to recover very slowly. High and rising unemployment figures have a negative impact, particularly on private consumption. The GDP should increase by 0.6 % in 2010 compared to a drop of 4.6 % in 2009.

ASIA A number of indicators point at sustained economic recovery, which continues to be driven by the export business. In Japan, GDP is expected to rise by 1.7 %. China should remain on a growth path thanks to the flexibility created by the government's financial stimulus packages. Its GDP should increase by 10.4 %.

LATIN AMERICA In Latin America, the economy should continue to recover in 2010, driven by a boost in private consumption. Overall, the gross domestic product for this region is forecast to rise by 3.2 % in 2010 after falling by 2.7 % in 2009.

▸ DIALYSIS MARKET Fresenius Medical Care expects the number of dialysis patients worldwide to grow by about 6 % in 2010. Significant regional differences will remain unchanged. We expect an increase in patient numbers of 3 to 4 % in the U.S., Japan, and Western and Central Europe. In these regions, the prevalence of terminal kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are much higher, with values of up to 10 %, and in some countries even higher than that. We expect patient numbers to continue to grow 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 rising 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.

Based on 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 2010 and 2011. Hemodialysis will remain the treatment of choice, accounting for about 90 % of all dialysis therapies. Peritoneal dialysis is expected to be the preferred treatment for about 10 % of all dialysis patients.

We expect the volume of the worldwide dialysis market, which according to estimates amounted to about $ 65 billion last year, to increase by around 5 % 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 more than $ 70 billion by 2011, almost doubling its volume over a period of just ten years.

▸ BUSINESS PERFORMANCE OF FRESENIUS MEDICAL CARE IN 2010 AND 2011

EXCHANGE RATE RELATIONS Fresenius Medical Care's outlook for 2010 is based on an exchange rate of $ 1.44 to the euro. This in turn, is based on the year end exchange rate of 2009, which was exactly the same amount. As mentioned in the "Economic Environment" section starting ▸ *on page 38*, the relation between the U.S. dollar and the euro is especially important for Fresenius Medical Care. In its forecasts, the Company also takes other exchange rates into account that are relevant for the performance of its subsidiaries, such as yen to U.S. dollar and yen to euro. The current highly volatile exchange rates have a major impact not only on our outlook for the local results of our subsidiaries, but also on the conversion of these results to U.S. dollars. The result is greater uncertainty and higher fluctuation margins.

REVENUE We aim to further increase our revenue in 2010 to more than $ 12 billion. We intend to continue this positive development in 2011 to achieve revenue growth of between 5 and 8 %.

NET INCOME In 2010, we aim to generate a net income of between $ 950 and $ 980 million. In 2011 we expect net income to grow faster than revenue. This outlook assumes stable exchange rates for 2010 and 2011. At the time when this annual report went to press, no one-time effects were expected to have a significant impact on net income in 2010.

EARNINGS PER SHARE For 2010 and 2011, we expect the earnings per share to grow in parallel with net income.

DIVIDENDS The Company pursues a long-term profit-oriented dividend policy. The dividend has increased thirteen times consecutively (subject to the approval of the Annual General Meeting on May 11, 2010). Over this period, the dividend has risen from € 0.17 (on a comparable basis) to € 0.61 in 2009. We intend to continue this trend in 2010 and 2011. Over these two years, the aim is to keep the dividend payout ratio at almost one third of net income, at the same level as last year. Information on the proposed dividend in-

EXPECTED GROWTH IN NUMBER OF PATIENTS IN 2010[1]

Table 2.6.2

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

[1] *Internal estimates*

crease can be found in the "Dividend" section ▸ *on page 24*.

CAPITAL EXPENDITURES AND ACQUISITIONS In 2010, we intend to spend around 8 to 9 % – or $ 950 million to $ 1.05 billion – of our revenue on capital expenditures and acquisitions. While our planning foresees investments of between $ 550 and $ 650 million, the budget for acquisitions is up to $ 400 million. We aim to spend 7 to 9 % of revenue on capital expenditures and acquisitions in 2011.

As in previous years, the Group plans to invest the majority of this amount in North America and Europe, our largest business regions. In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will be used to open new dialysis clinics, expand our worldwide production capacities, and on dialysis machines within the framework of long-term supply contracts. Additionally, investments will be used to further rationalize production processes and to improve patient data management and billing. Furthermore, we plan to continue to make selective acquisitions and further consolidate the global business. To achieve this, the main objective is to acquire more dialysis clinics.

TAXES For 2010, we expect the effective tax rate to be between 34.5 and 35.5 %; a higher rate is not anticipated in 2011.

CASH FLOW In 2010 and 2011, the operating cash flow is expected to account for more than 10 % of revenue. As in the previous year, we expect a slight rise in DSO (days sales outstanding) in countries most affected by the difficult economic situation. To ensure that cash flow targets are met, the emphasis will continue to be on management of current assets. With revenue forecast at more than $ 12 billion, this would result in an operating cash flow of over $ 1.2 billion in 2010.

GOALS 2010/2011

Table 2.6.3

	*Results **2009***	*Goals 2010*	*Goals 2011*
Revenue	$ 11.2 bil.	> $ 12 bil.	Increase +5–8 %
Net income	$ 891 mil.	$ 950–980 mil.	Increase > revenue growth
Earnings per share	$ 2.99	$ 3.19–$ 3.29	Increase > revenue growth
Dividend	+5 % per ordinary share € 0.61[1]	continuous increase	continuous increase
Capital expenditures (net)	$ 562 mil.	$ 550–$ 650 mil.	7–9 % of revenue[2]
Acquisitions (net)	$ 136 mil.	up to $ 400 mil.	7–9 % of revenue[2]
Tax rate	33.7 %	34.5–35.5 %	34.5–35.5 %
Debt/EBITDA ratio	2.46	Below 2.5	Below 2.5
Employees[3]	67,988	more than 70,000	more than 73,000
Research and development expenditures	$ 94 mil.	~ $ 95 mil.	~ $ 105 mil.
Product innovations	further expansion of product and service range	further expansion of product and service range	further expansion of product and service range

[1] *Proposal for approval at the Annual General Meeting*
[2] *Based on capital expenditures and acquisitions*
[3] *Full-time equivalents*

DEBT/EBITDA RATIO Fresenius Medical Care takes the debt/EBITDA ratio as its guideline for long-term financial planning. This ratio was 2.46 at the end of 2009. We aim to keep it below 2.5 in 2010 and 2011.

FINANCING Although Fresenius Medical Care is not fully immune to the ongoing worldwide financial crisis, we expect to continue to expand our business and meet our financial obligations by the maturity date. Top priority is given to ensuring our financial flexibility in the Company's financing strategy.

We will focus our financing activities in the coming years on reducing subordinated financing instruments. We still regard our refinancing possibilities as being very stable and flexible and intend to continue our scheduled investments. In addition to the instruments it uses, Fresenius Medical Care has 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 a sufficient financial cushion consisting of only partly utilized credit facilities and the accounts receivable facility, which we intend to preserve in the coming years. We are aiming for secured and unutilized credit facilities to the value of at least $ 300 to $ 500 million.

Short-term refinancing requirements are limited to the amount of the dividend payment of approximately € 183 million in May 2010 as well as the extension of the accounts receivable facility in October 2010.

Further information can be found in the "Financial Situation" chapter beginning ▸ *on page 63* as well as in the "Risk Report" starting ▸ *on page 97*.

▸ LEGAL STRUCTURE AND ORGANIZATION The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) since 2006. Changes to the legal form are not planned in the foreseeable future. As described in the "Group Structure and Business" section beginning ▸ *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 2010 and 2011. 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.

▸ RESEARCH AND DEVELOPMENT Fresenius Medical Care intends to continue investing in developing and improving life-sustaining products and treatment concepts in the years to come and thus improve the quality of life of as many patients as possible with financially viable, environmentally-friendly innovations based on strategic technology platforms. Research and development are and will remain a key pillar of our long-term success as a leading international dialysis company.

Two of the topics we will especially focus on in 2010 are IT solutions for managing clinic and therapy data as well as products that increase the safety of dialysis treatment. In the U.S., we intend to concentrate on further improving our Liberty Cycler system and enhancing our hemodialysis portfolio. In the International segment, platform technologies like our 5008 therapy system and ONLINE HDF will continue to play an important role in the future in developing and improving our products.

In the coming years, we will place a greater overall focus on designing products and processes that are more environmentally compatible and cost effective. Cost efficiency combined with high-quality products is becoming an increasingly important factor, particularly on the back of current discussions on healthcare reform in countries like the U.S. As a vertically integrated company with a portfolio covering most of the value chain in dialysis, we believe we are in an excellent position to master this challenge.

In addition, we will focus on the biochemical effects of uremia, which patients with chronic renal failure suffer from. We will then use our findings to develop particularly high-performance membranes which could be used in a "wearable kidney". In connection with the "wearable kidney", we are also working on further reducing the size of dialysis machines and accessories to allow patients to carry the device on their body in the long term. A further research topic in the long run is to transfer the blood-cleansing dialysis process to other illnesses, like liver disease or certain autoimmune and metabolic disorders.

We are ideally equipped to meet future challenges as we possess and are continuously expanding our core competences in technologies that will be indispensable in the treatment of chronic kidney patients in the years to come. Our innovation strategy is not only geared to the current requirements of the market, which we carefully monitor; we also try to anticipate future developments and trends. In doing this, we can make the most of our many years of experience and our leading position in the dialysis industry as well as benefit from the synergies resulting from the interaction between the various technical, medical and academic facilities within our vertically integrated Company. Regularly benchmarking our own performance against that of our competitors also guides us in our activities.

We plan to spend approximately $ 95 million on research and development in 2010. In 2011, we expect research and development expenditures to amount to approximately $ 105 million. The number of employees in R & D (477 full-time equivalents) is expected to rise only marginally in 2010 and 2011.

▸ **PROCUREMENT AND LOGISTICS** The purchasing department will further intensify its collaboration efforts in the International segment with teams in North America and Asia-Pacific. This should enable us to benefit to a greater extent from international price advantages in sourcing materials and components in the future. Carefully monitoring global purchasing markets and individual currencies is becoming increasingly important to compensate for unfavorable price developments. In the context of these developments, supplier management is also gaining significance. In 2010, we intend to continue expanding our activities in this field with the data management and information system SRM (Supplier Relationship Management) and the Supplier e-VALUE-ation program we launched in 2009. The aim is to further increase the value added of our purchasing activities by establishing and fostering long-term partnerships with selected suppliers and involving them in the development of product improvements and leaner production processes to a greater extent. In the current financial year, we are also planning to expand our training programs for purchasing staff. Additional training units will help to coach the purchasing team in new methods of collaboration with suppliers, but also prepare them for the increasing internationalization of our processes.

In the field of logistics, we will continue with our SCALE project in the International segment. It is dedicated to harmonizing our supply chain management in the EMEALA (Europe, Middle East, Africa and Latin America) region and boosting its profitability. Based on a new planning module for demand assessment and warehousing introduced in 2009, we are planning on introducing a global management system for our key products, initially for blood lines and sterile solutions. Thanks to the new system we will be able to plan supply chain management for these products across all regions and locations for the first time. We

also want to integrate our international subsidiaries more closely in our supply chain management. In the coming years, SCALE will play a part in different subprojects, helping us make more reliable forecasts on customer demand, plan production volumes more accurately, and boost our flexibility at our warehouses and distribution centers. We are not only committed to increasing the service quality of supply chain management in the EMEALA region, but also to slashing costs by several million dollars by 2012.

In the U.S., we intend to continue expanding the business of our transport service TruBlu Logistics in the coming years. For 2010, revenue from this new brand is expected to grow by up to 50 %. In a bid to further raise the efficiency levels and profitability of our truck fleet, we will also be introducing new IT and management systems.

▸ **PRODUCTION** Given the growing number of patients worldwide and the ongoing debate about the rising cost of healthcare in many countries, Fresenius Medical Care believes more than ever in the importance of stepping up its production efforts in terms of capacity, quality and cost effectiveness. At St. Wendel, for instance, we are planning to instal two more fiber spinning systems in the plant's new production building. This will allow us to meet an increase in the demand for dialyzers in the future, even at short notice. As a result, we will have a total of ten systems on the site by 2012. In addition, we are committed to continuing our efforts to automate fiber bundle processing: we are looking to fit all fiber spinning systems in St. Wendel with automatic bundling machines within the next three years.

We are planning to put a sixth production line for dialyzers into operation at our U.S. site in Ogden, Utah, at the end of 2010. This will enable us to boost production to around 45 million "artificial kidneys" a year. In the years that follow, another two production lines for fiber bundles will be implemented at this site. We are also planning to launch a number of other projects in the U.S. by the end of 2010. These include producing citrate-based dialysate and dry concentrate for citrate anticoagulation (more information in the "Research and Development" section starting ▸ *on page 71*) as well as manufacturing the bibag as an accessory for the new hemodialysis machine 2008T (more on this in the same section).

Due to the continuing effects of the downturn in the global economy, we do not anticipate growth in production volumes at the Schweinfurt site in 2010; rather, we expect them to remain at the same level as they were in 2009. This is because dialysis machines as capital goods are more dependent on economic trends than dialyzers, for example, which are disposable products and therefore less subject to cyclical demand. Given the steadily increasing number of dialysis patients worldwide, however, we expect production to increase significantly in the medium term. We are also committed to further developing our manufacturing processes at the site in the coming years with the Lean Six Sigma approach (for more information on this, please refer to the "Production" section starting ▸ *on page 80*). This will enable us to provide our high-quality dialysis machines at a lower price while continuing to improve their quality. To achieve this, we are constantly extending our range of methodical training sessions and workshops for employees.

The Chinese market and other Asian markets are set to experience strong growth in the next few years. That is why we are planning to launch more products here and step up production in the region. One crucial element in this strategy is the Chinese plant at Jiangsu: after gaining production approval for peritoneal dialysis solutions in the year under review, concentrates for hemodialysis are currently going through the complicated approval process required by the Chinese health authorities, which may well take several years. In the future, we are looking to increasingly supply other markets in the region with products made in Jiangsu. Our long-term strategy

and continuous presence in the Asia-Pacific region mean that we are in an excellent position to benefit from the continued dynamic growth in the region.

At Fresenius Medical Care, being in touch with markets and customers means supplying local markets from local production sites, wherever this is possible and makes business sense. This means that we are often in a better position to adapt our production to the local legal and regulatory requirements or react to high regional demand. However, terminal kidney failure is increasingly becoming a global challenge, accelerated by the rapid spread of diabetes and high blood pressure worldwide, especially considering the rising costs of healthcare in many countries. For this reason, we are increasingly working across regional borders to develop therapy solutions that provide dialysis patients with the best possible and most cost-effective treatment. In an effort to further intensify links between global production activities within the Group, we set up a position on the Fresenius Medical Care Management Board in the year under review with responsibility for Global Products Manufacturing Operations, ▶ *see also page 52*. The Board member started work at the beginning of 2010. This new position on the Management Board will enable us to share best practices and technologies more intensively across regions, further improve our risk management, and widen our opportunities for leverage in the strategic procurement of raw materials (more on this in the "Procurement and Logistics" section starting ▶ *on page 77*). Finally, it will allow the regional Chief Executive Officers and their organizations to focus even more on the requirements of their customers and on the growth and development of their markets and business.

▶ **QUALITY** We intend to continue expanding and enhancing our quality management systems worldwide in an effort to meet the growing requirements placed on us as a globally operating dialysis company in terms of quality and product responsibility. In the EMEA region, for example, we plan to focus on pooling and professionalizing specific elements of quality management across business segments, such as the documentation system or coordination of internal audits. In the current fiscal year, we will also increasingly use resources to improve the cause analysis of product risks and shortcomings with the help of the CAPA system. To this end, we intend to expand our quality management team. In addition, we plan to introduce a new tool which will enable us to implement the Integrated Management System (IMS), our quality management system in the EMEA region, in the form of closely interlinked, sequential modules. Thanks to this standardized modular system, we should be able to implement the IMS even more efficiently, which would go a long way towards minimizing risks, for example in newly acquired, as yet uncertified clinics.

We are also planning to once again bolster our team of internal auditors: in particular, we aim to expand our range of training for local quality control managers and auditors. Last but not least, we will certify new facilities according to the relevant quality standards for our industry in 2010. In Europe, for instance, we are planning to certify additional clinics in accordance with ISO 9001:2000 for quality management systems – this means the number of centers with certification will increase by an estimated 9 % by the end of the year. In Bosnia-Herzegovina, we will roll out the quality management system this year in line with our strategy of gradually integrating our Eastern European clinics. In the Asia-Pacific region, we are also looking to certify further clinics in 2010: our new clinics in Australia are expected to start the ACHS – Australian Council of Healthcare Standards – certification process. This can take up to four years.

We will also use this year to continue improving our service portfolio and enhance it from a strategic point of view. For example, we are planning to roll out the "NephroCare Excellence Program 2010 – 2012" for our dialysis services business in the EMEALA region in 2010. The aim is to raise the profile of the Nephro-

Care brand both internally and externally, enhance clinic employees' identification with the brand's values, and harmonize our activities across the region.

▸ **ENVIRONMENT** We will continue to push and expand environmental efforts at our sites over the coming year. Having completed our first environmental program in the EMEA region and building on the experience gained here, we are now looking to develop a new environmental initiative for the next years. We will also continue rolling out the eco-controlling software e-con 5 to additional dialysis clinics. The aim is to implement e-con 5 in 80 % (previous year: 63 %) of European clinics together with the clinical database EuCliD5 by the end of 2010.

On top of that, we are looking to extend our environmental management system in the EMEA region in accordance with ISO 14001 and certify over 50 additional dialysis centers ▸ *see page 90*. Within our environmental program, we are aiming to achieve ISO 14001 certification at more than half of our clinics in Europe by the end of the year. In addition, we expect to gain ISO 14001 certification at our production site for dialysis concentrate in Ober-Erlenbach, Germany, and our Serbian plant, where dialyzers, bloodlines, and concentrates are made.

In Latin America, we are planning to implement an environmental program in the coming years in addition to meeting the local legal requirements and the resource-efficiency targets of NephroCare for our clinics. We are also aiming to further improve our environmental performance in the Asia-Pacific region by monitoring and continuously reducing the consumption of resources in our production plants.

We will continue to strengthen our commitment to environmental protection in the U.S. by initiating measures like expanding our recycling programs. For example, we plan to extend the reusable medical waste container program that we have been running with a specialist waste disposal partner in some of our clinics since 2007 by rolling it out to all our U.S. clinics in 2010. This would enable us to prevent the disposal of waste containers weighing around 800 tons every year. Furthermore, we plan to introduce environmental certification according to ISO 14001 at our production sites in the U.S. in the medium term.

▸ **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 2010, the number of people working for Fresenius Medical Care is estimated to increase to more than 70,000 (full-time equivalents). This would mean a rise of around 4 % year-on-year. We also expect our workforce to continue to grow in 2011.

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.

Fresenius Medical Care is a comparatively young company that has grown at a tremendous rate since it was founded in 1996. To cement and extend our leading position in the dialysis market, we want to do more than just keep pace with changes in the global markets: we aim to make targeted use of the opportunities offered by this change to boost our growth. In doing this we can draw on many strengths, such as our high degree of internationalization and the diversity of personal and professional experience and perspectives present in our multinational Management Board alone. Our employees' keen sense of quality and responsibility is another major asset. We will focus our human resources efforts in 2010 on corporate values and leadership with a view to using this potential even more consciously for our success in the future and boosting employee identification with the Company even further. This is especially vital

given our rapid growth. Our personnel management team will draw on the skills of our senior managers around the world to develop a sustainable strategy with the aim of enhancing the leadership culture at Fresenius Medical Care in the coming years and aligning it better to our strategy as one of the Company's key success factors.

In line with Fresenius Medical Care's growth-driven corporate strategy, our HR work will continue to focus on attracting talented young employees to specialist and management level positions in the Company and on supporting their development with targeted measures. For example, we will be rolling out a new talent management program in the EMEA region in 2010 with the aim of occupying key positions with candidates from within the Company's own ranks. We are also planning to intensify our efforts to prepare existing managers for their growing responsibility and the increasing global networking within the Company. To tailor our managers' development even more to the requirements of our business, we are currently working on a new cross-departmental program for senior management around the world. This is set to be rolled out in 2011.

Given the growth in our clinic business, a key focus of our human resources work is still on training and developing specialized dialysis personnel. In 2010, around 260 trained dialysis specialists will graduate from the Fresenius Medical Care Institute of Dialysis Nursing (F.I.D.N.) in the Philippines and continue their careers at one of our clinics in the U.S. They also have an opportunity to work in other countries in which we operate dialysis clinics.

Our human resources development will increasingly provide learning content via E-learning, i.e. in digital form. One such offer is the Online Learning Center, which we launched in the EMEALA region in 2009 and are planning to implement in the Asia-Pacific region in 2010. This shift towards digital learning provides our employees with flexible and mobile learning opportunities. It also enables us to extend the training options we offer in a cost-effective way.

We plan to remain highly committed to training young people in Germany. In the years to come, we want to continue to train beyond our own needs and in doing so fulfil our social responsibilities.

▸ **OPPORTUNITIES** The number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is constantly on the rise. An estimated two million patients will be afflicted with the illness in 2010. This number is set to tip the four million mark by 2025 if it continues to grow at the anticipated annual rate of 6 %. In connection with this, certain demographic factors have a decisive impact on the Company's opportunities for growth. Further information on this can be found in the "Group Structure and Business" section starting ▸ *on page 31*. These include the aging population and the increasing incidence of diabetes and hypertension, two illnesses which frequently precede the onset of end-stage renal disease (ESRD). Due to these developments, there is a growing need for dialysis products and services. The Company intends to make a significant contribution to covering this need by supplying renal patients with high-quality products and services. At the same time, we will persevere to achieve our goal of operating at profit.

Fresenius Medical Care can benefit as further markets open up, particularly in Eastern Europe and Asia. Although the Company already sells dialysis products in most of these markets via distributors or its own sales organizations, our aim is to strategically expand our regional product ranges and step up local production. In addition, we do not offer dialysis services in our own clinics in some of these countries. This is partly due to legal restrictions and to the fact that the necessary economic conditions often do not exist – for instance, appropriate reimbursement structures or functioning health systems. Here, too, we see opportunities for growth in the long term thanks

to our outstanding reputation as a vertically integrated dialysis company with many years of experience in operating dialysis clinics: we are the consulting partner of choice for health care authorities in countries like China and Russia when it comes to establishing first-class treatment standards or sustainable dialysis care structures.

In Japan, new opportunities for the Company could arise from changes in the legal framework. If the regulations for operating dialysis clinics in this country change so that private companies such as Fresenius Medical Care can run their own clinics, this would open up significant new growth potential. Japan is the biggest market in Asia with about 294,000 dialysis patients, representing almost half of all dialysis patients in Asia. In addition, populous countries such as China and India will provide further growth opportunities in the long term. Therefore, we intend to strengthen our presence in India's eight largest cities by offering dialysis services there.

Germany is the fourth-largest market worldwide in terms of the number of dialysis patients. Due to the quality of our products, we already hold a leading position in this market. Whereas previously only doctors in private practice, hospitals, and non-profit organizations were allowed to operate dialysis clinics, Fresenius Medical Care can now run dialysis clinics in medical care centers. These are facilities managed by doctors with different areas of expertise, who are employed either as salaried physicians or physicians under contract to a statutory healthcare insurance. The Company considers itself to be a partner for its customers when it comes to setting up new structures in the German health system, and will take advantage of any opportunities available to strengthen its business in the long term through its commitment. At the end of 2009, the Company was involved in four medical care centers (2008: two).

Further opportunities arise from researching and developing new ways of treating renal patients. We are currently working on the development of a wearable artificial kidney. If patient numbers grow as strongly as anticipated and the cost pressure continues to rise, this solution could take on an even more crucial role as a non-clinical therapy solution. The concept of a wearable kidney is also gaining importance on the back of the rise in the incidence of diabetes and high blood pressure. Young people are likely to suffer increasingly from chronic kidney failure in the future. This target group appreciates treatment that allows them to lead an independent, active life and reconcile treatment with their job, an aspect that is not always as important to older patients. Research into wearable artificial kidneys is not yet at the stage where it can be used to treat statistically significant patient groups in the short or medium term. Nevertheless, an international team of researchers at Fresenius Medical Care is working intensively on developing a product of this kind that could provide our Company with substantial opportunities in terms of dialysis products and services relating to home dialysis. Our Company sees great business potential in this area of treatment. Home hemodialysis could also gain in importance in the future. Fresenius Medical Care is well prepared to participate in this development with SORB technology, a key procedure in the expansion of home hemodialysis, which allows simple tap water to be purified for dialysis and dialysis solution to be re-used.

Dialysis drugs constitute another business area which offers outstanding growth opportunities in the long-term. A major step forward has been made in this area in previous business years by integrating the phosphate binder PhosLo® into the product portfolio and expanding it with intravenous iron compounds. Other renal drugs include vitamin D, iron compounds and calcimimetics. The Company estimates the size of the market for renal drugs of these four product groups to have been worth more than $ 2.5 billion in 2009.

Many people are prepared to pay for high quality, even if it doesn't come cheap. This is the principle behind the new, bundled reimbursement system in-

troduced in Portugal in 2008 and planned in the U.S. from 2011. The new reimbursement structures provide excellent opportunities for our business as well as our research and development activities. After all, our integrated business model not only puts us in a position to offer all the products and services specified in the "therapy bundle" at the required quality, it also allows us to focus even more on further enhancing our product and service range.

Furthermore, Fresenius Medical Care benefits from a number of opportunities arising from its operating business. First, we are continuously optimizing our delivery management system, making it increasingly global in an effort to utilize any additional synergies. On top of that, the Company employs established management systems like Lean Six Sigma to systematically and continuously enhance the cost-effectiveness of our production processes. Our global presence in the dialysis services industry and the UltraCare and NephroCare therapy concepts also enable us to continuously benchmark our clinics' performance and share so-called best practices across regions, in our case, tried and tested projects and approaches in clinic management, which we intend to step up in the years ahead.

Finally, our business model also provides key opportunities for further growth. As a global vertically integrated dialysis company, we cover almost the entire value chain in dialysis and are therefore able to substantially benefit from the feedback of patients, doctors and clinic staff in our research and development, production and clinic management efforts.

▶ GENERAL STATEMENT ON EXPECTED DEVELOPMENTS We view Fresenius Medical Care's prospects for the years to come as being very positive. At present, all regions are expected to contribute to revenue and earnings growth on a constant currency basis.

In 2010, we aspire to strengthen our market position in all segments and to pursue our growth plans resolutely. This includes setting up new clinics and acquiring selected dialysis clinics in all regions, as well as expanding our production capacities.

This outlook takes into account all known factors at the time of preparing the financial statements that could affect our business in 2010 and beyond. Major risks are discussed in the risk report beginning ▶ *on page 97*.

DECLARATION ON CORPORATE GOVERNANCE

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 (HGB) and to section 3.10 of the German Corporate Governance Code (DCGK) on the Company's corporate governance.

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

▸ GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE FOR 2009 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 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. Fresenius Medical Care submitted the Declaration of Compliance required annually by article 161 of the German Stock Corporation Act (AktG) in accordance with the recommendations of the German Corporate Governance Code as of June 6, 2008 and July 18, 2009 and made it permanently accessible to its shareholders on the company's Web site at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance. Fresenius Medical Care AG & Co. KGaA 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 as of June 18, 2009 and 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 are being met. The Supervisory Board of Fresenius Medical Care AG & Co. KGaA and the Board of Management intend to consider the recommendations of the German Corporate Governance Code in the future, as well. The following recommendations are the only ones that have not been or are not being applied:

CODEX CLAUSE 5.1.2 AND 5.4.1 "AGE LIMIT MANAGEMENT AND SUPERVISORY BOARD" According to clause 5.4.1 of the code, an age limit shall be specified for the members of the Supervisory Board. According to clause 5.1.2 of the code, the same shall apply for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determination of an age limit for members of the Supervisory Board and the Board of Management since this would limit the selection of qualified candidates.

CODEX CLAUSE 5.4.6 "COMPENSATION SUPERVISORY BOARD" Based on 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.

Bad Homburg, December 2009

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 accessible pursuant to clause 3.10 of the German Corporate Governance Code on our Web site at www.fmc-ag.com in the section of Investor Relations/Corporate Governance/Declaration of Compliance.

▸ CORPORATE GOVERNANCE REPORT

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.

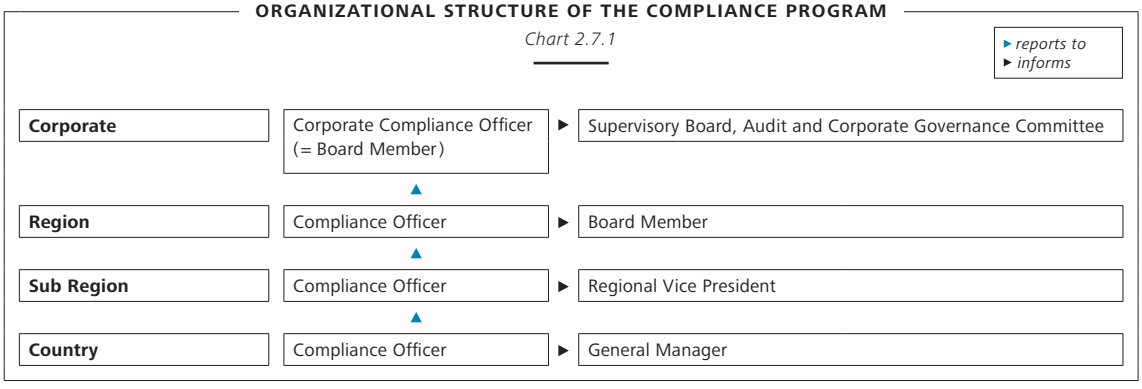
Our compliance program comprises of a code of conduct that has been approved by the Management Board. The Code of Conduct applies worldwide in every business section and combines our long-term interests with those of our various stakeholders. It describes our Company's business standards and emphasizes 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.

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 Web site of the Company under www.fmc-ag.com in the section Our Company/Compliance/Code of Conduct.

ORGANIZATIONAL STRUCTURE OF THE COMPLIANCE PROGRAM

Chart 2.7.1



In his capacity as 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 AG & Co. KGaA and to the Supervisory Board of Fresenius Medical Care Management AG.

We continued our compliance training activities in 2009. 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 below 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 2009, with our second Global Compliance Conference 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. In North America, a "Compliance Week" was introduced company-wide. The purpose of this initiative was to educate and reinforce compliance standards, market our compliance program internally and raise awareness of recent or upcoming initiatives.

Our compliance-program is in addition an integral part of our risk and chances management system.

RISK AND OPPORTUNITIES MANAGEMENT At Fresenius Medical Care a comprehensive management system is in place that takes care of identifying risks and opportunities early, 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 by independent external auditors. Our internal control system is reviewed on a regular basis by the Management Board and by internal auditors.

Further information to the risk and chances management system, to our internal control system and to the compliance program is to be found in the management report section risk management (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial Statements according to German law (HGB)) *(▶ see also page 97)*.

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 2009, 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, can also be found 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 also 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. Our preference shares 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, at the General Meeting, 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, can exercise the voting rights connected with the shares it holds. However, the general partner and its sole shareholder, Fresenius SE, 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 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 accessible on our Web site 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 7, 2009 in Frankfurt/Main (Germany). More than 74 % of the ordinary share capital and 4 % of the preference share capital were represented. In 2008, about 73 % 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 have the possibility to pursue the speech of the Chairman of the Management Board live over the Internet. The speech is available on our Web site at www.fmc-ag.com. in the section Investor Relations/Annual General Meeting.

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 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. In the year under review and until the resignation of Lawrence A. Rosen, effective August 31, 2009, 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 statement under "Management Board of the general partner Fresenius Medical Care Management AG" (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial Statements

according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Management Board *(► see also page 12)*.

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 corresponding to clause 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. The Supervisory Board appoints the members of the Management Board and supervises and advises them in managing the Company. Corresponding to clause 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure. The basis for the independence of the Supervisory Board of the general partner is ensured by a Pooling Agreement to which Fresenius SE has acceded. According to the Pooling Agreement, at least one third (and at least two) of the members of the Supervisory Board of the general partner must be independent members. Within the meaning of 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, Fresenius SE, the general partner 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 report, this 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 statement under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board *(► see also page 141)*.

All six members of the Supervisory Board are elected by the General Meeting according to the provisions of the German Stock Corporation Act (AktG). Such

resolution of the General Meeting requires a majority of at least three quarters of the votes cast. As described above, Fresenius SE is excluded from voting on this issue. When proposing persons for election as members of the Supervisory Board, due regard is given to the knowledge, abilities and specialist experience required for such members to perform their tasks, as well as to diversity in the composition of the Supervisory Board. There is a strict separation between the members of the Supervisory Board and those of the Management Board: A simultaneous membership in both the Supervisory Board and the Management Board is not compatible with the law.

In the year under review, no members on the Supervisory Board of Fresenius Medical Care AG & Co. KGaA were represented who have been part of the Management Board of the general partner during the previous two years. In their decisions, the members of the Supervisory Board of the Company are independent 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 next section "Avoidance of Conflicts of Interests".

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 the Articles of Association of the Company in Articles 8 et seq. These can be viewed on the Company's Web site under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. Furthermore, the 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. Towards third parties, the Supervisory Board is represented by the Chairman. 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 the plenary meeting. Thereby, also the complexity and the design of the presentations, as well as the procedure and structuring of the meetings is discussed.

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 that is 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 law or jurisprudence and also about recent developments in regulations on accounting according to U.S. GAAP and IFRS. In this way, the Supervisory Board makes sure an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, in order to ensure that the Supervisory Board and its committees are able to duly perform their tasks.

In the year under review, the Supervisory Board has met four times. Another time, topics have been discussed in a conference call. Significant discussion topics have been the medium term f0inancing structure in the light of the banking crisis, the situation

and development of the US healthcare reform and its effects on the company's position, and the situation of the Company's patent rights.

COOPERATION OF GENERAL PARTNER AND SUPERVISORY BOARD OF THE COMPANY The general partner and the Supervisory Board of the Company work together closely in the Company's interest: The 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 Supervisory Board of the Company 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 management of the company, i.e., the Managing Board of the general partner, on the management of the company and supervised the management of the company in line with its responsibility as Supervisory Board of the partnership limited by shares.

AVOIDANCE OF CONFLICTS OF INTERESTS In their decisions and in conjunction with their tasks and activities, the members of the Management Board of the general partner and of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA as well 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. Unchanged, the Chairman of Fresenius Medical Care Management AG's Management Board, Dr. Ben J. Lipps, at the same time with the approval of Fresenius Medical Care Management AG's Supervisory Board is a member of the Management Board of Fresenius SE.

Consulting or other service relationships between members of the Supervisory Board and the Company only existed during the year under review exclusively in the case of Dr. Schenk, who is a member of the Supervisory Board of our Company and at the same time partner of the internationally operating law firm Nörr Stiefenhofer Lutz (since 2010 Noerr LLP). The law firm acted for the Company as legal advisor during fiscal year 2009. For the first three quarters of the year under review, the Supervisory Board already gave its consent to such activity, with Dr. Schenk abstaining from the vote. Services rendered in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2010.

In the fiscal year 2009 an amount of EURO 1,036,270 was paid by Fresenius Medical Care to the law firm Nörr Stiefenhofer Lutz. This represents less than 3 % of Fresenius Medical Care's worldwide legal consultancy fees.

There were no conflicts of interests among members of the Management Board or the Supervisory Board in the year under review.

COMMITTEES OF THE SUPERVISORY BOARD OF THE COMPANY 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, Dr. William P. Johnston, Dr. Gerd Krick and John Gerhard Kringel (the latter until March 2009) 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 statement under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board (▶ *see also page 141)*. 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 to 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) German Stock Corporation Act (AktG) 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 scope of 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.

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 Web site 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 – in terms of Dr. Ulf M. Schneider in the notes to the financial statement under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board *(▶ see also page 141)*.

The Committee constitutes a quorum, when 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 German Stock Corporation Act (AktG) 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.

Also at the level of the Supervisory Board of the general partner, Fresenius Medical Care Management AG, two further Committees were established: the Human Resources Committee and the Regulatory and Reimbursement Assessment Committee. The purpose of these committees is to raise the efficiency of the Supervisory Board's work and to deal with special complex issues such as the composition and compensation of the Management Board as well as regulatory requirements and reimbursement of services in the dialysis field. Both 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 have been Mr. William P. Johnston (Chairman), Mr. John Gerhard Kringel and Dr. Dieter Schenk. 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 statement under "Supervisory Board" and and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board *(▶ see also page 141)*. In terms of Dr. Ulf M. Schneider, the following information is herewith provided:

DR. ULF M. SCHNEIDER
Chairman of the Management Board of Fresenius SE

SUPERVISORY BOARDS
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Medical Care Group France S. A. S., France (Chairman)
Eufets AG (Chairman; until May 31st, 2009)
Fresenius Kabi Austria GmbH, Austria
Fresenius Kabi Espana S. A., Spain
Fresenius HemoCare Netherlands B. V., The Netherlands

OTHERS
APP Pharmaceuticals, Inc., U.S. (Board of Directors, Chairman)
Fresenius Kabi Pharmaceuticals Holding, Inc., U.S. (Board of Directors, until November 1st, 2009 in the position of the Chairman)
FHC (Holdings), Ltd., Great Britain (Board of Directors)

COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY 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 the Human Resources Committee.

Fresenius Medical Care discloses the compensation for the members of the Management Board and the

Supervisory Board individually and reports on it in detail.

In addition to this, further detailed information on the stock option programs can be found in the notes to the financial statements under "Conditional Capital" (www.fmc-ag.com in the section Investor Relations/Publications 2009/Financial statements according to German law (HGB)) ▶ *see also page 227 and 229*.

Compensation for members of the Management Board comprises fixed and performance-related components. Since 2006, Fresenius Medical Care has disclosed the compensation of its Management Board members on an individual basis. Compensation for the Supervisory Board is governed by article 13 of the Articles of Association and is also disclosed on an individual basis. Our Supervisory Board members receive a fixed compensation.

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 connection notably explains the amounts and structure of the compensation paid to the Management Board. 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. In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider, Dr. Gerd Krick, William P. Johnston and Dr. Walter Weisman.

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 the fiscal year 2009:

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

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

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

In the fiscal year 2009, each member of the general partner's Management Board received a non-performance-related basic salary paid in twelve monthly installments. 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 and reimbursement of certain other charges and additional contributions to pension and health insurance.

The performance-related compensation will also be granted for fiscal year 2009 as a variable bonus. The amount of the bonus 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 earn-

ings (EBIT), net consolidated earnings (EAT) and its growth, as well as the development of cash flow, and achievement of the target are in part subject to a comparison with the previous year's figures and can be derived in another part from the comparison of budgeted 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.

In the period under review, all members of the Management Board were assessed on the basis of growth rates for Group-wide after-tax earnings (EAT growth). The floor relevant for variable compensation for Group-wide growth in EAT to be achieved was at least 6 %, whereas the top relevant growth rate for this was set at 15 % (cap). Besides, 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 cash flow within the Group or in the relevant regions during the period under review, with the targets subject to compensation being within a corridor of growth rates between 3 % and 6 % with reference to the respective cash flow. The growth rates achieved during the period under review in terms of regional operating earnings (regional EBIT) were moreover compensated for the respective Board members with regional responsibilities in each case within a target corridor between 13 % and 19 %.

As a rule, growth rates for after-tax earnings (EAT growth) for members of the Management Board with Group functions are compensated at a share of 80 % in variable compensation and are thus weighted higher than for Board members having responsibility for regional earnings 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 earnings (EBIT margin) in the regions is weighted at 20 % of the variable compensation component.

In the year under review, the bonus component consisted proportionately of cash payments (short-term) and a further share-based compensation component

Table 2.7.2

€ in thousands

	Non-Performance Related Compensation				*Performance Related Compensation*		*Cash Compensation (without long-term Incentive Components)*	
	Salary		*Other*[1]		*Bonus*			
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Ben J. Lipps	860	816	251	202	1,200	963	2,311	1,981
Roberto Fusté	400	350	185	184	519	197	1,104	731
Dr. Emanuele Gatti	550	550	111	64	732	658	1,393	1,272
Rice Powell	538	510	28	30	868	716	1,434	1,256
Lawrence A. Rosen	267	400	79	86	177	510	523	996
Dr. Rainer Runte	380	330	30	29	451	438	861	797
Mats Wahlstrom	609	578	28	31	1,166	845	1,803	1,454
▶ **TOTAL**	**3,604**	**3,534**	**712**	**626**	**5,113**	**4,327**	**9,429**	**8,487**

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

(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 these cases is subject to a several-year vesting period, although a shorter period may apply in special cases (e.g. professional incapacity, entry into retirement). The amount of cash payment of this share-based compensation correspond to the share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the several-year vesting period, and is for that reason, attributed to the long-term incentive compensation components. The amount of the maximum achievable bonus for each of the members of the Management Board is capped.

In addition, a special bonus component applied in some cases for the 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 2009 and 2008 the amount of cash payments of the Management Board of Fresenius Medical Care Management AG without long-term incentive components consisted of the amounts listed in table 2.7.2.

In addition to the aforementioned share-based compensation components with cash settlement, stock options under Stock Option Plan 2006 were granted as (further) components with long-term incentive effects in fiscal year 2009. The principles of Stock Option Plan 2006 are described in more detail in the Notes under the header "Conditional Capital IV" *(▶ see also pages 227 and 229)*.

As of January 1, 2009, the Company still had three additional Employee Participation Programs secured by conditional capital which entitled their partici-

COMPONENTS WITH LONG-TERM INCENTIVE EFFECT

Table 2.7.3

	Stock Options				*Share-based Compensation with Cash Settlement*		*Total*	
	Number		*Value in € thousands*		*Value in € thousands*		*Value in € thousands*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Ben J. Lipps	99,600	99,600	761	976	341	425	1,102	1,401
Roberto Fusté	49,800	49,800	380	488	126	–	506	488
Dr. Emanuele Gatti	49,800	49,800	380	488	244	177	624	665
Rice Powell	49,800	49,800	380	488	242	237	622	725
Lawrence A. Rosen	–	49,800	–	488	–	209	–	697
Dr. Rainer Runte	49,800	49,800	380	488	150	172	530	660
Mats Wahlstrom	49,800	49,800	380	488	–	268	380	756
▶ TOTAL	**348,600**	**398,400**	**2,661**	**3,904**	**1,103**	**1,488**	**3,764**	**5,392**

pants to convertible bonds or stock options, and from which, however, in fiscal year 2009 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 Stock Option Plan 2006 approved by resolution of the general meeting on May 9, 2006 and

Table 2.7.4

	Options outstanding at January 1, 2009		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	818,411	24.57	99,600	31.97
Roberto Fusté	291,276	24.62	49,800	31.97
Dr. Emanuele Gatti	276,276	25.10	49,800	31.97
Rice Powell	177,177	30.25	49,800	31.97
Lawrence A. Rosen	227,604	28.24	–	–
Dr. Rainer Runte	207,753	29.54	49,800	31.97
Mats Wahlstrom	161,223	32.34	49,800	31.97
▶ **TOTAL**	**2,159,720**	**26.56**	**348,600**	**31.97**

	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	214,595	15.32	28.50	–	–
Roberto Fusté	25,000	15.81	35.96	–	–
Dr. Emanuele Gatti	–	–	–	–	–
Rice Powell	–	–	–	–	–
Lawrence A. Rosen	128,004	23.21	34.29	99,600	34.70
Dr. Rainer Runte	–	–	–	–	–
Mats Wahlstrom	–	–	–	–	–
▶ **TOTAL**	**367,599**	**18.10**	**31.02**	**99,600**	**34.70**

	Options outstanding at December 31, 2009				*Options exercisable at December 31, 2009*	
	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	703,416	28.44	4.2	14.47 – 35.49	404,616	24.48
Roberto Fusté	316,076	26.48	4.4	11.42 – 35.49	166,676	19.92
Dr. Emanuele Gatti	326,076	26.15	4.5	11.42 – 35.49	176,676	19.69
Rice Powell	226,977	30.63	4.9	11.42 – 35.49	77,577	24.54
Lawrence A. Rosen	–	–	–	–	–	–
Dr. Rainer Runte	257,553	30.01	4.7	14.36 – 35.49	108,153	24.79
Mats Wahlstrom	211,023	32.25	5.1	20.26 – 35.49	61,623	28.53
▶ **TOTAL**	**2,041,121**	**28.60**	**4.5**	**11.42 – 35.49**	**995,321**	**23.16**

amended by resolution of the general meeting of May 15, 2007 (reflecting the share split 1:3).

During 2009, a total of 2,585,196 stock options were granted under this Stock Option Plan of which 348,600 were granted to the members of the Management Board.

For fiscal years 2009 and 2008 the number and value of stock options issued and the value of other share-based compensation with cash settlement is shown individually in the table 2.7.3.

The stated values of the stock options granted to the members of the Management Board in the fiscal year

Table 2.7.5

in € thousands

	Cash Compensation (without long-term Incentive components)		*Components with long-term Incentive Effect*		*Total Compensation (including long-term Incentive Components)*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Ben J. Lipps	2,311	1,981	1,102	1,401	3,413	3,382
Roberto Fusté	1,104	731	506	488	1,610	1,219
Dr. Emanuele Gatti	1,393	1,272	624	665	2,017	1,937
Rice Powell	1,434	1,256	622	725	2,056	1,981
Lawrence A. Rosen	523	996	–	697	523	1,693
Dr. Rainer Runte	861	797	530	660	1,391	1,457
Mats Wahlstrom	1,803	1,454	380	756	2,183	2,210
▶ TOTAL	**9,429**	**8,487**	**3,764**	**5,392**	**13,193**	**13,879**

Table 2.7.6

in € thousands

	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*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Ben J. Lipps	945	807	912	541	1,857	1,348
Roberto Fusté	472	404	–	–	472	404
Dr. Emanuele Gatti	472	404	304	180	776	584
Rice Powell	472	404	577	332	1,049	736
Lawrence A. Rosen	(200)	404	(359)	262	(559)	666
Dr. Rainer Runte	472	404	364	231	836	635
Mats Wahlstrom	1,152	404	1,171	379	2,323	783
▶ TOTAL	**3,785**	**3,231**	**2,969**	**1,925**	**6,754**	**5,156**

2009 correspond to their fair value at the time of being granted, namely a value of € 7.64 (2008: € 9.80) per stock option. The exercise price for the stock options granted is € 31.97 (2008: € 35.49).

At the end of the fiscal year 2009, the members of the Management Board held a total of 2,041,121 stock options (2008: 2,159,720 stock options).

The development and status of stock options of the members of the Management Board in the fiscal year 2009 are shown in more detail in the table 2.7.4.

Based on the targets achieved in the fiscal year 2009, additional rights for share-based compensation with cash settlement totaling € 1,103 thousands (2008: € 1,488 thousands) 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 2010, 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 several-year vesting period.

The amount of the total compensation of the Management Board of Fresenius Medical Care Management AG for fiscal years 2009 and 2008 as shown in the table 2.7.5.

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 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 2009 and 2008 are shown in the table 2.7.6.

Non-performance-related compensation components and the basic structures of performance-related compensation components have been agreed with the individual members of the Management Board in their employment contracts/service agreements. Stock options are granted to members of the Management Board on an annual basis by the Supervisory Board.

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, Dr. Rainer Runte and Lawrence A. Rosen (the latter having left the Company with effect from August 31, 2009). Under these commitments, Fresenius Medical Care as of December 31, 2009 has aggregate pension obligations of € 3,316 thousands (at December 31, 2008: € 2,410 thousands). Additions to pension obligations in fiscal year 2009 amounted to € 705 thousands (2008: € 287 thousands). Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the recipient's most recent basic salary, from age 65, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work. The starting percentage of 30 % increases with every year of service by 1.5 percentage points up to a maximum of 45 %. 30 % of the gross amount of any later income from an activity of the Management Board member is set off against the pension obligation. The acquired pro rata pension commitment of Mr. Lawrence A. Rosen became vested, after leaving the Company on August 31, 2009.

With the Chairman of the Management Board, Dr. Ben J. 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 2009.

Under individual agreements, the Management Board members Dr. Emanuele Gatti and Rice Powell are entitled to benefits (severance payments, calculated on the basis of guaranteed simple annual income, based on the relevant basic salary) in the event that their employment with Fresenius Medical Care Management AG should end. Such severance payments will be reduced by one half of any additional compensation which the said Board members would be entitled to in connection with existing post-contractual non-compete covenants.

The employment contracts of 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. It was agreed that he can exercise these rights at any date of his choice in February 2010. For the fiscal year Mr. Mats Wahlstrom is also entitled to receive payment for the agreed annual bonus component in accordance with the determinations of the Supervisory Board. It was further agreed with Mr. Mats Wahlstrom that he will render future services under a service contract with a U.S. subsidiary of the Fresenius Medical Care Group in the position of Senior Vice President of Fresenius Medical Care and will act as a senior advisor to the Chairman of the Management Board of Fresenius Medical Care Management AG for a period of five years. For this activity Mr. Mats Wahlstorm receives a separate contractual remuneration. It was also agreed that Mr. Wahlstrom shall remain entitled to all stock options granted while serving as a Board Member. The latter also applies in the case that Mr. Wahlstrom should resign from the Fresenius Medical Care Group.

III. MISCELLANEOUS In fiscal year 2009, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Medical Care Management AG.

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 concluded Directors & Officers liability insurance with an appropriate excess. To the extent that adjustments are to be made with respect to the excess on the basis of the German Act on the Appropriateness of Executive Board Compensation (VorstAG), such adjustments shall be made by no later than the expiry of the transitional period on June 30, 2010. The aforementioned 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 2009.

IV. ADJUSTMENTS TO SYSTEM OF COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD In view of the revised requirements for the system of compensation of the Management Board arising from the German Act on the Appropriateness of Executive

Board Compensation (VorstAG) which took effect on August 5, 2009, which requirements are applicable to all directors' employment contracts/service agreements having been newly concluded or amended/adjusted in their provisions, the Supervisory Board of Fresenius Medical Care Management AG, in the context of the reorganization of responsibilities within the Management Board as of January 1, 2010, by resolution of December 8, 2009, resolved to apply an adjusted system of compensation of the members of the Management Board.

First of all, each member of the Management Board, as before, receives an annual fixed basic compensation to be paid out in twelve equal monthly installments, the amount of which is assessed differently depending on the member of the Management Board so as to reflect the particular individual tasks and responsibilities assumed by the various members of the Management Board.

In terms of the performance-related assessment of its variable compensation components, the new compensation model observes the principles described under section I "Compensation of the Management Board". This assessment includes the respective regional operating earnings (EBIT margin), growth in the net consolidated income (EAT growth) and the development of the Company-wide as well as regional cash flow before acquisitions (FCF). All figures are calculated from a comparison of budgeted figures with actually achieved figures.

Performance-related variable compensation is split into (i) a component which is paid out in cash after determination of the annual targets achieved (annual bonus), (ii) a share-based compensation component with cash settlement subject to a several years vesting period, and (iii) a further component with long-term incentive effects in the form of stock options. In determining the variable compensation, due care is exercised to ensure that the share of long-term incentive components accounts for at least 50 % of the entire variable compensation. The achievement of the targets in terms of the aforementioned key ratios is assessed at 120 % maximum and is subject to a fixed multiplier so as to provide for the possibility of limiting the variable compensation. As already in the past, the new compensation system contains a provision on capping the share-based com-

Table 2.7.7

in € thousands[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*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Gerd Krick	86	82	22	20	108	102
Dr. Dieter Schenk	43	41	–	–	43	41
Dr. Walter L. Weisman	29	27	36	35	65	62
John Gerhard Kringel[2]	29	27	7	20	36	47
Dr. William P. Johnston	29	27	22	20	51	47
Prof. Dr. Bernd Fahrholz	58	54	22	20	80	74
▶ **TOTAL**	**274**	**258**	**109**	**115**	**383**	**373**

[1] *Shown without VAT and withholding tax; translation of $ amounts at respective average exchange rates for the respective year*
[2] *Member of committee until Q2 2009*

pensation components in the event of extraordinary developments.

The amount of the basic compensation and the total compensation of the members of the Management Board was assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector. In this regard, a conservative position below the respective mean value of comparative companies was chosen on average. In addition to this horizontal comparative view, due significance was also attached to the vertical (company-internal) comparative view. In this regard also the Company's position is conservative relative to similar companies.

Overall, the selection of compensation-relevant ratios and their weighting within the compensation system was defined in such a way that, on the whole, a compensation structure is provided which is geared towards sustainable company development.

COMPENSATION OF THE SUPERVISORY BOARD The compensation of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA is regulated in § 13 of its Articles of Association.

Corresponding to this regulation the Company reimburses the Supervisory Board members for expenses incurred from their duties as Supervisory Board members, including value added tax.

Each member of the Supervisory Board shall receive a fixed fee of $ 80 thousand per annum for each full fiscal year, payable in four equal instalments at the end of each calendar quarter. In the event that the general meeting, taking into consideration the annual

Table 2.7.8

in € thousands[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*[4]		*Compensation for committee services at Fresenius Medical Care AG & Co. KGaA*		*Total compensation*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
Dr. Gerd Krick	29	27	86	82	29	14	22	20	166	143
Dr. Dieter Schenk	43	42	43	41	22	10	–	–	108	93
Dr. Ulf M. Schneider[2]	115	109	–	–	36	17	–	–	151	126
Dr. Walter L. Weisman	29	27	29	27	22	10	36	35	116	99
John Gerhard Kringel[5]	29	27	29	27	29	14	7	20	94	88
Dr. William P. Johnston	29	27	29	27	57	27	22	20	137	101
Prof. Dr. Bernd Fahrholz[3]	–	–	58	54	–	–	22	20	80	74
▶ TOTAL	**274**	**259**	**274**	**258**	**195**	**92**	**109**	**115**	**852**	**724**

[1] *Shown without VAT and with holding tax; translation of $ 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 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*
[4] *at Fresenius Medical Care Management AG level committees have been established in Q3 2008 only; hence, the respective compensation for 2008 was paid on a pro rata basis*
[5] *Member of committee of FMC-AG & Co. KGaA until Q2 2009*

results, resolves a higher remuneration by a three fourths majority of the votes cast, such higher remuneration shall be payable.

The chairman of the Supervisory Board shall receive additional remuneration in the amount of US-$ 80 thousand and his deputy additional remuneration in the amount of $ 40 thousand respectively for each full fiscal year. As a member of a committee, a Supervisory Board member shall receive, in addition, $ 30 thousand per year, or as chairman of a committee, $ 50 thousand, payable in each case in four equal installments at the end of each calendar quarter.

To the extent that a member of the Supervisory Board of Fresenius Medical Caer AG & Co. KGaA is at the same time member of the Supervisory Board of the General Partner Management AG and receives remuneration for his services as member of the Supervisory Board of the Management AG, the remuneration for his services as member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA will be reduced to half of it. The same shall apply in relation to additional remuneration of the Chairman and his deputy if such person is, at the same time, the chairman of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA or his deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy of the chairman of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA is at the same time chairman of the Supervisory Board of Fresenius Medical Care Management AG he shall not receive additional remuneration insofar for his services as deputy of the chairman of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA.

For the fiscal year 2009 the total compensation for the members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA and for its Committees is shown individually in the table 2.7.7.

The compensation of the Supervisory Board of the Fresenius Medical Care Management AG and the compensation of its Committees was, in compliance with article 7 of the Articles of Association of Fresenius Medical Care AG & Co. KGaA, charged to Fresenius Medical Care AG & Co. KGaA. In the fiscal year 2009 the total compensation fees of € 459 thousands was paid to the members of the Supervisory Board of the Fresenius Medical Care Management AG, including € 190 thousands total compensation for its Committees on the basis of the US-$/€ exchange rate prevailing on the payment date.

The total compensation of the Supervisory Board including the cost transfer from Fresenius Medical Care Management AG to Fresenius Medical Care AG & Co. KGaA is shown in the table 2.7.8.

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 2009, we received a total of six disclosures according to section 15a of the German Securities Trading Act, which we published on our Web site at www.fmc-ag.com in the section Investor Relations/Corporate Govern-

ance/Directors' Dealings/Single Dealings in accordance with the regulations and also expose in the "Annual Document" under www.fmc-ag.com in the section Investor Relations/Corporate Governance/ Article 10 of the Securities Prospectus Act (WpPG).

TRANSPARENCY OF OUR REPORTING 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 Web site 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 our web site 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 that is published on the Web site of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations/Financial Calendar.

FINANCIAL ACCOUNTING AND REPORTING; 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. Respectively 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 the fiscal year, and the quarterly reports within the first 45 days of the end of the quarter.

As required by law, a consolidated financial statement 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 statement and the management report of Fresenius Medical Care AG & Co. KGaA are prepared in accordance with the German Commercial Code (HGB). The annual financial statement is 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 HGB, 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 to mandatory requirements according to 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 which was constructed for voluntary adoption. On the other hand, we are subject as a non U.S. company (a "foreign private issuer") to the regulations connected to our listing in the U.S. In particular the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange have to be observed. The Sarbanes-Oxley Act includes provisions regulating companies and their auditors and is aimed at improving financial reporting and auditor independence, and aim for other matters. The extension of regulations for financial reporting and internal control systems shall increase the trust of investors and other interested parties in the company. We fully meet all of the current requirements applicable to our company set forth in this particular law.

Fresenius Medical Care's declaration concerning significant differences between the systems of corporate governance in Germany and the U.S. – 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.

3

DIRECTORSHIPS AND GLOSSARY

BETTY MA

Senior Vice President, China Region and President of Fresenius Medical Care China

The decision to move to Shanghai was not an easy one, but I think I made the right choice. Here, I am more in touch with the patients, with our partners, and with my team. And that makes me happy. It wouldn't be the same if I managed the business from Hong Kong.

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Chapter 3

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DIRECTORSHIPS
FRESENIUS MEDICAL CARE AG & CO. KGAA

▸ SUPERVISORY BOARD

DR. GERD KRICK
Chairman
Königstein, Germany

SUPERVISORY BOARD
Fresenius SE (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Österreich (Chairman)

DR. DIETER SCHENK
Vice Chairman
Attorney and Tax Advisor
Munich, Germany

SUPERVISORY BOARD
Fresenius SE (Vice Chairman)
Fresenius Medical Care Management AG (Vice Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice Chairman, Chairman from April 23, 2009 until July 14, 2009)
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)
Georgia O'Keeffe Museum (Member of Board of Directors)
HCR-Manor Care, Inc. (Member of Board of Directors)

PROF. DR. BERND FAHRHOLZ
Attorney
Frankfurt am Main, Germany

SUPERVISORY BOARD
SMARTRAC N.V. (Chairman)

▸ SUPERVISORY BOARD COMMITTEE

AUDIT AND CORPORATE GOVERNANCE COMMITTEE
Dr. Walter L. Weisman (Chairman)
Dr. Gerd Krick
William P. Johnston
Prof. Dr. Bernd Fahrholz
John Gerhard Kringel (until May 1, 2009)

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 SE (Chairman)

SUPERVISORY BOARD
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Eufets AG (Chairman until May 31, 2009)
Fresenius Kabi Austria GmbH, Austria
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. (Chairman until November 1, 2009)

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 SE

RICE POWELL
Deputy Chairman for Fresenius Medical Care and Chief Executive Officer for North America (since January 1, 2010), Co-Chief Executive Officer Fresenius Medical Care North America and Chief Executive Officer of "Renal Therapies Group (RTG)" (until December 31, 2009),
Boston, Massachusetts, U.S.

MANAGEMENT BOARD
Fresenius Medical Care Holdings Inc., U.S.

MICHAEL BROSNAN
Chief Financial Officer (since January 1, 2010)
Boston, Massachusetts, U.S.

MANAGEMENT BOARD
Fresenius Medical Care Holdings Inc., U.S.

DR. EMANUELE GATTI
Chief Executive Officer for Europe, Latin America, Middle East and Africa, Global Chief Strategist (since January 1, 2010),
Bad Homburg v.d.H., Germany

MANAGEMENT BOARD
Fresenius Medical Care España S.A., Spain

SUPERVISORY BOARD
Fresenius Medical Care Magyarország Kft., Hungary (until May 13, 2009)
Fresenius Medical Care Dializis Center Kft., Hungary (until May 13, 2009)
Fresenius Medical Care Groupe France S.A.S., France

BOARD OF TRUSTEES
Donube University Krems, Austria
(Chairman until August 20, 2009)

ROBERTO FUSTÉ
Chief Executive Officer for Asia-Pacific
Hong Kong, China

DR. RAINER RUNTE
Chief Administrative Officer for Law, Compliance, Corporate Governance and Intellectual Property, Labor Relations Director for Germany
(since January 1, 2010),
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

KENT WANZEK
Member of the Management Board responsible for Global Manufacturing Operations
(since January 1, 2010)
Boston, Massachusetts, U.S.

MATS WHALSTROM
Co-Chief Executive Officer Fresenius Medical Care North America and Chief Executive Officer of "Fresenius Medical Services"
(until December 31, 2009)
Boston, Massachusetts, U.S.

LAWRENCE A. ROSEN
Chief Financial Officer (until August 31, 2009)
Bad Homburg v.d.H., Germany

Chapter 3.2

GLOSSARY

Unless otherwise indicated, all trademarks mentioned in the Annual Report 2009 of Fresenius Medical Care have been registered in the respective countries and are subject to the trademark rights of Fresenius Medical Care. They are either owned or used under license by Fresenius Medical Care and its affiliates.

– ▶ 5008 THERAPY SYSTEM
This therapy system for ▶ *hemodialysis* offers advantages for both patients and caregivers. The user-friendly dialysis machines of the 5008 series allow for a high-quality and efficient treatment as well as simple data processing.

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.

A ▶ ALBUMIN
A protein that can be used to monitor a patient's nutritional condition.

A ▶ ANEMIA
Reduced oxygen transport capacity of the blood, measured as reduced hemoglobin content in the blood.

A ▶ ANTICOAGULANT
An agent (e.g. heparin) that prevents the clotting of blood ▶ *blood coagulation*.

A ▶ ARTERIOVENOUS (AV) FISTULA (SHUNT, VASCULAR ACCESS)
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.

A ▶ ARTERY
A blood vessel that carries blood from the heart to the body.

A ▶ 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 determine the exact makeup of the human body and its fluids (body water, fat, and fat-free body mass) and to quantify the level of overhydration in dialysis patients.

B ▶ 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*.

B ▶ BIOCOMPATIBILITY
Ability of a material, system or solution to perform without an undesired, clinically significant response from the host.

B ▶ BIOFINE
Environmentally friendly ▶ *biocompatible* material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

B ▶ 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.

B ▶ BLOOD CELLS, RED (ERYTHROCYTES)
Cells responsible for transporting oxygen. They are created with the help of ▶ *erythropoietin*, a hormone produced in the kidneys.

B ▶ 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.

B ▸ 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.

B ▸ BLOODLINES
System of tubes connecting a patient's blood circulation with a ▸ *dialyzer* during extracorporeal dialysis treatment.

B ▸ BLOOD PLATELETS (THROMBOCYTES)
The part of blood responsible for healing wounds. Blood platelets form clots and release substances into the blood to generate the body's healing response.

B ▸ 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.

B ▸ 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.

C ▸ CARDIOPROTECTIVE HEMODIALYSIS
An integrated ▸ *hemodialysis* therapy developed by Fresenius Medical Care that deals with cardiovascular disease in dialysis patients.

C ▸ 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.

C ▸ CE CERTIFICATION
Proof of compliance with European Union directives for medical devices. CE stands for the French term "conformité européenne" (compliant with European guidelines).

C ▸ 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.

C ▸ COMPOSITE RATE
▸ *Medicare/Medicaid* reimbursement rate for dialysis treatment.

C ▸ 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.

D ▸ DIALYSATE (DIALYIS SOLUTION, DIALYSIS FLUID)
Fluid used in the process of dialysis in order to remove the filtered out substances and excess water from the blood.

D ▶ 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.

D ▶ 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".

D ▶ DIALYZER MEMBRANE
Semipermeable barrier in the dialyzer to separate the blood from the dialysate.

D ▶ 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.

D ▶ 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*.

E ▶ ERA-EDTA
European Renal Association/European Dialysis and Transplant Association. Organizes an important annual congress in Europe.

E ▶ ERYTHROPOESIS-STIMULATING AGENTS (ESA)
Recombinant human ▶ *EPO* that is commonly prescribed to patients on dialysis who suffer from anemia.

E ▶ ERYTHROPOIETIN (EPO)
Hormone that stimulates red blood cell production.

E ▶ 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.

F ▶ FRESENIUS POLYSULFONE DIALYZER
Dialyzer with hollow fibers made from Fresenius ▶ *Polysulfone*.

F ▶ FX-CLASS DIALYZER
A class of dialyzer with increased performance and outstanding ▶ *biocompatibility*.

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

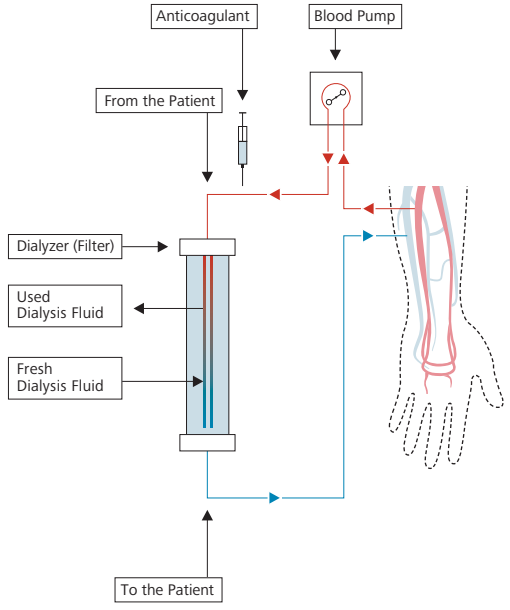
	Description	*GFR (mL/min/1.73 m²)*
1	Kidney damage with normal or ▲ GFR	≥ 90
2	Kidney damage with mild ▼ GFR	60 – 89
3	Moderate[1] ▼ GFR	30 – 59
4	Severe ▼ GFR	15 – 29
5	Kidney failure[2]	< 15 (or dialysis)

GFR: glomerular filtration rate ▲ increased ▼ decreased
[1] *Treatment: 1–5T if kidney transplant recipient*
[2] *Treatment: 5D if dialysis (HD or PD)*

H ▶ HEALTH MAINTENANCE ORGANIZATION (HMO)
Special form of private health insurance in the U.S. where the insured are members and treatment is provided by contract physicians (or member physicians) of the organization.

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.

H ▸ 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.

H ▸ 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.

H ▸ HEMOGLOBIN
Substance in red blood cells that carries oxygen around the body.

H ▸ HEPARIN
Universal anticoagulant substance that is administered during hemodialysis to inhibit blood coagulation during dialysis treatment.

H ▸ HIGH-FLUX DIALYZERS
Dialyzers containing highly permeable membranes that allow for the effective removal of water and large uremic toxins in the size of e.g. β2-microglobulin. Uremic toxins are toxins which are discharged by healthy kidneys.

I ▸ INCIDENCE
Number of patients who are newly diagnosed with a specific disease during a certain period of time.

I ▸ IRON COMPOUND
Iron product used to treat anemia in dialysis patients resulting from iron deficiency. An example is the product Venofer.

I ▸ 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.

K ▶ KIDNEY TRANSPLANTATION
A surgical procedure to implant a ▶ *kidney* from a donor.

K ▶ 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.

L ▶ 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.

L ▶ LOW-FLUX DIALYZERS
Dialyzers with low permeability, e.g. for water.

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.

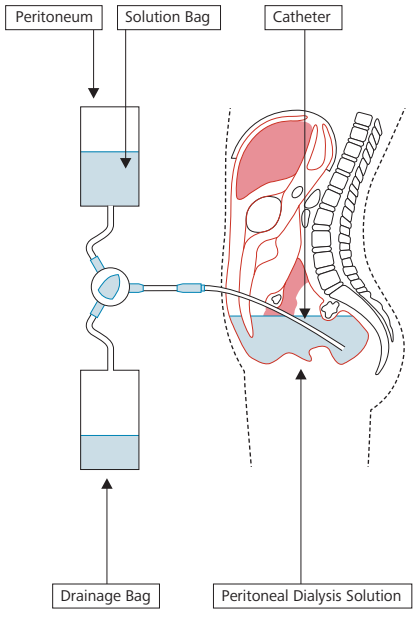
M ▶ MEMBRANE PERMEABILITY
An indication of the "openness" of a dialyzer membrane for blood or dialysis fluid constituents.

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.

O ▶ OPTIFLUX
A ▶ *dialyzer generation* for the U.S. market, featuring improved clearance rates and outstanding ▶ *biocompatibility*.

O ▶ OSMOSIS
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.

P ▸ PHOSLO®
A calcium acetate phosphate binder for oral application in chronic kidney failure (end-stage renal disease) patients.

P ▸ PHOSPHATE BINDER
Phosphate binders bind phosphate within the intestines. Excess phosphate consumed with food 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.

P ▸ PIN TECHNOLOGY
Unique automatic inline-closing system that eliminates the risk of contamination during disconnection from ▸ *peritoneal dialysis (PD)* systems.

P ▸ PLASMA
Liquid part of the blood containing water, proteins and other substances such as electrolytes and hormones. Blood cells are not part of the plasma.

P ▸ POLYSULFONE
A polymer used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

P ▸ PREVALENCE
Number of all patients who suffer from a specific disease.

S ▸ SHUNT
▸ *Arterio-venous (AV) fistula*.

S ▸ 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.

S ▸ 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.

T ▸ 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.

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for the Year 2010

MAY 4, 2010
Report on the First Quarter 2010

MAY 11, 2010
Annual General Meeting *(Frankfurt/Main)*

MAY 12, 2010
Payment of Dividend
subject to the approval of the Annual General Meeting

AUGUST 3, 2010
Report on the Second Quarter 2010

NOVEMBER 2, 2010
Report on the Third Quarter 2010

▸ IMPORTANT FAIRS

for the Year 2010

MARCH 9 – 12, 2010
International Symposium of Intensive Care & Emergency Medicine *(Brussels, Belgium)*

JUNE 25 – 28, 2010
ERA-EDTA Congress
(European Renal Association – European Dialysis and Transplant Association) *(Munich, Germany)*

NOVEMBER 16 – 21, 2010
Annual Meeting of the ASN
(American Society of Nephrology) *(Denver, Colorado, U.S.)*

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MAGAZINE 2009 *In Touch*

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OPERATING DATA

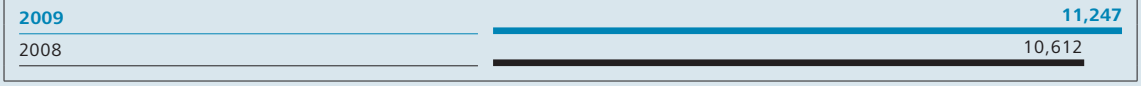
in $ millions

Key Figures

	2009	2008	Change
Selected key figures			
Net revenue	11,247	10,612	6 %
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,213	2,088	6 %
Earnings before interest and taxes (EBIT)	1,756	1,672	5 %
Net income[1]	891	818	9 %
Net cash flow from operating activities	1,339	1,016	32 %
Free cash flow[2]	777	343	127 %
Capital expenditure (net)	562	673	–17 %
Acquisitions, investments and purchases of intangible assets (net)	136	218	–38 %
Earnings per ordinary share *in $*	2.99	2.75	9 %
Dividend per ordinary share[3] *in €*	0.61	0.58	5 %
EBIT margin *in %*	15.6	15.8	–
Return on invested capital (ROIC) *in %*	8.5	8.6	–
Equity to assets *in %*	44.4	41.0	–
Other data			
Employees (full-time equivalents)	67,988	64,666	5 %
Patients	195,651	184,086	6 %
Clinics	2,553	2,388	7 %
Treatments *in millions*	29.4	27.9	6 %

NET REVENUE

in $ millions

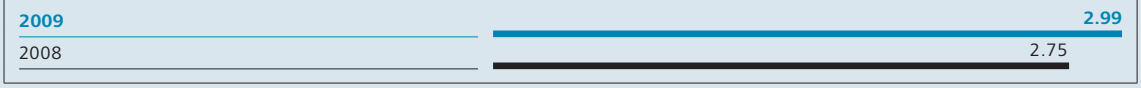


NET INCOME[1]

in $ millions

EARNINGS PER SHARE

in $



[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[2] *Before acquisitions and dividends.*
[3] *2009: Proposal for approval at the Annual General Meeting on May 11, 2010.*
All figures in this report are stated in U.S.-$ and in conformity with U.S. GAAP, if not indicated otherwise.
Unless specified, all charts refer to fiscal year 2009. For more details please look to the 5-year-summary at the end of the financial report.

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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 § 315a Commercial Code (HGB) in conjunction with Article 58(5) of the Introductory Act to the German Commercial Code (EGHGB) 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.

4

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

LEONARDO BERTHELOT
Dialysis Patient, Argentina

I want to be in touch with my children and their lives as much as possible, despite my illness. That's why I need to keep fit. The exercises that we do together during dialysis help me to achieve this. When you're moving, the time needed for treatment flies by, and sport is not only good for my body, but for my mind, too.

Annual Report 2009
Financial Report
Chapter 4

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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* "Legal Proceedings".

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, 2009, the carrying amount of goodwill amounted to $ 7,511 million and non-amortizable intangible assets amounted to $ 430 million representing in total approximately 50 % 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 consists of a basic rate of 6.45 % for 2009. This basic rate is then adjusted by a country specific risk rate within each reporting.

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* "Legal Proceedings". 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 $ 2,286 million and $ 2,176 million at December 31, 2009 and 2008, respectively, net of allowances for doubtful accounts of $ 266 million and $ 263 million at December 31, 2009 and 2008, 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 115 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 slightly more slowly in the International segment in the immediate future, particularly in countries most severely affected by the current global financial crisis. 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, 2009 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2009 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, 2009 and 2008. 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 1 % at December 31, 2009.

AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYOR GROUPS

Table 4.1.1

in $ millions, as of December 31, 2009	*Current*	*overdue by up to 3 months*	*overdue 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, including product customers	2	1	0	0	0	3	0
International product customers and dialysis payors	699	232	106	86	73	1,196	52
▸ **TOTAL**	**1,334**	**472**	**199**	**153**	**128**	**2,286**	**100**

AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYOR GROUPS

Table 4.1.2

in $ millions, as of December 31, 2008	*Current*	*overdue by up to 3 months*	*overdue 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	311	56	47	34	34	482	22
U.S. Commercial Payors	215	176	62	47	41	541	25
U.S. Hospitals	83	25	3	1	1	113	5
Self-Pay of U.S. patients	1	5	3	2	0	11	1
Other North America, including product customers	7	1	0	0	0	8	0
International product customers and dialysis payors	620	185	84	66	66	1,021	47
▶ TOTAL	**1,237**	**448**	**199**	**150**	**142**	**2,176**	**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.

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. 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 $ 65 billion worldwide market with expected annual worldwide patient 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 survivial 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 health care costs, reimbursement rate increases have been limited. Our ability to influence the pricing of our services is limited. Profitability depends on our ability to manage rising labor, drug and supply costs.

A majority of our U.S. dialysis services are paid for by the Medicare program. Medicare payments for dialysis services are based on a composite rate which includes 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 2009, the Centers for Medicare and Medicaid Services (CMS) set the drug add-on adjustment at $ 20.33 per treatment, or 15.2 % of the total per-treatment composite rate payment. For 2010, CMS kept the drug add-on amount constant at $ 20.33 per treatment, while it increased the base portion of the composite rate by 1 % pursuant to the requirement in the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA). As a result, the drug add-on amount, constant in dollar terms, declined to 15 % of the total per-treatment payment in 2010. 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 each of 2009 and 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 is $ 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. For 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.

Certain other items and services that we furnish at our dialysis centers are not now included in the composite rate and are 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 are 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 are also reimbursed separately under a reimbursement structure comparable to the in-center composite rate. Although these reimbursement methodologies limit the allowable charge per treatment, they provide us with predictable per treatment revenues.

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. MIPPA requires CMS to implement by January 1, 2011 a bundled ESRD payment system under which CMS will reimburse dialysis facilities with a single payment for (i) all items and services included in the composite rate, (ii) all ESAs and other pharmaceuticals (other drugs and biologicals, other than vaccines) furnished to the patients that were previously reimbursed separately, (iii) diagnostic laboratory tests and (iv) other services furnished to individuals for the treatment of ESRD. The initial bundled reimbursement rate will be set based on 98 % of estimated 2011 Medicare program costs of dialysis care as calculated under the current reimbursement system using the lowest per patient utilization data from 2007, 2008 or 2009 for all Medicare beneficiaries. The bundled payment will be subject to case mix adjustments that may take into account individual patient characteristics (e.g., age, weight, body mass) and co-morbidities. Payments will also be 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 and (iii) such other adjustments as the Secretary of Health and Human Services (HHS) deems appropriate. Beginning in 2012, the bundled payment amount will be subject to annual increases based on increases in the costs of a "market basket" of dialysis items and services to be determined by HHS minus 1 %. MIPPA requires, CMS to implement pay-for-performance standards, effective in 2012. Dialysis facilities that fail to achieve the established quality standards will have payments reduced by up to 2 %. Facility quality standards are expected to be limited at the outset to anemia management and hemodialysis adequacy and facility performance scores will be made available to the public. The bundled system will be phased in over four years with full implementation for all dialysis facilities on January 1, 2014. However, providers may elect in November 2010 to become fully subject to the new system starting in January 2011. MIPPA extends the authority of specialized Medicare Advantage (MA) plans to target enrollment to certain populations through December 31, 2010 and revises definitions, care management requirements and quality report-

ing standards for all specialized plans. On September 29, 2009, CMS published a proposed rule implementing the case-mix adjusted bundled prospective payment system (PPS) for ESRD dialysis facilities in accordance with MIPPA. If implemented in its current form, the provisions of the proposed rule relating to case mix and transition adjustments would result in reimbursement reductions. The proposed rule, if adopted without further changes, would fail to provide adequate funding for ESRD facilities' delivery of oral ESRD medications currently covered under Medicare Part D and would not adequately address the coordination of secondary insurance coverage. While it is clear that the expanded ESRD bundled payment system will materially affect how the Company is paid for pharmaceuticals and other items and services, the Company cannot estimate the overall effect of the new system on its business until adoption of the final CMS regulations.

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 $ millions

	2009	*2008*
Total revenue		
North America	7,615	7,007
International	3,713	3,688
Corporate	–	1
▶ **TOTAL**	**11,328**	**10,696**
Inter-segment revenue		
North America	3	2
International	78	82
▶ **TOTAL**	**81**	**84**
Total net revenue		
North America	7,612	7,005
International	3,635	3,606
Corporate	–	1
▶ **TOTAL**	**11,247**	**10,612**
Amortization and depreciation		
North America	265	238
International	183	171
Corporate	9	7
▶ **TOTAL**	**457**	**416**
Operating income		
North America	1,250	1,168
International	637	616
Corporate	(131)	(112)
▶ **TOTAL**	**1,756**	**1,672**
Interest income	21	25
Interest expense	(321)	(361)
Income tax expense	(491)	(476)
Net income	965	860
Less: Net income attributable to Noncontrolling interests	74	42
▶ **NET INCOME ATTRIBUTABLE TO FMC-AG & CO. KGAA**	**891**	**818**

▸ **HIGHLIGHTS** Revenues increased by 6 % to $ 11,247 million (9 % at constant rates) mainly due to organic growth at 8 % and acquisitions at 1 %.

Operating income (EBIT) increased by 5 %.

Net Income increased by 9 %.

▸ CONSOLIDATED FINANCIALS

KEY INDICATORS FOR CONSOLIDATED FINANCIALS

Table 4.3.2

	2009	*2008*	*Change as reported*	*Change at constant exchange rates*
Number of treatments	29,425,758	27,866,573	6 %	–
Same market treatment growth	4.1 %	4.5 %	–	–
Revenue *in $ millions*	11,247	10,612	6 %	9 %
Gross profit *in % of revenue*	34.1 %	34.2 %	–	–
Selling, general and administrative costs *in % of revenue*	17.6 %	17.7 %	–	–
Net income attributable to FMC-AG & Co. KGaA *in $ millions*	891	818	9 %	–

We provided 29,425,758 treatments during the year ended December 31, 2009, an increase of 6 % over the same period in 2008. Same market treatment growth contributed 4 % and growth from acquisitions contributed 2 %.

At December 31, 2009, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 2,553 clinics compared to 2,388 clinics at December 31, 2008. During 2009, we acquired 73 clinics, opened 118 clinics and combined or closed 26 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 6 % to 195,651 at December 31, 2009 from 184,086 at December 31, 2008. Including 30 clinics managed but not consolidated in the U.S., the total number of patients was 197,358.

Net revenue increased by 6 % (9 % at constant exchange rates) for the year ended December 31, 2009 over the comparable period in 2008 due to growth in both dialysis care and dialysis products revenues.

Dialysis care revenue grew by 8 % to $ 8,350 million (10 % at constant exchange rates) in 2009 mainly due to growth in same market treatments (4 %), revenue per treatment (5 %) and acquisitions (1 %), partially offset by exchange rate fluctuations (2 %).

Dialysis product revenue increased by 1 % to $ 2,897 million (increased by 6 % at constant exchange rates) in the same period driven by pharmaceutical sales, especially of the newly licensed intravenous iron products and increased sales of dialyzers, bloodlines, solutions and concentrates, as well as sales of products for acute care treatments. These increases were partially offset by decreased sales of our phosphate binding drug PhosLo® following a competitor's launch of a generic version of the drug in the U.S. in October 2008 and lower sales of hemodialysis machines.

The slight decrease in gross profit margin reflects a decrease in gross profit margin in North America, partially offset by an increase in the International segment. North America was impacted by cost increases for pharmaceuticals as well as lower margin contribution from our pharmaceutical business due to a competitor's launch of a generic version of PhosLo® in the U.S. in October 2008, increased depreciation related to recently acquired computer equipment and recently installed leasehold improvements and higher personnel costs, partially offset by increased revenue rates. The increase in International was due to the positive effect of an inventory adjustment in the first quarter of 2009, lower production costs caused by lower prices for certain raw material and energy as well as economies of scale, partially offset by unfavorable foreign exchange transaction effects related to the purchase of products produced in Europe and Japan due to the appreciation of the Euro and the Yen against local currencies.

Selling, general and administrative (SG&A) expenses increased to $ 1,982 million in 2009 from $ 1,876 million in the same period of 2008. SG&A costs as a percentage of sales decreased slightly to 17.6 % in 2009 from 17.7 % in the same period of 2008. The slight decrease was due to a decrease in North America driven by economies of scale and lower bad debt expenses partially offset by higher personnel expenses. Bad debt expense for the year ended December 31, 2009 was $ 210 million as compared to $ 214 million in 2008, representing 1.9 % of sales for the year ended December 31, 2009, as compared to 2.0 % for the same period in 2008.

Research and development (R&D) expenses increased to $ 94 million in 2009 from $ 80 million for the same period in 2008 due to additional programs in the field of hemodialysis equipment and extracorporeal critical care therapies.

Operating income increased to $ 1,756 million in 2009 from $ 1,672 million for the same period in 2008. Operating income margin decreased to 15.6 % in 2009 as compared to 15.8 % for the same period in 2008 due to the decreased gross profit margin as noted above partially offset by decreased SG&A expenses as a percentage of sales as described above.

Interest expense decreased by 11 % to $ 321 million in 2009 from $ 361 million for the same period in 2008 as a result of decreased short-term interest rates.

Income tax expense increased to $ 491 million for the year ended December 31, 2009 from $ 476 million for the same period in 2008 as a result of higher earnings in 2009. The effective tax rate for 2009 decreased to 33.7 % from 35.6 % in 2008 mainly as a result of an increase in non-taxable noncontrolling interests in North America in 2009.

Net income attributable to FMC-AG & Co. KGaA for 2009 increased to $ 891 million from $ 818 million for the same period in 2008 as a result of the combined effects of the items discussed above.

We employed 67,988 people (full-time equivalents) as of December 31, 2009 compared to 64,666 as of December 31, 2008, an increase of 5.1 % primarily due to overall growth in our business.

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

	2009	*2008*	*Change*
Number of treatments	19,867,465	19,146,084	4 %
Same market treatment growth	3.5 %	2.9 %	–
Revenue *in $ millions*	7,612	7,005	9 %
Depreciation and amortization *in $ millions*	265	238	11 %
Operating income *in $ millions*	1,250	1,168	7 %
Operating income margin	16.4 %	16.7 %	–

REVENUE Treatments increased by 4 % for the year ended December 31, 2009 as compared to the same period in 2008 mostly due to same market growth (4 %) and acquisitions (1 %), partially offset by the effect of one less dialysis day of 1 %. At December 31, 2009, 132,262 patients (a 5 % increase over the same period in the prior year) were being treated in the 1,784 clinics that we own or operate in the North America segment, compared to 125,857 patients treated in 1,686 clinics at December 31, 2008. Average North America revenue per treatment was $ 341 for the year ended December 31, 2009 and $ 326 in the same period in 2008. In the U.S., average revenue per treatment was $ 347 for the year ended December 31, 2009 and $ 330 for the same period in 2008. The increase was mainly attributable to a revenue per treatment increase, including increased commercial payor revenue, increased utilization of pharmaceuticals, including EPO, Medicare reimbursement increases for pharmaceuticals (ASP + 6 %) and the 1 % 2009 Medicare composite rate increase.

Net revenue for the North America segment for 2009 increased as a result of increases in dialysis care revenue by 9 % to $ 6,794 million from $ 6,247 million in the same period of 2008 and in dialysis product revenue by 8 % to $ 818 million from $ 758 million in 2008.

The dialysis care revenue increase was driven by same market treatment growth (4 %), increased revenue per treatment (4 %) and acquisitions (1 %). The administration of EPO represented approximately 21 % of total North America dialysis care revenue for the year ended December 31, 2009 and 20 % for the year ended December 31, 2008.

The dialysis product revenue increase was driven mostly by a higher pharmaceutical sales, especially of the newly licensed intravenous iron products, partially offset by lower PhosLo® revenues as a result of a competitor's launch of a generic version of PhosLo® in the United States in October 2008.

OPERATING INCOME Operating income increased to $ 1,250 million for the year ended December 31, 2009 from $ 1,168 million for the same period in 2008. Operating income margin decreased to 16.4 % in 2009 from 16.7 % in 2008 due to increased costs for pharmaceuticals, lower margin contribution from our pharmaceutical business due to a competitor's launch of a generic version of PhosLo® in October 2008, higher personnel costs and increased depreciation related to recently acquired computer equipment and recently installed leasehold improvements, partially offset by increased revenue per treatment as described above and decreased bad debt expense. Cost per treatment increased to $ 283 in 2009 from $ 273 in 2008.

▸ INTERNATIONAL SEGMENT

KEY INDICATORS FOR INTERNATIONAL SEGMENT

Table 4.3.4

	2009	2008	Change as reported	Change at constant exchange rates
Number of treatments	9,558,293	8,720,489	10 %	–
Same market treatment growth	5.3 %	8.6 %	–	–
Revenue *in $ millions*	3,635	3,606	1 %	9 %
Depreciation and amortization *in $ millions*	183	171	8 %	–
Operating income *in $ millions*	637	616	3 %	–
Operating income margin	17.5 %	17.1 %	–	–

REVENUE Treatments increased by 10 % in 2009 over 2008 mainly due to same market growth (5 %) and acquisitions (5 %). As of December 31, 2009, 63,389 patients (a 9 % increase over the same period of the prior year) were being treated at 769 clinics that we own, operate or manage in the International segment compared to 58,229 patients treated at 702 clinics at December 31, 2008. Average revenue per treatment decreased to $ 163 from $ 171 due to the weakening of local currencies against the U.S. dollar ($ 15) partially offset by increased reimbursement rates and changes in country mix ($ 7).

Net revenues for the International segment for the year ended December 31, 2009 increased by 1 % as compared to the same period in 2008 as a result of an increase in dialysis care revenue partially offset by a decrease in dialysis product revenue. Organic growth during the period of 8 % and a contribution from acquisitions of approximately 2 % were partially offset by a negative impact of exchange rate fluctuations of 8 % as well as the effect of closed or sold clinics of 1 %.

Including the effects of acquisitions, European region revenue decreased 1 % (8 % increase at constant exchange rates), Latin America region revenue increased 5 % (16 % increase at constant exchange rates), and Asia-Pacific region revenue increased 6 % (8 % increase at constant exchange rates).

Total dialysis care revenue for the International segment increased during 2009 by 4 % (14 % increase at constant exchange rates) to $ 1,556 million from $ 1,490 million in the same period of 2008. This increase is a result of increases in revenue per treatment of 6 %, same market growth of 5 % and a 4 % increase in contributions from acquisitions, partially offset by of the negative impact of exchange rate fluctuations of approximately 10 % as well as the effect of one less dialysis day of 1 %.

Total dialysis product revenue for 2009 decreased by 2 % (6 % increase at constant exchange rates) to $ 2,079 million. Increased pharmaceutical sales especially related to newly licensed intraveneous iron products, and increased sales of dialyzers, bloodlines, hemodialysis solutions and concentrates as well as sales of products for acute care treatment were more than offset by the negative impact of exchange rate fluctuations (8 %) and lower sales of hemodialysis machines.

OPERATING INCOME Operating income increased by 3 % to $ 637 million. Operating income margin increased to 17.5 % for the year ended December 31, 2009 from 17.1 % for the same period in 2008 due to lower production costs as a result of lower prices for certain raw material and energy, economies of scale and the positive effect of an inventory adjustment in the first quarter of 2009, partially offset by unfavorable foreign currency transaction effects related to the purchase of products produced in Europe and Japan due to the appreciation of the euro and yen against local currencies.

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, 2009, we had cash and cash equivalents of $ 301 million and unused sources of credit of $ 1,051 million available to us which are discussed in more detail below.

▸ **OPERATIONS** In the past two years, we have generated cash flows from operations of $ 1,339 million and $ 1,016 million, 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 2009 versus 2008 was mainly a result of favorable days sales outstanding (DSO) development in North America and increased earnings partially offset by higher income tax payments in 2009 while 2008 had been favorably impacted by a $ 37 million tax refund in the U.S. as a result of the settlement agreement with the IRS to resolve our appeal of the IRS' disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 OIG investigation.

The profitability of our business depends significantly on reimbursement rates. Approximately 74 % 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 2009, approximately 33 % 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 all 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 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. The section "Overview" includes a discussion of recent Medicare reimbursement rate changes including provisions for implementation of a "bundled rate" commencing January 1, 2011.

Our working capital was $ 2,118 million at December 31, 2009 which increased from $ 1,068 million at December 31, 2008, mainly as a result of decreases in short-term debt mostly as a result of the repayment of short-term Euro Notes in the third quarter of 2009 with the proceeds from the issuance of new long-term debt in the second quarter of 2009; increases in prepaid expenses, inventories, accounts receivables from related parties and cash, and a decrease in the accounts receivable facility. Our ratio of current assets to current liabilities was 1.8.

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 ac-

counts receivable under some countries' legal systems. Accounts receivable balances at December 31, 2009 and December 31, 2008, net of valuation allowances, represented approximately 72 and 77 of DSO, 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	*2009*	*2008*
North America	52	60
International	110	107
▸ **TOTAL**	**72**	**77**

The decrease in DSO in the North America segment is mainly a result of prior changes made to our management and structure of the billing groups as well as the continued work flow and process improvements to drive cash collections. The increase in DSO for the International segment mainly reflects slight average payment delays 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 slightly more slowly in the International segment in the immediate future, particularly in countries most severely affected by the current global financial crisis. Interest and income tax payments also have a significant impact on our cash from operations.

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 have 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 to resolve our appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 U.S. government investigation, we received a refund in September 2008 of $ 37 million, inclusive of interest. The settlement preserves our right to continue to pursue claims in the U.S. Federal courts for refunds of all other disallowed deductions.

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. As a result of a change in judgment based on new information which became available in the second quarter of 2009 we have increased our recognition of the tax benefit related to this claim by $ 14.6 million (€ 10.4 million).

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 the financial statements.

We are subject to ongoing 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 or 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* "Legal Proceedings" provides for payment by the Company of $ 115 million 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. The $ 115 million 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 all potential additional tax payments 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 $ 698 million and $ 891 million in investing activities in 2009 and 2008, respectively.

Capital expenditures for property, plant and equipment, net of disposals were $ 562 million in 2009 and $ 673 in 2008. In 2009, capital expenditures were $ 295 million in the North America segment and $ 267 million for the International segment. Capital expenditures in 2008 were $ 384 million in the North America segment and $ 289 million for the International segment. The majority of our capital expenditures was used for maintaining existing clinics, equipping new clinics, and maintenance and expansion of production facilities primarily in North America, Germany, France, Japan and China and capitalization of machines provided to our customers, primarily in the International segment. Capital expenditures were approximately 5 % and 6 % of total revenue for 2009 and 2008, respectively.

We invested approximately $ 188 million cash in 2009, primarily for acquisitions of dialysis clinics and recently acquired pharmaceutical licenses, ($ 124 million in the North America segment, $ 64 million in the International segment) as compared to $ 227 million cash in 2008 ($ 113 million in the North America segment, $ 57 million in the International segment and $ 57 million at Corporate). We also received $ 2 million and $ 59 million in conjunction with divestitures in 2009 and 2008, respectively.

In 2008, we granted a loan of $ 50 million to Fresenius SE, our parent, which was repaid on April 30, 2009. ▸ *see Note 4* "Related Party Transactions, c) Financing provided by and to Fresenius SE".

We anticipate capital expenditures of approximately $ 550 to $ 650 million and expect to make acquisitions of up to $ 400 million in 2010.

▸ **FINANCING** Net cash used in financing was $ 558 million in 2009 compared to $ 156 million in 2008.

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 million (€ 200 million) that were due and repaid on July 27, 2009, reducing the amount outstanding under our accounts receivable securitization program, and the payment of dividends partially offset by the issuance of long-term debt and borrowings under other existing long-term debt facilities. In 2008, cash was mainly used for redemption of trust preferred securities ($ 678 million), the payment of dividends ($ 252 million) and the payment in November 2008 of the remaining financial liability relating to the 2007 RSI Acquisition ($ 56 million); we raised cash from our accounts receivable securitization facility (A/R Facility) and other existing long-term credit facilities.

The following table summarizes the Company's available sources of liquidity at December 31, 2009:

AVAILABLE SOURCES OF LIQUIDITY

in $ millions

Table 4.4.2

	Total	*Expiration per period of*	
		1 Year	*2–5 Years*
Accounts receivable facility[1]	436	436	–
2006 Senior Credit Agreement	308	–	308
Other Unused long-term Lines of Credit	98	–	98
Other Unused short-term Lines of Credit	209	209	–
▶ TOTAL	**1,051**	**645**	**406**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria.*

The amount of guarantees and other commercial commitments at December 31, 2009 is not significant.

At December 31, 2009, we have short-term borrowings, excluding the current portion of long-term debt, of $ 310 million.

The following table summarizes, as of December 31, 2009, 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

in $ millions

Table 4.4.3

	Total	*Payments due by period of*		
		1 Year	*2–5 Years*	*over 5 Years*
Trust Preferred Securities[1]	732	50	682	–
Long Term Debt[2,3]	5,218	344	4,261	613
Capital Lease Obligations	20	5	10	5
Operating Leases	2,551	455	1,294	802
Unconditional Purchase Obligations	2,414	408	1,044	962
Other Long-term Obligations	48	35	12	1
Letters of Credit	97	97	–	–
▶ TOTAL	**11,080**	**1,394**	**7,303**	**2,383**

[1] *Interest payments are determined on these debt instruments until their respective maturity dates and based on their applicable balances and fixed interest rates for each period presented.*
[2] *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.*
[3] *Excludes our 5.50 % Senior Notes due 2016 issued on January 20, 2010 (5.50 % Senior Notes).*

Our obligations under the 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 2006 Senior Credit Agreement, EIB agreements, Euro Notes, 6 7/8 % Senior Notes, 5.50 % 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 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 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 2006 Senior Credit Agreement, the EIB agreements, the Euro Notes, the 6 7/8 % Senior Notes, the 5.50 % 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 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, 2009, we are in compliance with all covenants under the 2006 Senior Credit Agreement and our other financing agreements. For information regarding our 2006 Senior Credit Agreement, EIB agreements, Euro Notes, 6 7/8 % Senior Notes, and the indentures relating to our trust preferred securities, ▸ *see Note 10 and Note 12* "Long-Term Debt and Capital Lease Obligations" and "Mandatorily Redeemable Trust Preferred Securities". For information regarding our 5.50 % Senior Notes issued in January 2010, ▸ *see Note 2* "Subsequent Event".

Although we are not immune from the current worldwide financial crises, 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. Our syndicated credit facility is comprised of approximately 60 lenders for the revolving credit facility, none of which contribute more than 5.5 % of our revolving facility under the 2006 Senior Credit Agreement. Although one of the 60 participating banks in this syndicated facility defaulted on its obligation to provide funds under the terms of the revolving facility during the fourth quarter 2008, we do not anticipate any major issues in having funds available for us when we utilize this credit facility. As we deemed the amount in default immaterial, we took no action to amend our 2006 Senior Credit Agreement to replace the defaulting bank. 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". 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.

▶ 178

Following our earnings-driven dividend policy, our General Partner's Management Board will propose to the shareholders at the Annual General Meeting on May 11, 2010, a dividend with respect to 2009 and payable in 2010, of € 0.61 per ordinary share (for 2008 paid in 2009: € 0.58) and € 0.63 per preference share (for 2008 paid in 2009: € 0.60). The total expected dividend payment is approximately € 183 million (approximately $ 263 million based upon the December 31, 2009 spot rate) compared to dividends of € 173 million ($ 232 million) paid in 2009 with respect to 2008. Our 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 2010 to $ 300 million in total.

We will focus our financing activities in the coming years on reducing subordinated debt. In this respect we did not refinance the subordinated trust-preferred securities issued by Fresenius Medical Care Capital Trust II and III which matured in February 2008 by issuing new subordinated debt, but used our existing senior credit facilities instead. Our target for maturing long-term debt is to refinance through more senior and unsecured debt instruments. We have sufficient financial resources – consisting of only partly drawn credit facilities and our accounts receivable facility – which we intend to preserve in the next years. We aim to keep committed and unutilized credit facilities to a minimum of $ 300 to $ 500 million.

On April 27, 2009, the Company issued euro denominated notes (Euro Notes) totaling € 200 million which are senior, unsecured obligations 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. The initial average interest rate was 6.95 %. Proceeds of € 69.5 million of the newly issued Euro Notes were used in April 2009 to voluntarily retire a portion of the Euro Notes that were due in July 2009 with the remaining proceeds used to repay the balance of the notes on their scheduled maturity date of July 27, 2009. Our immediate refinancing need for 2010 is limited to the annual renewal of our accounts receivable facility which, in November 2009, was increased from $ 550 million to $ 650 million and extended to October 15, 2010. On January 20, 2010, our wholly owned subsidiary, FMC Finance VI S.A., issued € 250 million ($ 353.3 million at date of issuance) of 5.50 % Senior Notes at an issue price of 98.6636 %. The 5.50 % Senior Notes have 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, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. For additional information regarding our 5.50 % Senior Notes ▶ *see Note 2* "Subsequent Event".

In addition to the annual renewal of our accounts receivable facility described above, our 2010 financing needs are limited to the dividend payment of approximately $ 263 million in May 2010 which is expected to be covered by cash flow from operations and from existing credit facilities. The Company plans to refinance the amounts due in 2011 for Term Loan A and the Revolving Credit facility under the 2006 Senior Credit Agreement ▸ *see Note 10* "Long-term Debt and Capital Lease Obligations – 2006 Senior Credit Agreement" and the amounts due under the Trust Preferred Securities ▸ *see Note 12* "Mandatorily Redeemable Trust Preferred Securities", in all totaling approximately $ 2,624 million at December 31, 2009, by renewing the credit agreement or by entering into diverse capital market transactions. We also expect to pay the anticipated dividend payment in 2011 from our cash flows and by using credit facilities existing at the time the dividends are paid. 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.

The rating agencies identified in the table below assign credit ratings to us based on their assessments of our financing strategy, resources and financial performance. Our cost of borrowing is indirectly influenced by these ratings.

The table below shows the ratings as of December 31, 2009:

RATING

Table 4.4.4

	Corporate Credit Rating	*Outlook*
Standard & Poor's	BB	stable
Moody's	Ba1	stable
Fitch	BB	stable

▸ DEBT COVENANT DISCLOSURE – EBITDA EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $ 2,213 million, 19.7 % of revenues for 2009, $ 2,088 million, 19.7 % of revenues for 2008 and $ 1,944 million, 20.0 % of revenues for 2007. EBITDA is the basis for determining compliance with certain covenants contained in our 2006 Senior Credit Agreement, Euro Notes, EIB, and the indentures relat-

ing to our 6 7/8 % Senior Notes, our 5.50 % Senior Notes and our outstanding trust preferred securities ▸ *see* "Financing" above. 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

in $ thousands

Table 4.4.5

	2009	*2008*
Total EBITDA	2,212,681	2,088,103
Interest expense (net of interest income)	(299,963)	(336,742)
Income tax expense, net	(490,413)	(475,702)
Change in deferred taxes, net	22,002	133,047
Changes in operating assets and liabilities	(139,494)	(403,123)
Compensation expense	33,746	31,879
Other items, net	58	(21,064)
▸ NET CASH PROVIDED BY OPERATING ACTIVITIES	**1,338,617**	**1,016,398**

Chapter 4.5

RECENTLY ISSUED ACCOUNTING STANDARDS

For a discussion of recently issued accounting standards ▸ *see Note 1* "The Company, Basis of Presentation and Summary of Significant Accounting Policies – Summary of Significant Accounting Policies, u) Recent Pronouncements".

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 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 page 97* for "Risk Report". 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 33 % of our worldwide revenue for 2009 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.

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 financial 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, 2009. 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, 2009, and the credit risk inherent to those contracts with positive market values as of December 31, 2009. All contracts expire within 35 months after the reporting date.

FOREIGN CURRENCY RISK MANAGEMENT

in $ millions, December 31

Table 4.6.1

	Nominal amount				*Fair value*	*Credit risk*
	2010	*2011*	*2012*	*Total*		
Purchase of € against $	309	697	–	1,006	7	9
Sale of € against $	85	–	–	85	(1)	–
Purchase of € against others	595	39	–	634	(2)	9
Sale of € against others	40	–	–	40	–	–
Others	55	7	–	62	1	3
▶ **TOTAL**	**1,084**	**743**	**–**	**1,827**	**5**	**21**

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 following Year's Average Reference Rate of $1.3948 or Year's Close Reference Rate of $1.4406 per €1.00.

EXCHANGE RATES

$ per €

Table 4.6.2

	Year's High	*Year's Low*	*Year's Average*	*Year's Close*
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
2005	1,3507	1,1667	1,2442	1,1797

The Reference Rate on February 19, 2010 was $1.3626 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 $ 7 million.

INTEREST RATE RISK We are exposed to changes in interest rates that affect our variable-rate borrowings. We enter into debt obligations and into accounts receivable securitizations to support our general corporate purposes including 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.

We enter into interest rate swap agreements that are designated as cash flow hedges effectively converting the major part of variable interest rate payments due on our 2006 Senior Credit Agreement denominated in U.S. dollars into fixed interest rate payments. Those swap agreements, all of which expire at various dates between 2010 and 2012, in the notional amount of $ 2.40 billion, effectively fix the Company's variable interest rate on the majority of its U.S. dollar-denominated loans at an average interest rate of 4.29 % plus an applicable margin. 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, 2009, the negative fair value of these agreements is $ 106 million.

The table 4.6.3 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 $ millions	*2010*	*2011*	*2012*	*2013*	*2014*	*Thereafter*	*Total*	*Fair value Dec. 31, 2009*
Floating Rate $ Debt								
Principal payments on Senior Credit Agreement Variable interest rate = 1.37 %	134	1,550	1,142	379	–	–	3,205	3,113
Accounts receivable securitization programs Variable interest rate = 0.41 %	214	–	–	–	–	–	214	214
EIB loans Variable interest rate = 0.38 %	–	–	–	84	–	–	84	84
Floating Rate € Debt								
Principal payments on Senior Credit Agreement Variable interest rate = 1.19 %	–	317	–	–	–	–	317	317
Euro Notes 2009/2012 Variable interest rate = 6.019 %	–	–	172	–	–	–	172	174
Euro Notes 2009/2014 Variable interest rate = 6.519 %	–	–	5	5	34	–	44	45
EIB loans Variable interest rate = 0.695 %	–	–	–	–	130	–	130	130
Fixed Rate $ Debt								
Company obligated mandatorily redeemable preferred securities of subsidiaries Fresenius Medical Care Capital Trusts Fixed interest rate = 7.875 %/ issued in 2001	–	224	–	–	–	–	224	233
Senior Notes 2007/2017 Fixed interest rate = 6.875 %	–	–	–	–	–	493	493	499
Fixed Rate € Debt								
Company obligated mandatorily redeemable preferred securities of subsidiaries Fresenius Medical Care Capital Trusts Fixed interest rate = 7.375 %/ issued in 2001	–	432	–	–	–	–	432	455
Euro Notes 2009/2012 Fixed interest rate = 7,4065 %	–	–	51	–	–	–	51	57
Euro Notes 2009/2014 Fixed interest rate = 8,3835 %	–	–	3	3	15	–	21	24
Interest Rate Derivatives								
$ Payer Swaps Notional amount	250	1,000	1,150	–	–	–	2,400	(106)
Average fixed pay rate = 4.29 %	4.28 %	4.10 %	4.45 %	–	–	–	4.29 %	–
Receive rate = 3-month $LIBOR	–	–	–	–	–	–	–	–

All variable interest rates dipicted above are as of December 31, 2009.

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.

5

CONSOLIDATED FINANCIAL STATEMENTS

NORMA J. OFSTHUN, PHD
Vice President Corporate Research,
Fresenius Medical Care North America

Being in touch with patients is very important for me in my work as a researcher: as scientists, we can make calculations, measure results, and conduct experiments … But in the end it's the patients who let us know what's important to them, how they feel and what makes them feel better. That helps us more than any measurement or diagram.

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Financial Report
Chapter 5

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CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME

Table 5.1.1

in $ thousands, except share data

	Note	2009	2008
Net revenue			
Dialysis Care	1 I	8,350,233	7,737,498
Dialysis Products		2,897,244	2,874,825
▶ **TOTAL**	21	**11,247,477**	**10,612,323**
Costs of revenue			
Dialysis Care		5,945,724	5,547,615
Dialysis Products		1,470,241	1,435,860
▶ **TOTAL**		**7,415,965**	**6,983,475**
Gross profit		3,831,512	3,628,848
Operating expenses			
Selling, general and administrative		1,982,106	1,876,177
Research and development	1 J	93,810	80,239
▶ **OPERATING INCOME**		**1,755,596**	**1,672,432**
Other (income) expense			
Interest income		(21,397)	(24,811)
Interest expense		321,360	361,553
Income before income taxes		1,455,633	1,335,690
Income tax expense	1 K, 16	490,413	475,702
Net income		965,220	859,988
Less: Net income attributable to Noncontrolling interests		74,082	42,381
▶ **NET INCOME ATTRIBUTABLE TO FMC-AG & CO. KGAA**		**891,138**	**817,607**
▶ **BASIC INCOME PER ORDINARY SHARE**		**2.99**	**2.75**
▶ **FULLY DILUTED INCOME PER ORDINARY SHARE**		**2.99**	**2.74**

See accompanying notes to consolidated financial statements.

Chapter 5.2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in $ thousands

Table 5.2.1

	Note	2009	2008
▶ **NET INCOME**		**965,220**	**859,988**
Gain (loss) related to cash flow hedges	20	30,082	(108,240)
Actuarial gains (losses) on defined benefit pension plans	20	9,708	(28,551)
Foreign currency translation	20	82,545	(168,336)
Income tax (expense) benefit related to components of other comprehensive income	20	(18,971)	55,692
▶ **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX**	20	**103,364**	**(249,435)**
▶ **TOTAL COMPREHENSIVE INCOME**		**1,068,584**	**610,553**
Comprehensive income attributable to Noncontrolling interests		75,886	45,108
▶ **COMPREHENSIVE INCOME ATTRIBUTABLE TO FMC-AG & CO. KGAA**		**992,698**	**565,445**

See accompanying notes to consolidated financial statements.

Chapter 5.3

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

in $ thousands, except share data, at December 31

Table 5.3.1

	Note	2009	2008
Assets			
Current assets			
Cash and cash equivalents	1 B	301,225	221,584
Trade accounts receivable, less allowance for doubtful accounts of $266,449 in 2009 and $ 262,836 in 2008		2,285,909	2,176,316
Accounts receivable from related parties		272,886	175,525
Inventories	5	821,654	707,050
Prepaid expenses and other current assets		729,306	607,399
Deferred taxes	1K, 16	316,820	324,123
▶ **TOTAL CURRENT ASSETS**		**4,727,800**	**4,211,997**
Property, plant and equipment, net	1E, 6	2,419,570	2,236,078
Intangible assets	1F, 7	859,195	846,496
Goodwill	1F, 7	7,511,434	7,309,910
Deferred taxes	1K, 16	64,749	92,805
Other assets		238,567	222,390
▶ **TOTAL ASSETS**		**15,821,315**	**14,919,676**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Table 5.3.2

in $ thousands, except share data, at December 31

	Note	2009	2008
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		362,407	366,017
Accounts payable to related parties		277,429	239,243
Accrued expenses and other current liabilities	8	1,335,553	1,288,433
Short-term borrowings and other financial liabilities	9	316,344	683,155
Short-term borrowings from related parties	9	10,440	1,330
Current portion of long-term debt and capital lease obligations	10	157,634	455,114
Income tax payable	1K, 16	116,978	82,468
Deferred taxes	1K, 16	32,930	28,652
▶ **TOTAL CURRENT LIABILITIES**		**2,609,715**	**3,144,412**
Long-term debt and capital lease obligations, less current portion	10	4,427,921	3,957,379
Other liabilities		307,112	319,602
Pension liabilities	11	147,327	136,755
Income tax payable	1K, 16	215,921	171,747
Deferred taxes	1K, 16	427,530	426,299
Company-obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company-guaranteed debentures of subsidiaries	12	656,096	640,696
▶ **TOTAL LIABILITIES**		**8,791,622**	**8,796,890**
Shareholders' equity			
Preference shares, no par value, € 1.00 nominal value, 12,356,880 shares authorized, 3,884,328 issued and outstanding		4,343	4,240
Ordinary shares, no par value, € 1.00 nominal value, 373,436,220 shares authorized, 295,746,635 issued and outstanding		365,672	363,076
Additional paid-in capital		3,389,111	3,293,918
Retained earnings		3,111,530	2,452,332
Accumulated other comprehensive (loss) income	20	(49,724)	(151,284)
▶ **TOTAL FMC-AG & CO. KGAA SHAREHOLDERS' EQUITY**	13	**6,820,932**	**5,962,282**
Noncontrolling interests	13	208,761	160,504
▶ **TOTAL EQUITY**	13	**7,029,693**	**6,122,786**
▶ **TOTAL LIABILITIES AND EQUITY**		**15,821,315**	**14,919,676**

See accompanying notes to consolidated financial statements.

Chapter 5.4

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

in $ thousands

Table 5.4.1

	Note	2009	2008
Operating Activities			
Net income		965,220	859,988
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22	457,085	415,671
Change in deferred taxes, net		22,002	133,047
(Gain) on sale of investments		(1,250)	(24,049)
Loss on sale of fixed assets		1,308	2,985
Compensation expense related to stock options	1T, 15	33,746	31,879
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(41,994)	(241,967)
Inventories	5	(88,933)	(94,112)
Prepaid expenses, other current and non-current assets		(147,105)	(84,089)
Accounts receivable from related parties		(144,224)	(32,747)
Accounts payable to related parties		138,506	64,999
Accounts payable, accrued expenses and other current and non-current liabilities		71,092	(17,040)
Income tax payable	1K, 16	73,164	1,833
▶ **NET CASH PROVIDED BY OPERATING ACTIVITIES**		**1,338,617**	**1,016,398**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

in $ thousands

Table 5.4.2

	Note	2009	2008
Investing Activities			
Purchases of property, plant and equipment	1E, 6, 21	(573,606)	(687,356)
Proceeds from sale of property, plant and equipment	1E, 6, 21	11,730	13,846
Acquisitions and investments, net of cash acquired, and net purchases of intangible assets	22, 23	(188,113)	(276,473)
Proceeds from divestitures		51,965	58,582
▶ **NET CASH (USED IN) INVESTING ACTIVITIES**		**(698,024)**	**(891,401)**
Financing Activities			
Proceeds from short-term borrowings and other financial liabilities	9	107,192	176,104
Repayments of short-term borrowings and other financial liabilities	9	(169,175)	(183,210)
Proceeds from short-term borrowings from related parties	9	18,830	168,641
Repayments of short-term borrowings from related parties	9	(118,422)	(169,573)
Proceeds from long-term debt and capital lease obligations	10	709,540	458,951
Repayments of long-term debt and capital lease obligations		(566,241)	(135,492)
Redemption of trust preferred securities		–	(678,379)
(Decrease) increase of accounts receivable securitization program		(325,000)	454,000
Proceeds from exercise of stock options	15	72,394	43,887
Dividends paid	13	(231,940)	(252,395)
Distributions to Noncontrolling interests		(68,004)	(38,592)
Contributions from Noncontrolling interests		12,699	–
▶ **NET CASH (USED IN) FINANCING ACTIVITIES**		**(558,127)**	**(156,058)**
▶ **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**		**(2,825)**	**7,955**
Cash and Cash Equivalents			
Net increase (decrease) in cash and cash equivalents		79,641	(23,106)
Cash and cash equivalents at beginning of period		221,584	244,690
▶ **CASH AND CASH EQUIVALENTS AT END OF PERIOD**		**301,225**	**221,584**

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 $ thousands, except share data	Note	Preference Shares		Ordinary Shares	
		Number of shares	No par value	Number of shares	No par value
▶ BALANCE AT DECEMBER 31, 2007		**3,778,087**	**4,191**	**292,786,583**	**361,384**
Proceeds from exercise of options and related tax effects	15	32,453	49	1,145,453	1,692
Compensation expense related to stock options	15	–	–	–	–
Dividends paid	13	–	–	–	–
Purchase/sale of Noncontrolling interests		–	–	–	–
Contributions from Noncontrolling interests		–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
▶ 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		–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
▶ BALANCE AT DECEMBER 31, 2009		**3,884,328**	**4,343**	**295,746,635**	**365,672**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

in $ thousands, except share data

Tabelle 5.5.2

	Note	Additional paid in capital	Retained earnings	Accumulated Other comprehensive income (loss)	Total FMC-AG & Co. KGaA shareholders equity	Noncontrolling interests	Total
▶ BALANCE AT DECEMBER 31, 2007		**3,221,644**	**1,887,120**	**100,878**	**5,575,217**	**105,814**	**5,681,031**
Proceeds from exercise of options and related tax effects	15	40,395	–	–	42,136	–	42,136
Compensation expense related to stock options	15	31,879	–	–	31,879	–	31,879
Dividends paid	13	–	(252,395)	–	(252,395)	(38,592)	(290,987)
Purchase/sale of Noncontrolling interests		–	–	–	–	31,000	31,000
Contributions from Noncontrolling interests		–	–	–	–	17,174	17,174
Net income		–	817,607	–	817,607	42,381	859,988
Other comprehensive income (loss)	20	–	–	(252,162)	(252,162)	2,727	(249,435)
Comprehensive income		–	–	(252,162)	565,445	45,108	610,553
▶ BALANCE AT DECEMBER 31, 2008		**3,293,918**	**2,452,332**	**(151,284)**	**5,962,282**	**160,504**	**6,122,786**
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)	(61,499)	(293,439)
Purchase/sale of Noncontrolling interests		(3,138)	–	–	(3,138)	25,477	22,339
Contributions from Noncontrolling interests		–	–	–	–	8,393	8,393
Net income		–	891,138	–	891,138	74,082	965,220
Other comprehensive income (loss)	20	–	–	101,560	101,560	1,804	103,364
Comprehensive income		–	–	101,560	992,698	75,886	1,068,584
▶ BALANCE AT DECEMBER 31, 2009		**3,389,111**	**3,111,530**	**(49,724)**	**6,820,932**	**208,761**	**7,029,693**

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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA or the Company, we, us or our and 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 On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification™ (ASC) 105, Generally Accepted Accounting Principles (originally issued as FASB Statement No. 168-FASB accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles). ASC 105 establishes the FASB ASC as the exclusive authoritative reference for nongovernmental United States generally accepted accounting principles (U.S. GAAP) for use in financial statements issued for interim and annual periods ending after September 15, 2009, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. This divides nongovernmental U.S. GAAP into the authoritative ASC and guidance that is nonauthoritative. The contents of the ASC carry the same level of authority, eliminating the four-level GAAP hierarchy previously set forth in FASB Statement No. 162, which has been superseded by the ASC. The ASC supersedes or makes nonauthoritative all other existing non-grandfathered, non-SEC accounting literature and reporting standards not included in the ASC. The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP.

The Company evaluated the financial statements for subsequent events through the date of the submission of the Company's 20-F to the Securities and Exchange Commission ▸ *see Note 2* "Subsequent Event".

Income tax expense in the amount of $ 13,440 for the years ended December 31, 2008, in the prior year's comparative consolidated financial statements has been reclassified to income attributable to noncontrolling interests to conform with the current year's presentation.

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. 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 to provide management services, financing and product supply. A group of these clinics has negative equity and are unable to provide their own funding, therefore the Company has agreed to fund their operations for at least a six year period. The funding carries no interest but 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 are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately $ 87,999 and $ 88,508 in revenue in 2009 and 2008 respectively. The table below shows the carrying amounts of the assets and liabilities of these VIEs:

CARRYING AMOUNTS VIES

Table 5.6.1

in $ thousands	
Trade accounts receivable, net	31,060
Other current assets	11,576
Property, plant and equipment, intangible assets & other non-current assets	8,921
Goodwill	18,941
Accounts payable, accrued expenses and other liabilities	(25,108)
Non-current loans to related parties	(4,016)
Equity	(41,375)

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 5* "Inventories". 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 6* "Property, Plant and Equipment". 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 2009 and 2008 was $ 10,395 and $ 8,723, 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 a purchase method business combination are recognized and reported apart from goodwill ▸ *see Note 7* "Intangible Assets and Goodwill".

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 10 years. The U.S. intravenous iron products distribution and manufacturing agreement is amortized over its 10 year contractual license period based upon the annual estimated units of sale of the licensed product. 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 9 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 a weighted average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the 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 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 6.45 % for 2009. The basic rate is then adjusted by a country-specific risk rate within each reporting unit. In 2009, WACCs for the reporting units ranged from 6.45 % to 12.05 %.

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* "Financial Instruments". 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 earnings immediately. 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, including the mark-up, 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 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. 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* "Income Taxes".

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.

M) DEBT ISSUANCE COSTS Costs related to the issuance of debt are amortized over the term of the related obligation ▸ *see Note 10* "Long-term Debt and Capital Lease Obligations".

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 33 % and 35 % of the Company's worldwide revenues were earned and subject to regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2009 and 2008, respectively ▶ *see Note 5* "Inventories" for concentration of supplier risks.

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* "Legal Proceedings". 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 required under U.S. GAAP 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 ▶ *see Note 15* "Stock Options", are potentially dilutive equity instruments.

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) STOCK OPTION PLANS Effective January 1, 2006, the Company adopted the provisions of the accounting standards for share-based payments using the modified prospective transition method ▸ *see Note 15* "Stock Options". Under this transition method, compensation cost recognized in 2006 and subsequent years includes applicable amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, January 1, 2006, and (b) compensation cost for all stock-based payments subsequent to January 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of these standards.

U) RECENT PRONOUNCEMENTS

RECENTLY IMPLEMENTED ACCOUNTING STATEMENTS In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06 (ASU 2010-06), an update for ASC 820-10 ▸ *see above* "Basis of Presentation", Fair-Value Measurements and Disclosures, resulting in new disclosure requirements with regard to the following areas:

- Fair-value measurements are to be disaggregated by class, as opposed to the current disclosure requirement of by major category
- Disclosure of significant transfers of assets and liabilities in and/or out of Level 1 and Level 2, in addition to transfers in and/or out of the Level 3 category
- Purchases, sales, issuances, and settlements of Level 3 assets and liabilities are to be disclosed separately
- Disclosure of the valuation techniques and inputs used to determine fair value for Level 2 and Level 3 fair-value measurements, as well as changes in valuation techniques used and the reasons for the changes.

The disclosures required under ASU 2010-06 are effective for reporting periods beginning after December 15, 2009, with the exception of the disclosures about purchases, sales, issuances, and settlements in the roll forward of Level 3 activity, which are effective for fiscal years beginning after December 31, 2010, and for interim periods within those fiscal years. Early adoption is permitted for the additional disclosures. The Company adopted all disclosures required under this update as of December 31, 2009.

RECENTLY ISSUED ACCOUNTING STATEMENTS 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 will need to be reevaluated under the amended consolidation requirements as of the beginning of the first annual reporting period that begins after November 15, 2009. Early adoption is prohibited. The Company will implement 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 will adopt provisions of ASU 2009-16 as of January 1, 2010.

▸ **2. SUBSEQUENT EVENT** On January 20, 2010, the Company's wholly owned subsidiary, FMC Finance VI S.A. (Finance VI), issued € 250,000 ($ 353,300 at date of issuance) of senior unsecured notes (the 5.50 % Senior Notes) with a coupon of 5.50 % at an issue price of 98.6636 %. The 5.50 % Senior Notes have a yield to maturity of 5.75 % and are due July 15, 2016. Finance VI may redeem the 5.50 % 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 a right to request that Finance IV repurchase the 5.50 % Senior Notes at 101 % of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the 5.50 % Senior Notes. 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 the Company, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH.

▸ 3. ACQUISITIONS

RSI ACQUISITION On November 26, 2007, the Company completed the acquisition of all the common stock of Renal Solutions, Inc. (RSI), an Indiana corporation with principal offices in Warrendale, PA. The RSI acquisition agreement provided for total consideration of up to $ 203,666, consisting of $ 20,000 previously advanced to RSI in the form of a loan, $ 99,854 paid at closing, $ 60,000 paid in November, 2008, $ 3,572 receivable related to a working capital adjustment which was received in 2008, and up to $ 30,000 in milestone payments over a three year period contingent upon the achievement of certain performance criteria, of which $ 20,000 was paid in 2009. In 2007, the Company recorded a liability of $ 27,384 representing the net present value of the $ 30,000 milestone payments. At December 31, 2009, the net book value of the remaining liability was $ 9,488. The purchase price was allocated to goodwill ($ 159,386), intangible assets ($ 34,480) and other net assets ($ 9,800). RSI holds key patents and other intellectual property worldwide related to sorbent-based technology (SORB). SORB technology purifies potable water to dialysate quality and allows dialysis for up to 8 hours with only 6 liters of potable water through a process of dialysate regeneration and toxin adsorption. This regeneration capability significantly reduces the water volume requirement for a typical hemodialysis treatment and is an important step in advancing home hemodialysis and helping to create a potential platform for eventual development of a wearable kidney.

The assets and liabilities of all acquisitions were recorded at their estimated fair values at the dates of the acquisitions and are included in the Company's Consolidated Financial Statements and operating results from the effective date of acquisition.

▸ 4. RELATED PARTY TRANSACTIONS

A) SERVICE AGREEMENTS AND LEASES The Company is party to service agreements with Fresenius SE, the sole stockholder of its General Partner and its largest shareholder with approximately 36.0 % ownership of the Company's voting shares, and certain affiliates of Fresenius SE that are not also subsidiaries of the Company 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. Fees for these services are negotiated by the involved parties based on requested service volume and full absorption cost plus a 5 % mark-up. For the years 2009 and 2008 amounts charged by Fresenius SE to the Company under the terms of these agreements are $ 68,234 and $ 59,038, respectively. The Company also provides certain services to Fresenius SE and certain affiliates of Fresenius SE, including research and development, central purchasing, patent administration and warehousing. The fees for these services are negotiated on the same basis as the fees for services provided to the Company by Fresenius SE. The Company charged $ 13,540 and $ 9,798 for services rendered to Fresenius SE in 2009 and 2008, respectively.

Under operating lease agreements for real estate entered into with Fresenius SE, the Company paid Fresenius SE $ 23,109 and $ 23,485 during 2009 and 2008, respectively. The majority of the leases expires 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 Management AG for 2009 and 2008 was $ 7,783 and $ 9,230, respectively, for its management services during those years and included $ 84 and $ 88 as compensation for their exposure to risk as General Partner for 2009 and 2008, 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 During the years ended December 31, 2009 and 2008, the Company sold products to Fresenius SE for $ 13,601 and $ 36,704, respectively. During 2009 and 2008, the Company made purchases from Fresenius SE in the amount of $ 43,320 and $ 45,084, respectively.

In addition to the purchases noted above, the Company currently purchases heparin supplied by APP Inc., through a 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. In the twelve-month periods ended December 31, 2009 and 2008, Fresenius Medical Care Holdings, Inc. (FMCH) acquired approximately $ 31,300 and $ 19,564, 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 The Company receives short-term financing from and provides short-term financing to Fresenius SE.

On August 19, 2009, the Company borrowed $ 2,161 (€ 1,500) from its General Partner at 1.335 %, due on August 19, 2010.

During the second quarter 2009, the Company reclassified an account payable to Fresenius SE in the amount of € 77,745 ($ 109,885 at June 30, 2009) from account 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 ($ 8,279 at December 31, 2009) was outstanding at December 31, 2009 and will be repaid in 2010 with an interest rate of 6 %. Interest expense incurred on the € 71,998 of the loan repaid in 2009 was $ 4,313 (€ 3,092).

▶ *See Note 9* "Short-term borrowings and short-term borrowings from related parties" for further information on the short-term borrowings from related parties balance at December 31, 2009.

In addition to the above, there was $ 1,330 owed to Fresenius SE at December 31, 2008 which was repaid in 2009.

On November 7, 2008, the Company entered into a loan agreement with Fresenius SE whereby it advanced Fresenius SE $ 50,000 at 6.45 % interest which was due and repaid on April 30, 2009.

D) OTHER During the third quarter of 2009 the Company acquired production lines from Fresenius SE for a purchase price of $ 3,416, net of 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 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 ▸ *see also page 17 and page 125*. The Company paid the law firm approximately $ 1,445 and $ 1,098 in 2009 and 2008, 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.

▸ 5. INVENTORIES

As of December 31, 2009 and 2008, inventories consisted of the following:

INVENTORIES

Table 5.6.2

in $ thousands

	2009	*2008*
Raw materials and purchased components	154,599	145,756
Work in process	63,683	60,960
Finished goods	481,047	385,607
Health care supplies	122,325	114,727
▸ TOTAL	**821,654**	**707,050**

During the first quarter 2009 inventory adjustments led to an increase in value of inventory at January 1, 2009, of $ 23,327 and a corresponding reduction in costs of revenues sold during the three month period ending March 31, 2009.

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately $ 2,414,214 of materials, of which $ 407,889 is committed at December 31, 2009 for 2010. The terms of these agreements run 1 to 9 years.

Inventories as of December 31, 2009 and 2008 include $ 34,788 and $ 35,143, 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 EPO accounted for approximately 21 % and 20 % of total dialysis care revenue in the North America segment for 2009 and 2008, respectively. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of the Company.

▶ **6. PROPERTY, PLANT AND EQUIPMENT** As of December 31, 2009 and 2008, property, plant and equipment consisted of the following:

ACQUISITION OR MANUFACTURING COSTS

in $ thousands

Table 5.6.3

	Jan. 1, 2009	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2009***
Land and improvements	40,156	1,045	66	1,173	2,939	(542)	44,837
Buildings and improvements	1,535,017	19,184	4,275	65,118	132,798	(28,711)	1,727,681
Machinery and equipment	2,352,344	62,414	9,129	273,561	46,831	(113,354)	2,630,925
Machinery, equipment and rental equipment under capitalized leases	22,718	799	556	8,138	(1,682)	(972)	29,557
Construction in progress	238,583	3,426	1,116	205,187	(187,578)	(1,023)	259,711
▶ PROPERTY, PLANT AND EQUIPMENT	**4,188,818**	**86,868**	**15,142**	**553,177**	**(6,692)**	**(144,602)**	**4,692,711**

DEPRECIATION/AMORTIZATION

in $ thousands

Table 5.6.4

	Jan. 1, 2009	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2009***
Land and improvements	–	–	–	–	–	–	–
Buildings and improvements	650,773	8,270	(124)	133,200	(133)	(23,528)	768,458
Machinery and equipment	1,290,983	36,801	209	260,122	(3,016)	(94,426)	1,490,673
Machinery, equipment and rental equipment under capitalized leases	10,984	532	–	3,538	(545)	(499)	14,010
Construction in progress	–	–	–	–	–	–	–
▶ PROPERTY, PLANT AND EQUIPMENT	**1,952,740**	**45,603**	**85**	**396,860**	**(3,694)**	**(118,453)**	**2,273,141**

NET BOOK VALUE

in $ thousands, December 31

Table 5.6.5

	2009	*2008*
Land and improvements	44,837	40,156
Buildings and improvements	959,223	884,244
Machinery and equipment	1,140,252	1,061,361
Machinery, equipment and rental equipment under capitalized leases	15,547	11,734
Construction in progress	259,711	238,583
▶ PROPERTY, PLANT AND EQUIPMENT	**2,419,570**	**2,236,078**

Depreciation expense for property, plant and equipment amounted to $ 396,860 and $ 368,300 for the years ended December 31, 2009 and 2008, respectively.

Included in property, plant and equipment as of December 31, 2009 and 2008 were $ 364,118 and $ 299,778, 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 $ 14,010 and $ 10,984 at December 31, 2009 and 2008, respectively.

▸ **7. INTANGIBLE ASSETS AND GOODWILL** As of December 31, 2009 and 2008, the carrying value and accumulated amortization of intangible assets consisted of the following:

ACQUISITION COSTS

Table 5.6.6

in $ thousands	*Jan. 1, 2009*	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2009***
Amortizable Intangible Assets							
Non-compete agreements	218,245	139	5,421	774	–	–	224,579
Technology	100,016	–	–	–	–	–	100,016
Licences and distribution agreements	173,244	4,581	–	6,436	(17)	(25)	184,219
Construction in progress	49,886	323	–	26,340	(7,339)	(2,097)	67,113
Self-developed software	8,656	729	5,463	1,283	15,565	(466)	31,230
Other	261,816	7,407	9,081	8,484	(5,545)	(3,775)	277,468
▸ TOTAL	**811,863**	**13,179**	**19,965**	**43,317**	**2,664**	**(6,363)**	**884,625**
Non-Amortizable Intangible Assets							
Tradename	241,474	199	–	–	–	–	241,673
Management contracts	241,374	148	–	–	–	–	241,522
▸ TOTAL	**482,848**	**347**	**–**	**–**	**–**	**–**	**483,195**
▸ INTANGIBLE ASSETS	**1,294,711**	**13,526**	**19,965**	**43,317**	**2,664**	**(6,363)**	**1,367,820**
▸ GOODWILL	**7,756,654**	**28,533**	**175,314**	**–**	**–**	**–**	**7,960,501**

DEPRECIATION / AMORTIZATION

Table 5.6.7

in $ thousands

	Jan. 1, 2009	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2009
Amortizable Intangible Assets							
Non-compete agreements	142,974	55	–	14,691	(3)	–	157,717
Technology	11,490	–	–	6,619	–	–	18,109
Licences and distribution agreements	41,336	1,871	–	16,495	–	(25)	59,677
Construction in progress	–	–	–	–	–	–	–
Self-developed software	1,815	589	–	3,028	4,721	(748)	9,405
Other	197,374	4,272	43	19,392	(4,775)	(5,822)	210,484
▶ TOTAL	**394,989**	**6,787**	**43**	**60,225**	**(57)**	**(6,595)**	**455,392**
Non-Amortizable Intangible Assets							
Tradename	31,318	7	–	–	–	–	31,325
Management contracts	21,908	–	–	–	–	–	21,908
▶ TOTAL	**53,226**	**7**	**–**	**–**	**–**	**–**	**53,233**
▶ INTANGIBLE ASSETS	**448,215**	**6,794**	**43**	**60,225**	**(57)**	**(6,595)**	**508,625**
▶ GOODWILL	**446,744**	**2,323**	**–**	**–**	**–**	**–**	**449,067**

NET BOOK VALUE

Table 5.6.8

in $ thousands, December 31	*2009*	*2008*
Amortizable Intangible Assets		
Non-compete agreements	66,862	75,271
Technology	81,907	88,526
Licences and distribution agreements	124,542	131,908
Construction in progress	67,113	49,886
Self-developed software	21,825	6,841
Other	66,984	64,442
▶ **TOTAL**	**429,233**	**416,874**
Non-Amortizable Intangible Assets		
Tradename	210,348	210,156
Management contracts	219,614	219,466
▶ **TOTAL**	**429,962**	**429,622**
▶ **INTANGIBLE ASSETS**	**859,195**	**846,496**
▶ **GOODWILL**	**7,511,434**	**7,309,910**

The amortization on intangible assets amounted to $ 60,225 and $ 47,384 for the years 2009 and 2008, respectively. The table below shows the estimated amortization expense of these assets for the following five years.

ESTIMATED AMORTIZATION EXPENSE

Table 5.6.9

in $ thousands	*2010*	*2011*	*2012*	*2013*	*2014*
Estimated Amortization Expense	61,448	57,647	54,743	53,345	52,976

INTANGIBLE ASSETS: LICENSE AND DISTRIBUTION AGREEMENTS In July 2008, Fresenius Medical Care entered into two separate license and distribution agreements, one for the U.S. (with Galenica Ltd. and Luitpold Pharmaceuticals Inc.), the "U.S. Agreement", and one for certain countries in Europe and the Middle East (with Galenica AG and Vifor (International) AG), the "International Agreement", to market and distribute Galenica Ltd's and Luitpold Pharmaceuticals Inc.'s intravenous iron products, such as Venofer® and Ferinject® for dialysis treatment. In North America, the license agreement among our subsidiary, FUSA Manufacturing

Inc. (FMI), Luitpold Pharmaceuticals Inc, American Regent, Inc. and Vifor (International), Inc. provides FMI with exclusive rights to manufacture and distribute Venofer® to freestanding (non-hospital based) U.S. dialysis facilities. In addition, it grants FMI similar rights for Injectafer® (ferric carboxymaltose), a proposed new intravenous iron medication currently under clinical study in the U.S. The U.S. license agreement has a term of ten years, includes FMI extension options, and requires payment by FMI over the ten year term of approximately $ 2,000,000, which the Company will expense as incurred (based upon the annual estimated units of sale of the licensed product), subject to certain early termination provisions. In addition to these payments, the Company will pay a total of approximately $ 47,000 over a four year period for the U.S Agreement of which $ 6,111 and $ 22,000 was paid in 2009 and 2008, respectively. The Company recorded a liability for the balance. The cost of the U.S. Agreement and related transaction costs of $ 5,957 will be amortized over their 10-year expected useful life (based upon the annual estimated units of sale of the licensed product). The Company paid $ 14,566 upon signing of the International Agreement in 2008 and could pay up to € 40,000 more upon certain milestones being met. The International Agreement costs will be amortized over their expected 20-year useful life. Milestone payments will be capitalized and amortized over their useful lives at the time the milestone payments are made, of which $ 20,922 (€ 15,000) was paid in 2009.

GOODWILL Changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2009 and 2008, the Company's acquisitions consisted primarily of clinics in the normal course of operations. The segment detail is as follows:

GOODWILL

Table 5.6.10

in $ thousands

	North America	*International*	*Corporate*	*Total*
▶ **BALANCE AS OF JANUARY 1, 2008**	**6,508,475**	**577,729**	**159,385**	**7,245,589**
Goodwill acquired	64,809	30,577	432	95,818
Reclassifications	(1,231)	12,773	–	11,542
Foreign Currency Translation Adjustment	(642)	(42,397)	–	(43,039)
▶ **BALANCE AS OF DECEMBER 31, 2008**	**6,571,411**	**578,682**	**159,817**	**7,309,910**
Goodwill acquired	123,303	52,011	–	175,314
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**

▸ **8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES** As at December 31, 2009 and 2008 accrued expenses and other current liabilities consisted of the following:

ACCRUED EXPENSES AND OTHER CURRENT LIABILITES

in $ thousands

Table 5.6.11

	2009	*2008*
Accrued salaries and wages	320,295	301,923
Unapplied cash and receivable credits	192,626	205,187
Accrued insurance	169,866	125,713
Special charge for legal matters	115,000	115,000
Other	537,766	540,610
▸ **TOTAL**	**1,335,553**	**1,288,433**

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* "Legal Proceedings". 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, derivatives and accrued rents.

▶ 9. SHORT-TERM BORROWINGS AND SHORT-TERM BORROWINGS FROM RELATED PARTIES As of December 31, 2009 and 2008, short-term borrowings and short-term borrowings from related parties consisted of the following:

SHORT-TERM BORROWINGS

in $ thousands

Table 5.6.12

	2009	*2008*
Borrowings under lines of credit	95,720	121,476
Accounts receivable facility	214,000	539,000
Other financial liabilities	6,624	22,679
▶ SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES	**316,344**	**683,155**
Short-term borrowings from related parties	10,440	1,330
▶ SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES	**326,784**	**684,485**

SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES

LINES OF CREDIT Short-term borrowings of $ 95,720 and $ 121,476 at December 31, 2009 and 2008, respectively, represent 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, 2009 and 2008 were 2.94 % and 5.30 %, respectively.

Excluding amounts available under the 2006 Senior Credit Agreement ▶ *see Note 10* "Long-term Debt and Capital Lease Obligations", at December 31, 2009 and 2008, the Company had $ 208,952 and $ 226,221 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 $550,000 to $ 650,000 on November 17, 2009. 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, 2009 there are outstanding short-term borrowings under the A/R Facility of $ 214,000. 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 2009 was 2.90 %. Annual refinancing fees, which include legal costs and bank fees (if any), are amortized over the term of the facility.

OTHER FINANCIAL LIABILITIES At December 31, 2009 and 2008, the Company had $ 6,624 and $ 22,679 of other financial liabilities which were mainly related to the 2008 Venofer® transaction ▸ *see Note 7* "Intangible Assets and Goodwill".

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, 2009, the Company received advances ranging from € 1,300 to € 72,000 with interest rates ranging from 1.05 % to 2.05 %. During the year ended December 31, 2008, the Company received advances ranging from € 13,200 to € 153,400 with interest rates ranging from 4.02 % to 5.11 %. On December 31, 2009, the Company had advances outstanding with Fresenius SE in the amount of $ 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 $ 2,161 (€ 1,500) with an interest rate of 1.335 %. On December 31, 2008, the Company had advances outstanding with Fresenius SE in the amount of $ 1,330 with an interest rate of 7.25 %. Annual interest expense on the borrowings during the years presented was $ 188 and $ 3,388 for the years 2009 and 2008, respectively.

▸ 10. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS As of December 31, 2009 and 2008, long-term debt and capital lease obligations consisted of the following:

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

in $ thousands

Table 5.6.13

	2009	*2008*
2006 Senior Credit Agreement	3,522,040	3,366,079
6 7/8 % Senior Notes	493,344	492,456
Euro Notes	288,120	278,340
EIB Agreements	213,460	174,059
Capital lease obligations	17,600	13,394
Other	50,991	88,165
	4,585,555	**4,412,493**
Less current maturities	(157,634)	(455,114)
▸ TOTAL	**4,427,921**	**3,957,379**

SENIOR DEBT The Company's senior debt consists mainly of borrowings related to its 2006 Senior Credit Agreement, its 6 7/8 % Senior Notes, its Euro Notes and borrowings under its European Investment Bank Agreements as follows:

2006 SENIOR CREDIT AGREEMENT The Company, Fresenius Medical Care Holdings, and certain other subsidiaries of the Company that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH, entered into a $ 4,600,000 syndicated credit facility (the 2006 Senior Credit Agreement) with Bank of America, N.A. (BofA); Deutsche Bank AG New York Branch; The Bank of Nova Scotia, Credit Suisse, Cayman Islands Branch; JPMorgan Chase Bank, National Association; and certain other lenders (collectively the Lenders) on March 31, 2006 which replaced its prior credit agreement.

The 2006 Senior Credit Agreement consists of:

▶ a 5-year $ 1,000,000 revolving credit facility (of which up to $ 250,000 is available for letters of credit, up to $ 300,000 is available for borrowings in certain non-U.S. currencies, up to $ 150,000 is available as swing line loans in U.S. 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 $ 1,000,000) which will be due and payable on March 31, 2011.

▶ a 5-year term loan facility (Term Loan A) of $ 1,850,000, also scheduled to mature on March 31, 2011. The 2006 Senior Credit Agreement requires 19 quarterly payments on Term Loan A of $ 30,000 each that permanently reduce the term loan facility which began June 30, 2006 and continue through December 31, 2010. The remaining amount outstanding is due on March 31, 2011. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of the 6 7/8 % Senior Notes ▶ *see below* "6 7/8 % Senior Notes" which reduced the principal balance outstanding; the quarterly payments were reduced to $ 29,430 beginning with the payment for September 30, 2008.

▶ a 7-year term loan facility (Term Loan B) of $ 1,750,000 scheduled to mature on March 31, 2013. The terms of the 2006 Senior Credit Agreement require 28 quarterly payments on Term Loan B that permanently reduce the term loan facility. The repayment began June 30, 2006. The first 24 quarterly payments are $ 4,375 and payments 25 through 28 are $ 411,250 with the final payment of the remaining balance due on March 31, 2013, subject to an early repayment requirement on March 1, 2011 if the Trust Preferred Securities due June 15, 2011 are not repaid or refinanced or their maturity is not extended prior to that date. As a result of the voluntary repayment made in July 2007 from the proceeds of the issuance of the 6 7/8 % Senior Notes ▶ *see below* "6 7/8 % Senior Notes" the balance of the remaining payments of $ 4,375 were reduced to $ 4,036 beginning with the September 30, 2008 payment, and payments 25 through 28 were reduced to $ 379,396.

Interest on these facilities will be, at the Company's option, depending on the interest periods chosen, at a rate equal to either (i) LIBOR plus an applicable margin or (ii) 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 $ 30,000 cash and cash equivalents to Consolidated EBITDA (as these terms are defined in the 2006 Senior Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the 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 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the lenders. The 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 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is $ 300,000 for dividends in 2010, and increases in subsequent years. The Company paid dividends of $ 231,940 in May of 2009 which was in compliance with the restrictions set forth in the 2006 Senior Credit Agreement. In default, the outstanding balance under the 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2009, the Company is in compliance with all covenants under the 2006 Senior Credit Agreement.

The Company incurred fees of approximately $ 85,828 in conjunction with the 2006 Senior Credit Agreement which are being amortized over the life of this agreement and wrote off approximately $ 14,735 in unamortized fees related to its prior senior credit agreement in 2006.

The following table shows the available and outstanding amounts under the 2006 Senior Credit Agreement at December 31, 2009 and 2008, respectively:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.14

in $ thousands, December 31	*2009*	*2008*
Maximum Amount Available		
Revolving Credit	1,000,000	1,000,000
Term Loan A	1,373,418	1,491,139
Term Loan B	1,553,908	1,570,053
▶ **TOTAL**	**3,927,326**	**4,061,192**
Balance Outstanding		
Revolving Credit	594,714	304,887
Term Loan A	1,373,418	1,491,139
Term Loan B	1,553,908	1,570,053
▶ **TOTAL**	**3,522,040**	**3,366,079**

In addition, at December 31, 2009 and 2008, respectively, $ 97,287 and $ 111,994 were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

In January 2008, the 2006 Senior Credit Agreement was amended in order to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

6 7/8 % SENIOR NOTES In July 2007, FMC Finance III S.A. (FINANCE III), a wholly-owned subsidiary of the Company, issued $ 500,000 aggregate principal amount of 6 7/8 % senior notes due 2017 (the 6 7/8 % Senior Notes) at a discount resulting in an effective interest rate of 7 1/8 %. The 6 7/8 % Senior Notes are guaranteed on a senior basis jointly and severally by the Company and by its subsidiaries Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (D-GmbH). Finance III may redeem the 6 7/8 % 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 a right to request that Finance III repurchase the 6 7/8 % Senior Notes at 101 % of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the 6 7/8 % Senior Notes. The proceeds, net of discounts, investment bank fees and other offering related expenses, were applied to reduce Term Loan A and Term Loan B under the Company's 2006 Senior Credit Agreement ▸ *see above* "2006 Senior Credit Agreement" and were used to pay down the then outstanding balance under its short-term A/R Facility ▸ *see above*. The discount is being amortized over the life of the 6 7/8 % Senior Notes.

EURO NOTES On April 27, 2009, the Company issued euro denominated notes (Euro Notes) totaling € 200,000 ($ 288,120 at December 31, 2009), 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. The initial average interest rate was 6.95 %. Proceeds of € 69,500 of the newly issued Euro Notes were used in April 2009 to voluntarily retire a portion of the 2005 Euro Notes ▸ *see below* that were due in July 2009 with the remaining proceeds used to repay the balance of those notes on their scheduled maturity date of July 27, 2009.

In July 2005, FMC Finance IV Luxembourg issued euro denominated notes (2005 Euro Notes) (Schuldscheindarlehen) totaling $ 278,340 (€ 200,000) with a € 126,000 tranche at a fixed interest rate and a € 74,000 tranche with a floating rate at EURIBOR plus applicable margin. The 2005 Euro Notes, guaranteed by the Company, matured and were fully repaid on July 27, 2009 and were included in the short term portion of long-term debt in our balance sheet at December 31, 2008.

EUROPEAN INVESTMENT BANK AGREEMENTS The Company entered into various credit agreements with the European Investment Bank (EIB) in 2005 and 2006 totaling € 221,000. In addition, in December 2009, the Company entered into an additional EIB loan agreement providing for a term loan of € 50,000. The loan has a four-year term and bears interest at the Euribor Rate plus an applicable margin. The EIB is a not-for-profit long-term lending institution of the European Union and lends funds at favorable rates for the purpose of capital investment and R&D projects, normally for up to half of the funds required for such projects.

The Company will use the proceeds of the 2009 EIB loan to refinance certain research and development projects carried out in 2007 through 2009 and uses the funds under the other agreements to refinance certain R&D projects, to make investments in expansion and optimization of existing production facilities in Germany, and for financing and refinancing of certain clinic refurbishing and improvement projects. Currently all agreements with the EIB have variable interest rates that change quarterly, with FMC-AG & Co. KGaA having options to convert the variable rates into fixed rates. Advances under some agreements can be denominated in certain foreign currencies including U.S. dollars.

The Company has four credit facilities available at December 31, 2009 under these agreements with the maximum amounts available and outstanding balances as follows:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.15

	Maximum amount available December 31, in € thousands		*Balance outstanding December 31, in $ thousands*	
	2009	*2008*	***2009***	*2008*
Revolving Credit	90,000	90,000	35,000	–
Loan 2005	41,000	41,000	48,806	48,806
Loan 2006	90,000	90,000	129,654	125,253
Loan 2009	50,000	–	–	–
▶ **TOTAL**	**271,000**	**221,000**	**213,460**	**174,059**

The Company's U.S. dollar borrowings under the Loan 2005 agreement had interest rates of 0.384 % and 2.03 %, and the euro borrowings under the Loan 2006 agreement had interest rates of 0.695 % and 4.77 % at December 31, 2009 and 2008, respectively.

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.

ANNUAL PAYMENTS Aggregate annual payments applicable to the 2006 Senior Credit Agreement, 6 7/8 % Senior Notes, Euro Notes, EIB agreements, capital leases and other borrowings (excluding the Company's trust preferred securities, ▶ *see Note 12* "Mandatorily Redeemable Trust Preferred Securities") for the five years subsequent to December 31, 2009 are:

ANNUAL PAYMENTS

in $ thousands

Table 5.6.16

	2010	*2011*	*2012*	*2013*	*2014*	*Thereafter*	*Total*
Annual Payments	157,634	1,882,699	1,385,638	476,980	181,675	507,585	**4,592,211**

▶ 11. 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 2009. FMCH voluntarily contributed $ 759 during 2009. Expected funding for 2010 is $ 607.

The benefit obligation for all defined benefit plans at December 31, 2009, is $ 386,852 (2008: $ 353,961) which consists of the benefit obligation of $ 261,282 (2008: $ 245,070) for the North America plan, which is funded by plan assets, and the benefit obligation of $ 125,570 (2008: $ 108,891) 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 5.6.17

in $ thousands

	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	353,961	331,649
Foreign currency translation	4,235	(6,288)
Service cost	7,500	8,357
Interest cost	21,397	20,393
Transfer of plan participants	96	2,228
Actuarial (gain) loss	13,216	4,472
Benefits paid	(7,560)	(6,850)
Curtailments and settlements	(5,993)	–
▶ **BENEFIT OBLIGATION AT END OF YEAR**	**386,852**	**353,961**
Change in plan assets		
Fair value of plan assets at beginning of year	214,616	228,581
Actual return on plan assets	29,382	(9,092)
Employer contributions	759	684
Benefits paid	(6,063)	(5,557)
Settlements	(2,061)	–
▶ **FAIR VALUE OF PLAN ASSETS AT END OF YEAR**	**236,633**	**214,616**
▶ **FUNDED STATUS AT END OF YEAR**	**150,219**	**139,345**

The Company had a pension liability of $ 150,219 and $ 139,345 at December 31, 2009 and 2008, respectively. The pension liability consists of a current portion of $ 2,892 (2008: $ 2,590) 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 $ 147,327 (2008: $ 136,755) 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 $ 367,182 and $ 334,951 at December 31, 2009 and 2008, respectively. The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $ 367,182 and $ 334,951 at December 31, 2009 and 2008, respectively; the related plan assets had a fair value of $ 236,633 and $ 214,616 at December 31, 2009 and 2008, respectively.

The pre-tax changes in the table below reflect actuarial losses (gains) in other comprehensive income relating to pension liabilities. As of December 31, 2009, there are no cumulative effects of prior service costs included in other comprehensive income.

OTHER COMPREHENSIVE INCOME (LOSS) RELATED TO PENSION LIABILITIES

in $ thousands

Table 5.6.18

	Actuarial losses (gains)
▶ ADJUSTMENTS RELATED TO PENSIONS AT JANUARY 1, 2008	**48,375**
Additions	30,494
Releases	(1,944)
Foreign Currency Translation Adjustment	1
▶ ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2008	**76,926**
Additions	(4,331)
Releases	(5,404)
Foreign Currency Translation Adjustment	27
▶ ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2009	**67,218**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $ 4,788.

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, 2009. The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

WEIGHTED AVERAGE ASSUMPTIONS FOR BENEFIT OBLIGATIONS

in %

Table 5.6.19

	2009	*2008*
Discount rate	6.00	6.15
Rate of compensation increase	4.01	4.19

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

in $ thousands

Table 5.6.20

	2009	2008
Service cost	7,500	8,357
Interest cost	21,397	20,393
Expected return on plan assets	(15,767)	(16,931)
Amortization of unrealized losses	4,592	1,944
Settlement loss	812	–
▶ **NET PERIODIC BENEFIT COSTS**	**18,534**	**13,763**

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

in %

Table 5.6.21

	2009	2008
Discount rate	6.15	6.16
Expected return of plan assets	7.50	7.50
Rate of compensation increase	4.19	4.16

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

EXPECTED BENEFIT PAYMENTS

in $ thousands

Table 5.6.22

	2010	2011	2012	2013	2014	2015 through 2019
Expected benefit payments	10,441	11,070	12,131	13,356	14,663	99,204

PLAN ASSETS The following table presents the fair values of the Company´s pension plan assets at December 31, 2009.

PLAN ASSETS

Table 5.6.23

in $ thousands	*Total*	*Fair Value Measurements at* ***December 31, 2009***	
		Quoted Prices in Active Markets for Identical Assets	*Significant Observable Inputs*
		(Level 1)	*(Level 2)*
Asset Category			
Equity Investments			
Common Stocks *in $*	5,904	5,904	–
Index Funds[1]	71,406	71,406	–
Fixed Income Investments			
Government Bonds[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** *in $*	**236,633**	**83,842**	**152,791**

[1] *This Category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI EAFE Index, MSCI Emerging Markets Index and the Barclays Capital Long Corporate Index*
[2] *This Category comprises government fixed income investments with the majority coming from U.S., Finland, Canada and Norway*
[3] *This Category represents investment grade bonds of U.S. issuers from diverse industries*
[4] *This Category comprises private placement bonds*
[5] *This Category represents funds that invest in treasury bills and treasury backed instruments*
[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 and index funds are valued at their market prices as of the balance sheet date.

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 7.5 % for 2009.

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 ($ 22.0 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, 2009 and 2008, was $ 28,567 and $ 26,096, respectively.

▸ 12. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES 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. 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, 2009, the Company is in compliance with all financial covenants under all Trust Preferred Securities agreements.

The Trust Preferred Securities outstanding as of December 31, 2009 and 2008 are as follows:

TRUST PREFERRED SECURITIES

Table 5.6.24

in thousands, except stated amounts, in $	*Year Issued*	*Stated Amount*	*Interest Rate*	*Mandatory Redemption Date*	***2009***	*2008*
Fresenius Medical Care Capital Trust IV	2001	$225,000	7 7/8 %	Jun. 15, 2011	224,451	224,068
Fresenius Medical Care Capital Trust V	2001	€300,000	7 3/8 %	Jun. 15, 2011	431,645	416,628
▶ **TOTAL**					**656,096**	**640,696**

The Company redeemed the securities issued by Trust II and Trust III which were due and paid on February 1, 2008, primarily with funds obtained under its existing credit facilities.

▶ 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 4* "Related Party Transactions".

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 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 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 Extraordinary General Meeting (EGM) of shareholders on August 30, 2005, Management AG was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the Company's share capital until August 29, 2010 by a maximum amount of € 35,000 through issue of new ordinary shares against cash contributions, Authorized Capital I. The General Partner is entitled, subject to the approval of the supervisory board, to decide on the exclusion of statutory 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 certain credit institutions determined by the General Partner if such credit institutions are obliged to offer the shares to the shareholders (indirect pre-emption rights).

In addition, by resolution of the EGM of shareholders on August 30, 2005, 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 August 29, 2010 by a maximum amount of € 25,000 through the issue of new ordinary shares against cash contributions or contributions in kind, Authorized Capital II. The General Partner is entitled, subject to the approval of the supervisory board, to decide on an exclusion of statutory 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 type 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.

The Company's Authorized Capital I and Authorized Capital II became effective upon registration with the commercial register of the local court in Hof an der Saale on February 10, 2006.

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 million 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 14* "Earnings per Share". 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, 2009, 146,601 convertible bonds or options for preference shares remained outstanding with a remaining average term of 3.91 years and 11,894,063 convertible bonds or options for ordinary shares remained outstanding with a remaining average term of 5.01 years under these programs. For the year ending December 31, 2009, 73,788 options for preference shares and 1,814,599 options for ordinary shares had been exercised under these employee participation plans and $ 64,384 (€ 44,686) remitted to the Company.

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 € 4,454 ($ 6,557). Conditional Capital available for all programs at December 31, 2009 is € 26,162 ($ 37,689) which includes € 14,444 ($ 20,808) for the 2006 Plan and € 11,718 ($ 16,881) 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 Fresenius Medical Care AG & Co. KGaA as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

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 2006 Senior Credit Agreement ▶ *see Note 10* "Long-term Debt and Capital Lease Obligations".

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.

Cash dividends of $ 252,395 for 2007 in the amount of € 0.56 per preference share and € 0.54 per ordinary share were paid on May 21, 2008.

NONCONTROLLING INTERESTS The Company has purchase obligations under options held by the holders of noncontrolling interests in certain of its subsidiaries. These obligations result from put options and are exercisable by the owners of the noncontrolling interests. If these put options were exercised, the Company would be required to purchase the noncontrolling owners' interests for cash equal to the then fair value. As of December 31, 2009 and 2008 the Company's potential obligations under these put options are $ 211,000 and $ 112,000 of which, at December 31, 2009, $ 78,000 were exercisable and another $ 4,000 is exercisable within one year. In the last three fiscal years ending December 31, 2009, three puts have been exercised for a total consideration of $ 13,000.

During 2008 the Company received cash contributions from holders of noncontrolling interests in the amount of $ 17,174. This amount was recorded in net cash provided by operating activities in the respective cash flow statements.

▸ **14. EARNINGS PER SHARE** The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for the years ending December 31:

RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE

in $ thousands, except per share data

Table 5.6.25

	2009	2008
Numerators		
Net income attributable to FMC-AG & Co. KGaA less:	891,138	817,607
Dividend Preference on Preference shares	107	112
▸ **INCOME AVAILABLE TO ALL CLASS OF SHARES**	**891,031**	**817,495**
Denominators		
Weighted average number of:		
Ordinary shares outstanding	294,418,795	293,233,477
Preference shares outstanding	3,842,586	3,795,248
Total weighted average shares outstanding	298,261,381	297,028,725
Potentially dilutive Ordinary shares	–	777,848
Potentially dilutive Preference shares	66,314	98,060
Total weighted average Ordinary shares outstanding assuming dilution	294,418,795	294,011,325
Total weighted average Preference shares outstanding assuming dilution	3,908,900	3,893,308
Basic income per Ordinary share	2.99	2.75
Plus preference per Preference share	0.03	0.03
Basic income per Preference share	3.02	2.78
Fully diluted income per Ordinary share	2.99	2.74
Plus preference per Preference share	0.03	0.03
Fully diluted income per Preference share	3.02	2.77

▸ **15. STOCK OPTIONS** In connection with its stock option program, the Company incurred compensation expense of $ 33,746, and $ 31,879 for the years ending December 31, 2009 and 2008, respectively. There were no capitalized compensation costs in any of the two years presented. The Company also recorded a related deferred income tax of $ 9,740 and $ 9,158 for the years ending December 31, 2009 and 2008, respectively.

STOCK OPTIONS AND OTHER SHARE-BASED PLANS At December 31, 2009, the Company has awards outstanding under various stock-based compensation plans.

INCENTIVE PLAN In 2009, Management Board members were eligible for performance-related compensation that depended upon achievement of individual and common targets. The targets are based upon operating earnings (EBIT), net consolidated earnings (EAT) and its growth, as well as the development of cash flow, and are in part developed by a comparison with the previous year's figures, budgeted figures and actually achieved figures. Targets are divided into Group level targets and those to be achieved in individual regions.

The bonus for fiscal year 2009 will, in principle, 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 2009. The share-based component is subject to a several 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 Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the several 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 Fresenius Medical Care 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 Fresenius Medical Care 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 2009 and 2008 was $ 1,537 and $ 2,189, respectively.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLAN 2006 On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (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 million no par value bearer ordinary shares with a nominal value of € 1.00 each.Under the Amended 2006 Plan, up to fifteen million options can be issued, each of which can be exercised to obtain one ordinary share, with up to three million options designated for members of the Management Board of

the General Partner, up to three million options designated for members of management boards of direct or indirect subsidiaries of the Company and up to nine million 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 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. Upon exercise of vested options, the Company has the right to reissue treasury shares of issue new shares.

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.

During 2008, the Company awarded 2,523,729 options under the Amended 2006 Plan, including 398,400 options granted to members of the Management Board of the General Partner, at a weighted average exercise price of $ 49.38 (€ 35.48), a weighted average fair value of $ 15.37 each and a total fair value of $ 38,788, which will be amortized on a straight line basis 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 million non-voting preference shares. The convertible bonds originally had a par value of € 2.56 and bear interest at a rate of 5.5 %. In connection with the share split effected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to € 0.85 without affecting the interest rate. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. 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 (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, 2009, the Management Board members of the General Partner held 2,041,121 stock options for ordinary shares and employees of the Company held 9,852,942 stock options for ordinary shares and 146,601 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, 2009, as compared to December 31, 2008.

RECONCILIATION OF OPTIONS OUTSTANDING

Table 5.6.26

	Options (in thousands)	*Weighted Average Exercise Price*	
		in €	*in $*
Ordinary shares			
▶ **BALANCE AT DECEMBER 31, 2008**	**11,280**	**29.15**	**41.99**
Granted	2,585	32.08	46.22
Exercised	1,815	24.08	34.69
Forfeited	156	33.18	47.80
▶ **BALANCE AT DECEMBER 31, 2009**	**11,894**	**30.50**	**43.94**
Preference shares			
▶ **BALANCE AT DECEMBER 31, 2008**	**242**	**16.18**	**23.31**
Exercised	74	13.38	19.28
Forfeited	21	11.04	15.90
▶ **BALANCE AT DECEMBER 31, 2009**	**147**	**18.35**	**26.44**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2009:

FULLY VESTED OUTSTANDING AND EXERCISABLE OPTIONS

Table 5.6.27

	Number of Options (in thousands)	*Weighted average remaining contractual life in years*	*Weighted average exercise price*		*Aggregate intrinsic value*	
			in €	*in $*	*in €*	*in $*
Options						
for preference shares	147	3.91	18.35	26.43	1,861	2,681
for ordinary shares	4,589	4.02	25.27	36.40	53,560	77,158

At December 31, 2009, there were $ 45,441 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, 2009 and 2008, the company received cash of $ 64,271 and $ 36,755, respectively, from the exercise of stock options. The intrinsic value of options exercised for the twelve-month periods ending December 31, 2009 and 2008 were $ 28,170 and $ 27,135, respectively. The Company recorded a related tax benefit of $ 8,123 and $ 7,132 for the years ending December 31, 2009 and 2008, 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 2009 and 2008 grants are as follows:

ASSUMPTIONS

Table 5.6.28

	2009	2008
Expected dividend yield	2.39 %	1.85 %
Risk-free interest rate	3.11 %	4.38 %
Expected volatility	25.85 %	25.58 %
Expected life of options	7 years	7 years
Weighted average exercise price *in €*	32.08	35.48
Weighted average exercise price *in $*	46.22	49.38

▶ **16. INCOME TAXES** Income before income taxes is attributable to the following geographic locations:

INCOME BEFORE INCOME TAXES

in $ thousands

Table 5.6.29

	2009	2008
Germany	296,326	372,174
United States	904,083	773,089
Other	255,224	190,427
▶ **TOTAL**	**1,455,633**	**1,335,690**

Income tax expense (benefit) for the years ended December 31, 2009 and 2008, consisted of the following:

INCOME TAX EXPENSE (BENEFIT)

in $ thousands

Table 5.6.30

	2009	2008
Current		
Germany	68,442	62,609
United States	318,589	198,763
Other	81,236	77,134
▶ **TOTAL CURRENT**	**468,267**	**338,506**
Deferred		
Germany	5,041	43,593
United States	22,498	105,152
Other	(5,393)	(11,549)
▶ **TOTAL DEFERRED**	**22,146**	**137,196**
▶ **TOTAL**	**490,413**	**475,702**

In 2009 and 2008, 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 29.13 % and 29.58 % for the fiscal years ended December 31, 2009 and 2008.

RECONCILIATION OF INCOME TAXES

in $ thousands

Table 5.6.31

	2009	2008
Expected corporate income tax expense	423,953	395,097
Tax free income	(33,284)	(49,309)
Foreign tax rate differential	96,237	93,877
Non-deductible expenses	3,947	5,494
Taxes for prior years	6,663	21,371
Change in valuation allowance	8,950	4,168
Book income of consolidated partnership attributable to non-controlling interest	(26,876)	(13,440)
Other	10,823	18,444
▶ **ACTUAL INCOME TAX EXPENSE**	**490,413**	**475,702**
▶ **EFFECTIVE TAX RATE**	**33.7 %**	**35.6 %**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2009 and 2008 are presented below:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

in $ thousands

Table 5.6.32

	2009	2008
Deferred tax assets		
Accounts receivable, primarily due to allowance for doubtful accounts	37,571	37,431
Inventory, primarily due to additional costs capitalized for tax purposes, and inventory reserve accounts	33,798	35,029
Plant, equipment, intangible assets and other non current assets, principally due to differences in depreciation and amortization	50,925	41,103
Accrued expenses and other liabilities for financial accounting purposes, not currently tax deductible	291,767	305,898
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	78,730	79,389
Derivatives	52,283	67,800
Stock-based compensation expense	22,981	17,405
Other	21,530	10,679
▶ TOTAL DEFERRED TAX ASSETS	**589,585**	**594,734**
Less: valuation allowance	(63,497)	(56,169)
▶ NET DEFERRED TAX ASSETS	**526,088**	**538,565**
Deferred tax liabilities		
Accounts receivable	10,670	11,015
Inventory, primarily due to inventory reserve accounts for tax purposes	9,643	4,615
Accrued expenses and other liabilities deductible for tax prior to financial accounting recognition	14,941	50,229
Plant, equipment and intangible assets, principally due to differences in depreciation and amortization	513,254	432,367
Derivatives	3,128	11,830
Other	53,343	66,532
▶ TOTAL DEFERRED TAX LIABILITIES	**604,979**	**576,588**
▶ NET DEFERRED TAX ASSETS (LIABILITIES)	**(78,891)**	**(38,023)**

The valuation allowance increased by $ 7,328 in 2009 and by $ 4,843 in 2008.

The expiration of net operating losses is as follows:

NET OPERATING LOSS CARRYFORWARDS

Table 5.6.33

in $ thousands	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019 and thereafter*	*Without expiration date*	*Total*
	45,648	6,012	8,444	11,950	17,337	8,941	9,517	22,492	10,450	4,071	84,558	**229,420**

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. 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, 2009.

The Company provides for income taxes on the cumulative earnings of foreign subsidiaries that will not be reinvested. At December 31, 2009, the Company provided for $ 13,289 of deferred tax liabilities associated with earnings that are likely to be distributed in 2010 and the following years. Provision has not been made for additional taxes on $ 2,733,920 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 approx 1.5 percent 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 and fiscal years 2006, 2007, 2008 and 2009 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 has filed a complaint with the appropriate German court to challenge the tax authority's decision. The Company has included the related unrecognized tax benefit in the total unrecognized tax benefit noted below.

The Company 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 to resolve the Company's appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 U.S. government investigation, the Company received a refund in September 2008 of $ 37,000, inclusive of interest. The settlement agreement preserves the right to continue to pursue claims in the U.S. Federal courts for refunds of all other disallowed deductions. 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, 2008 and 2009 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:

UNRECOGNIZED TAX BENEFITS (NET OF INTEREST)

Table 5.6.34

in $ thousands

	2009	*2008*
▶ **BALANCE AT JANUARY 1, 2009**	**379,327**	**354,050**
Increases in unrecognized tax benefits prior periods	59,833	24,074
Decreases in unrecognized tax benefits prior periods	(13,911)	(36,334)
Increases in unrecognized tax benefits current period	7,587	20,180
Changes related to settlements with tax authorities	(8,599)	(2,042)
Foreign currency translation	(14,221)	19,399
▶ **BALANCE AT DECEMBER 31, 2009**	**410,016**	**379,327**

Included in the balance at December 31, 2009 are $ 379,674 of unrecognized tax benefits which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits.

During the year ended December 31, 2009 the Company recognized $ 16,609 in interest and penalties. The Company had a total accrual of $ 47,383 of tax related interest and penalties at December 31, 2009.

▸ 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, 2009 and 2008 was $ 532,465 and $ 497,875, respectively.

Future minimum rental payments under noncancelable operating leases for the five years succeeding December 31, 2009 and thereafter are:

FUTURE MINIMUM RENTAL PAYMENTS

Table 5.6.35

in $ thousands	*2010*	*2011*	*2012*	*2013*	*2014*	*Thereafter*	*Total*
Future minimum rental payments	454,833	403,366	348,214	298,414	244,528	802,093	**2,551,448**

▸ 18. LEGAL PROCEEDINGS

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. 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 confirmation of a plan 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 U.S., Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than $ 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. We appealed the court's rulings to the Court of Appeals for the Federal Circuit. On September 10, 2009, the Court of Appeals 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 Court of Appeals affirmed the district court's decision; however, the Court of Appeals vacated the injunction and award of damages. These issues have been remanded to the lower 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 concluded. The remaining patent has been found invalid in re-examination by the U.S. Patent and Trademark Office (USPTO) and Baxter has appealed this finding. If we prevail with respect to the invalidity of the final remaining patent, the escrowed funds will be returned to us with interest. In October 2008, we completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original district court order, irrespective of the outcome of the remanded issues.

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 U.S., Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four recently issued patents (late 2007-2008), all of which are based on one of the patents at issue in the April 2003 Baxter case described above. The new patents expire in April 2011 and relate to trend charts shown on touch screen interfaces and the entry of ultrafiltration profiles (ultrafiltration is the removing of liquid from a patient's body using 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 of which are now subject to re-examination at, and to preliminary findings of invalidity by, 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 U.S., Inc., Case No. CV 438 TJW. The complaint alleges that FMCH's Liberty peritoneal cyclers infringe certain patents owned by or licensed to Baxter. Sales of the Liberty cyclers commenced in July 2008. The Company believes that the Liberty peritoneal cycler does not infringe any valid claims of the Baxter/DEKA patents.

A patent infringement action has been pending in Germany between Gambro Industries (Gambro) on the one side and Fresenius Medical Care Deutschland GmbH (D-GmbH) and FMC-AG & Co. KGaA on the other side (hereinafter collectively Fresenius Medical Care). Gambro herein alleged patent infringements by Fresenius Medical Care concerning a patent on a device for the preparation of medical solutions. The District Court of

Mannheim rendered a judgment on June 27, 2008 deciding in favor of Gambro and declaring that Fresenius Medical Care has infringed a patent. Accordingly, the court ordered Fresenius Medical Care to pay compensation (to be determined in a separate court proceeding which was recently initiated by Gambro; a hearing has been scheduled in February 2010) for alleged infringement and to stop offering the alleged patent infringing technology in its original form in Germany. D-GmbH brought an invalidity action in the Federal German Patent Court (BPatG) against Gambro's patent. This case is currently pending with the Federal Court of Justice as the court of appeal. Fresenius Medical Care has also filed an appeal against the District Court's verdict. On January 5, 2009, Gambro enforced such verdict provisionally by way of security. However, preceding such enforcement Fresenius Medical Care had already developed design modifications, being an alternative technical solution, and replaced the alleged patent infringing technology in all of the affected devices. In view of the pending appeal against BPatG's verdict and Fresenius Medical Care's appeal against the District Court's verdict, Fresenius Medical Care continues to believe that the alleged patent infringing technology does not infringe any valid patent claims of Gambro. Therefore, the Company has made no provision in the financial statements for any potential liability in this matter.

OTHER LITIGATION AND POTENTIAL EXPOSURES Renal Care Group, Inc. (RCG) was named as a nominal defendant in a second amended complaint filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville against former officers and directors of RCG which purports to constitute a class action and derivative action relating to alleged unlawful actions and breaches of fiduciary duty in connection with the Company's acquisition of RCG (the RCG Acquisition) and in connection with alleged improper backdating and/or timing of stock option grants by RCG. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. The complaint sought damages against defendant and its former officers and directors but did not state a claim for money damages directly against RCG. As of August 24, 2009, appellate proceedings that reversed the trial court's dismissal of the complaint had concluded. The litigation is accordingly proceeding toward trial in the Chancery Court.

FMCH and its subsidiaries, including RCG (prior to the RCG Acquisition), received subpoenas from the U.S. Department of Justice, U.S. Attorney for the Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, and anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of Inspector General of the United States Department of Health and Human Services and the United States Attorney for the Eastern District of Texas participated in the Eastern District of Missouri's investigation of FMCH's and RCG's utilization of Epogen begun in 2005. Subsequently, the review of Epogen utilization was transferred

to the Eastern District of Texas, where a qui tam relator's complaint has been pending under seal since 2005 (qui tam is a legal provision under the United States False Claims Act, which allows private individuals to bring suit on behalf of the U.S. federal government, as far as such individuals believe to have knowledge of presumable fraud committed by third parties). The qui tam relator's complaint was made public by the United States District Court for the Eastern District of Texas during the 4th quarter 2009 and was dismissed by the Court on January 11, 2010 with respect to FMCH and its subsidiaries following the relator's motion to dismiss FMCH and its subsidiaries and with the United States' consent.

On July 17, 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH in its capacity as RCG's current corporate parent in United States District Court, Eastern District of Missouri. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to the date of FMCH's acquisition of RCG. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. On August 11, 2009, the Court granted RCG's motion to transfer venue to the Middle District of Tennessee (Nashville), where the case is proceeding toward trial. The Company believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously.

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 alleges that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleges that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. Litigation on the relator's complaint is proceeding to trial.

On June 25, 2009, FMCH received a subpoena from the U.S. Department of Justice, U.S. Attorney for the District of Massachusetts. The subpoena seeks information relating to the results of certain laboratory tests ordered for patients treated in FMCH's dialysis facilities during the years 2004 through 2009. The Company intends to cooperate fully in the government's investigation.

We have 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 to resolve our appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 U.S. government investigation, we received a refund in September 2008 of $ 37,000, inclusive of interest. The settlement preserves our right to continue to pursue claims in the U.S. Federal courts for refunds of all other disallowed deductions.

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.

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.

Following Fresenius Medical Care & Co. KGaA's Annual General Meeting of Shareholders (AGM) on May 7, 2009, two shareholders challenged, on the basis of alleged insufficient disclosure during the AGM, resolutions taken by the shareholders on (i) the approval of the actions of the General Partner and (ii) the approval of the actions of the members of the Supervisory Board. Upon conclusion of the proceedings, the court will either uphold the respective resolutions or order their annulment. The Company is of the opinion that the challenges are without merit and will defend this litigation vigorously. A hearing has been scheduled in March 2010.

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 115 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 the Company experienced and also expects in the future generally stable reimbursements for its 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 potentially slightly more slowly in the International segment in the immediate future, particularly in countries most severely affected by the current 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, 2009, and December 31, 2008.

CARRYING AMOUNT AND FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

in $ thousands, December 31

Table 5.6.36

	2009		2008	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
Non-derivatives				
Assets				
Cash and cash equivalents	301,225	301,225	221,584	221,584
Receivables	2,558,795	2,558,795	2,351,841	2,351,841
Liabilities				
Accounts payable	639,836	639,836	605,260	605,260
Short-term borrowings	316,344	316,344	683,155	683,155
Short-term borrowings from related parties	10,440	10,440	1,330	1,330
Long term debt, excluding 2006 Senior Credit Agreement, Euro Notes and 6 7/8 % Senior Notes	282,051	282,051	275,618	275,618
2006 Senior Credit Agreement	3,522,040	3,429,470	3,366,079	3,366,079
Trust Preferred Securities	656,096	688,026	640,696	626,241
Euro Notes	288,120	299,621	278,340	276,154
6 7/8 % Senior Notes	493,344	498,750	492,456	465,625

The carrying amounts in the table are included in the consolidated balance sheet under the indicated captions.

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 and 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.

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 an assessment of the Company's counterparty credit risk is performed, which we consider currently to be low. 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. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency exposure. As of December 31, 2009 the Company had no foreign exchange options.

Changes in the fair value 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). These amounts are subsequently reclassified into earnings as a component of cost of revenues, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange forward contracts in place that are designated and qualify as cash flow hedges that hedge exposures from operations totaled $ 405,675.

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. At December 31, 2009 the notional amounts of contracts for which hedge accounting is applied totaled $ 670,542.

In certain instances, the Company enters into derivative contracts of forecasted product purchases and sales and for intercompany loans in foreign currency that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). 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 for forecasted product purchases and sales totaled $ 343,725 and for intercompany loans totaled $ 407,087.

INTEREST RATE RISK MANAGEMENT The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to hedge interest rate exposures arising from long-term debt at floating rates by effectively swapping them into fixed rates.

CASH FLOW HEDGES OF VARIABLE RATE DEBT The Company enters into interest rate swap agreements that are designated as cash flow hedges effectively converting the major part of payments based on variable interest rates applicable to the Company's 2006 Senior Credit Agreement denominated in U.S. dollars into payments at a fixed interest rate. Those swap agreements, all of which expire at various dates between 2010 and 2012, in the notional amount of $ 2,400,000, effectively fix the Company's variable interest rate at an average interest rate of 4.29 % plus an applicable margin.

Gains and losses were deferred in accumulated other comprehensive income (OCI); an amount of $ 33 net gains are reclassified from accumulated OCI to interest income.

Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

DERIVATIVE FINANCIAL INSTRUMENTS VALUATION The following table shows the Company's derivatives at December 31, 2009 and 2008.

DERIVATIVE FINANCIAL INSTRUMENTS VALUATION

Table 5.6.37

in $ thousands, December 31	*2009*		*2008*	
	Assets[2]	*Liabilities*[2]	*Assets*[2]	*Liabilities*[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	8,899	(9,251)	27,904	(12,216)
Interest rate contracts *in $*	–	(305)	–	(8,526)
Non-current				
Foreign exchange contracts	5,284	(830)	2,624	(2,547)
Interest rate contracts *in $*	–	(105,810)	–	(140,420)
Interest rate contracts *in Yen*	–	(3)	–	(9)
▶ **TOTAL**	**14,183**	**(116,199)**	**30,528**	**(163,718)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	7,696	(6,217)	22,182	(24,832)
Non-current				
Foreign exchange contracts	9	–	921	–
▶ **TOTAL**	**7,705**	**(6,217)**	**23,103**	**(24,832)**

[1] *As of 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 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 $ thousands

Table 5.6.38

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) ***2009***	*Location of (Gain) reclassified from Accumulated OCI in Income (Effective Portion)*	*Amount of (Gain) reclassified from Accumulated OCI in Income (Effective Portion)* ***2009***
Derivatives in Cash Flow Hedging Relationships			
Interest rate contracts *in $*	42,832	Interest income/ expense	(33)
Interest rate contracts *in Yen*	6	Interest income/ expense	–
Foreign exchange contracts	(6,785)	Costs of Revenue	(5,938)
▶ **TOTAL**	**36,053**		**(5,971)**

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ thousands

Table 5.6.39

	Location of (Gain) or Loss Recognized in Income on Derivative	*Amount of (Gain) or Loss Recognized in Income on Derivative* ***2009***
Derivatives not Designated as Hedging Instruments		
Foreign exchange contracts	Selling, general and administrative expense	(3,309)
Foreign exchange contracts	Interest income/expense	3,883
▶ **TOTAL**		**574**

The Company expects to recognize $ 4,277 of losses deferred in accumulated other comprehensive income at December 31, 2009, in earnings during the next twelve months.

As of December 31, 2009, the Company had foreign exchange derivatives with maturities of up to 35 months and interest rate swaps with maturities of up to 27 months.

▸ **20. OTHER COMPREHENSIVE INCOME (LOSS)** The changes in the components of other comprehensive income (loss) for the years ended December 31, 2009 and 2008 are as follows:

OTHER COMPREHENSIVE INCOME (LOSS)

in $ thousands

Table 5.6.40

	2009			2008		
	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	36,053	(16,419)	19,634	(107,316)	42,764	(64,552)
Reclassification adjustments	(5,971)	1,375	(4,596)	(924)	296	(628)
▸ **TOTAL OTHER COMPREHENSIVE INCOME (LOSS) RELATING TO CASH FLOW HEDGES**	**30,082**	**(15,044)**	**15,038**	**(108,240)**	**43,060**	**(65,180)**
Foreign-currency translation adjustment	82,545	–	82,545	(168,336)	–	(168,336)
Adjustments related to pension obligations	9,708	(3,927)	5,781	(28,551)	12,632	(15,919)
▸ **OTHER COMPREHENSIVE INCOME (LOSS)**	**122,335**	**(18,971)**	**103,364**	**(305,127)**	**55,692**	**(249,435)**

▸ **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 U.S., 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".

BUSINESS SEGMENT INFORMATION

in $ thousands

Table 5.6.41

	North America	International	Segment Total	Corporate	Total
2009					
Net revenue	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
Capital expenditures, acquisitions and investments[1]	422,537	338,000	760,537	1,182	761,719
2008					
Net revenue	7,005,401	3,606,270	10,611,671	652	10,612,323
Inter-segment revenue	2,100	82,283	84,383	(84,383)	–
▶ REVENUE	**7,007,501**	**3,688,553**	**10,696,054**	**(83,731)**	**10,612,323**
Depreciation and amortization	(238,300)	(169,999)	(408,299)	(7,372)	(415,671)
▶ OPERATING INCOME	**1,168,173**	**616,034**	**1,784,207**	**(111,775)**	**1,672,432**
Segment assets	10,960,264	3,557,247	14,517,511	402,165	14,919,676
Capital expenditures, acquisitions and investments[2]	497,612	358,930	856,542	107,287	963,829

[1] *International acquisitions exclude $ 4,151 of non-cash acquisitions for 2009.*
[2] *North America and International acquisitions exclude $ 22,542 and $ 24,710, respectively, of non-cash acquisitions for 2008.*

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

in $ thousands

Table 5.6.42

	2009		2008	
	Net revenue	Long-lived assets	Net revenue	Long-lived assets
Germany	358,060	350,194	350,995	306,963
North America	7,611,500	8,864,165	7,005,401	8,706,790
Rest of the World	3,277,917	1,809,114	3,255,927	1,597,576
▶ TOTAL	**11,247,477**	**11,023,473**	**10,612,323**	**10,611,329**

▸ 22. SUPPLEMENTARY CASH FLOW INFORMATION The following additional information is provided with respect to the consolidated statements of cash flows:

SUPPLEMENTARY CASH FLOW INFORMATION

in $ thousands

Table 5.6.43

	2009	2008
Supplementary cash flow information		
Cash paid for interest	332,731	357,295
Cash paid for income taxes[1]	425,945	343,224
Cash inflow for income taxes from stock option exercises	8,123	7,132
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(241,745)	(129,711)
Liabilities assumed	20,574	9,858
Noncontrolling interests	35,448	(3,706)
Notes assumed in connection with acquisition	4,151	2,490
Cash paid	(181,572)	(121,069)
Less cash acquired	7,059	714
▸ NET CASH PAID FOR ACQUISITIONS	**(174,513)**	**(120,355)**

[1] *net of tax refund*

Chapter 5.7

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, 2009, 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, 2009.

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 effectiveness of the Company's internal control over financial reporting as of December 31, 2009 has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included ▸ *on page 258.*

February 24, 2010

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, 2009, 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 ovear Financial Reporting. Our responsibility is to express an opinion on the effectiveness of 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 and 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 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, 2009, 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, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2009, and our report dated February 24, 2010 expressed an unqualified opinion on those consolidated financial statements.

February 24, 2010
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, 2009 and 2008 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2009. 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.

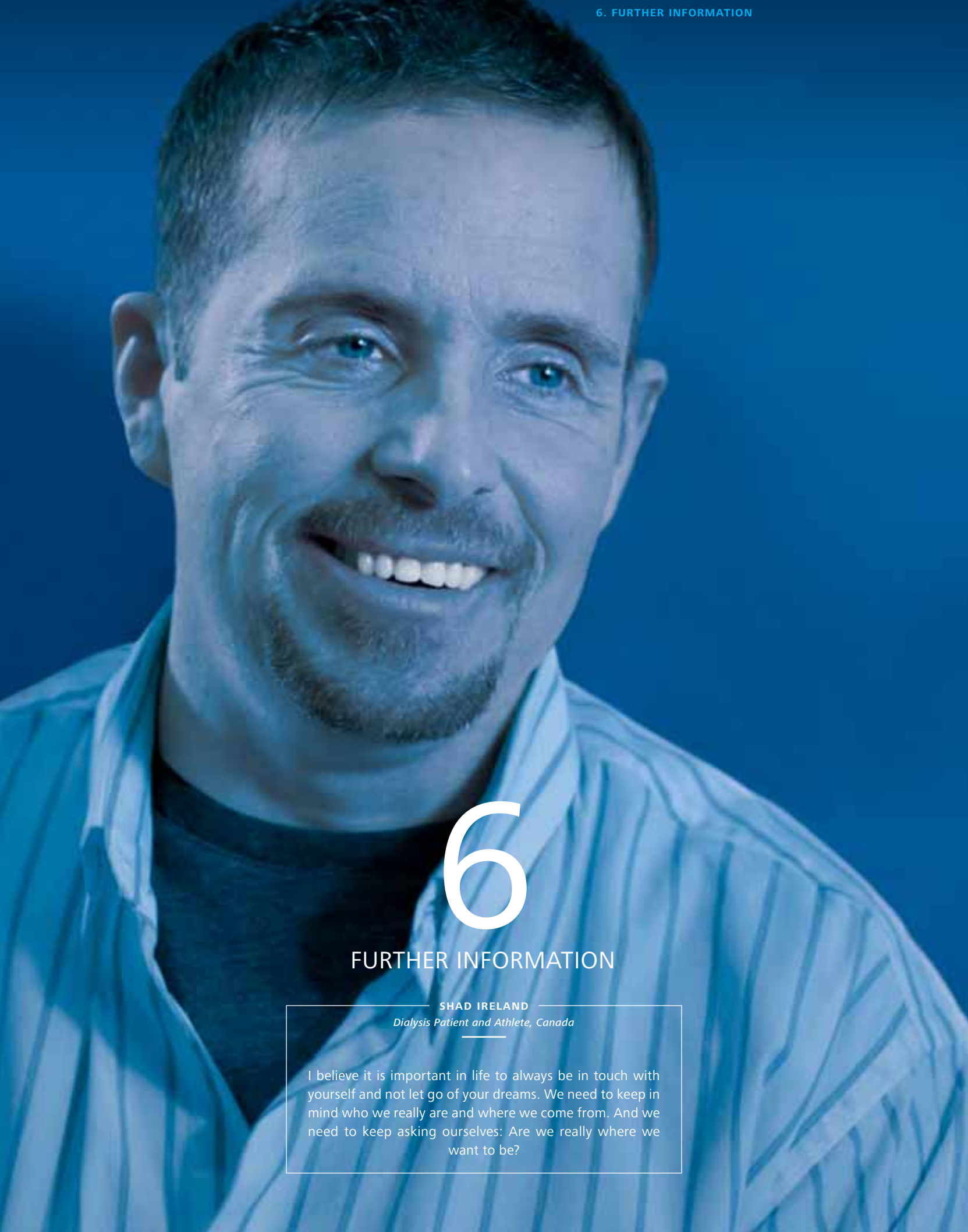
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2009, 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), the effectiveness of Fresenius Medical Care's internal control over financial reporting as of December 31, 2009, 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 24, 2010 expressed an unqualified opinion on the effective operation of internal control over financial reporting.

February 24, 2010
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft



6

FURTHER INFORMATION

SHAD IRELAND

Dialysis Patient and Athlete, Canada

I believe it is important in life to always be in touch with yourself and not let go of your dreams. We need to keep in mind who we really are and where we come from. And we need to keep asking ourselves: Are we really where we want to be?

Annual Report 2009
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Chapter 6

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REGIONAL ORGANIZATION *page 263*

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FINANCIAL GLOSSARY

A ▸ AMERICAN DEPOSITARY RECEIPT (ADR)
Physical certificate proving ownership in one or several American Depositary Shares (ADS). The terms ADS ▸ *see American Depositary Share* and ADR are often used interchangeably. Fresenius Medical Care's ordinary and preference shares are listed on the New York Stock Exchange (NYSE) in the form of ADRs.

A ▸ AMERICAN DEPOSITARY SHARE (ADS)
Share certificate traded at U.S. exchanges, representing (parts of) shares of a foreign company.

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.

D ▸ 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.

D ▸ 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.

D ▸ 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.

E ▸ EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION)
Corresponds to operative cash flow before taxes.

E ▸ 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.

G ▸ GROSS DOMESTIC PRODUCT (GDP)
Total value of goods and services produced in a national economy over a particular period of time, usually one year.

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.

N ▸ NO-PAR SHARE
Stock issued without a nominal value.

O ▸ OPERATING MARGIN
Earnings before interest and taxes (EBIT) divided by revenues.

O ▶ 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.

R ▶ RECESSION
A phase in which economic growth is slightly negative or stagnant for more than two quarters. A distinct form of recession is the depression.

R ▶ RETURN ON EQUITY (ROE)
The Return on Equity is an indicator of company profitability related to the shareholders' financing.

R ▶ 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).

R ▶ 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.

S ▶ SECURITIES AND EXCHANGE COMMISSION (SEC)
A federal agency that regulates and monitors the U.S. financial markets.

S ▶ 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.

REGIONAL ORGANIZATION

EUROPE/MIDDLE EAST/AFRICA

GERMANY
100 % FMC Deutschland GmbH
Bad Homburg v.d.H.

TURKEY
100 % Fresenius Medikal Hizmetler A.S., Istanbul

RUSSIA
100 % ZAO Fresenius S.P. Moscow

LEBANON
99 % FMC Lebanon S.a.r.l. Beirut

FRANCE
100 % FMC France S.A.S. Fresnes

BELGIUM
100 % FMC Belgium N.V. Antwerp

SLOVAKIA
100 % FMC Slovensko spol. s.r.o., Pieštany

THE NETHERLANDS
100 % FMC Nederland B.V. Nieuwkuijk

GREAT BRITAIN
100 % FMC (U.K.) Ltd. Nottinghamshire

MAROCCO
100 % FMC Maroc S.A. Casablanca

SLOVENIA
100 % FMC Slovenija d.o.o. Zrece

AUSTRIA
100 % FMC Austria GmbH Vienna

SERBIA
100 % FMC Srbjia d.o.o. Vrsac

IRELAND
100 % FMC (Ireland) Ltd. Dublin

CZECH REPUBLIC
100 % FMC Česká Republica spol. s.r.o., Prague

DENMARK
100 % FMC Danmark A/S Albertslund

ITALY
100 % FMC Italia S.p.A. Palazzo Pignano/Cremona

POLAND
100 % FMC Polska S.A. Poznan

HUNGARY
100 % FMC Dializis Center Kft., Budapest

SWITZERLAND
100 % FMC (Schweiz) AG Stans

SPAIN
100 % NMC of Spain S.A. Madrid

PORTUGAL
100 % NMC Centro Médical Nacional S.A., Lisbon

SWEDEN
100 % FMC Sverige AB Sollentuna

BOSNIA & HERZEGOWINA
100 % FMC BH d.o.o. Sarajevo Sarajevo

SOUTH AFRICA
100 % FMC South Africa (Pty.) Ltd., Johannesburg

ROMANIA
100 % FMC Romania Srl Bucharest

FINLAND
100 % FMC Suomi OY Helsinki

ESTONIA
100 % OÜ FMC Estonia Tartu

ASIA-PACIFIC

AUSTRALIA
100 % FMC Australia Pty. Ltd. Sydney

INDONESIA
100 % PT FMC Indonesia Jakarta

JAPAN
70 % Fresenius-Kawasumi Co. Ltd., Tokyo

MALAYSIA
100 % FMC Malaysia Sdn. Bhd. Kuala Lumpur

CHINA
100 % FMC (Shanghai) Co. Ltd. Shanghai

PHILIPPINES
100 % FMC Philippines, Inc. Makati City

HONG KONG
100 % FMC Hong Kong Ltd. Hong Kong

SOUTH KOREA
100 % FMC Korea Ltd. Seoul

SINGAPORE
100 % FMC Singapore Pte. Ltd. Singapore

THAILAND
100 % FMC (Thailand) Ltd. Bangkok

TAIWAN
100 % FMC Taiwan Co., Ltd. Taipei

PAKISTAN
100 % FMC Pakistan (Private) Ltd. Lahore

INDIA
100 % FMC India Pvt. Ltd. New Delhi

NORTH AMERICA

U.S.
100 % 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

MEXICO
100 % FMC de Mexico S.A. Zapopan

LATIN AMERICA

ARGENTINA
100 % FMC Argentina S.A. Buenos Aires

COLOMBIA
100 % FMC Colombia S.A. Bogotà

BRAZIL
100 % FMC Ltda. Rio de Janeiro

CHILE
100 % FMC Chile S.A. Santiago de Chile

VENEZUELA
100 % FMC de Venezuela, C.A. Valencia

PERU
100 % FMC del Peru S.A. Lima

Simplified chart of Fresenius Medical Care's regional organization. Line of Business in 2009 in respective country.
■ *Production* ■ *Selling* ■ *Dialysis Care*
Some percentage of subsidiaries represent direct and indirect shareholdings.

Chapter 6.3

MAJOR SUBSIDIARIES

MAJOR SUBSIDIARIES 2009

Table 6.3.1

in $ millions, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31, 2009[2]	Employees Dec. 31, 2009[4]
Europe/Middle East/Africa						
	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	1,541.1	0.0	1,472.8	3,035
Germany	FMC GmbH, Bad Homburg v.d.H.	100	326.7	0.0	65.2	244
	FMC France S.A.S., Fresnes	100	127.8	3.1	18.7	176
France	SMAD S.A., Savigny	100	128.1	12.5	48.6	344
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	106.6	2.9	35.7	217
	FMC Italia S.p.A., Palazzo Pignano/Cremona	100	129.4	5.2	62.3	185
Italy	SIS-TER S.p.A., Palazzo Pignano/Cremona	100	68.5	5.5	23.2	246
	FMC Espana S.A., La Roca del Vallès	100	118.2	7.2	49.1	155
Spain	NMC of Spain S.A., Madrid	100	13.3	19.3	88.0	1,507
South Africa	FMC South Africa (Pty.) Ltd., Johannesbourg	100	24.0	2.4	9.8	289
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	119.6	6.0	55.7	237
Belgium	FMC Belgium N.V., Antwerp	100	42.1	4.1	10.4	53
Marocco	FMC Maroc S.A., Casablanca	100	16.8	2.7	6.3	56
Serbia	FMC Srbija d.o.o., Vrsac	100	54.5	8.0	33.7	331
	FMC Nephrocare Polska Sp.z.o.o., Poznan	100	56.7	0.2	24.2	742
Poland	FMC Polska S.A., Poznan	100	37.5	0.1	12.6	62
	FMC Portugal S.A., Moreira	100	48.5	2.9	12.9	44
Portugal	NMC Centro Médico Nacional S.A., Lisbon	100	108.7	31.7	42.3	917
Romania	FMC Romania Srl, Bucharest	100	31.0	0.6	13.2	67
Slovakia	FMC Slovensko spol s.r.o., Pieštany	100	19.5	1.1	12.4	22
	FMC Slovenija d.o.o., Zrece	100	11.7	1.5	4.7	11
Slovenia	Nefrodial d.o.o., Zrece	100	14.8	0.8	4.0	92
Czech Republic	FMC Česká Republika spol. s.r.o., Prague	100	48.4	7.9	29.3	60
	FMC Hungary Ltd., Budapest	100	33.3	0.6	27.9	75
Hungary	FMC Dializis Center Eges. Kft., Budapest	100	47.3	(1.1)	0.9	636
Denmark	FMC Danmark A/S, Albertslund	100	12.2	0.7	3.6	20
Finland	FMC Suomi OY, Helsinki	100	18.8	1.0	6.0	24
Lebanon	FMC Lebanon S.a.r.l., Beirut	99	4.0	0.1	0.9	10
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	26.5	1.6	5.9	39
Austria	FMC Austria GmbH, Vienna	100	27.4	0.8	3.2	25
Russia	ZAO Fresenius S.P., Moscow	100	42.3	0.9	12.0	136
Sweden	FMC Sverige AB, Sollentuna	100	19.1	0.5	5.5	24
Switzerland	FMC (Schweiz) AG, Stans	100	32.9	4.0	10.7	41
Estonia	OÜ FMC Estonia, Tartu	100	2.6	(0.3)	0.3	20

MAJOR SUBSIDIARIES 2009

Tabelle 6.3.1

in $ millions, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31, 2009[2]	Employees Dec. 31, 2009[4]
North America						
U.S.	FMC Holdings Inc., New York	100	7,515.1	501.7	4,339.2	40,829
Mexico	FMC de Mexico S.A., Zapopan[3]	100	100.2	(7.6)	14.0	1,346
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	135.2	10.9	72.9	2,386
Colombia	FMC Colombia S.A., Bogota	100	108.0	11.3	109.7	1,084
Brazil	FMC Ltda., Rio de Janeiro	100	115.7	21.7	83.6	521
Chile	Pentafarma S.A., Santiago de Chile	100	12.2	0.8	4.4	55
Venezuela	FMC de Venezuela C.A., Valencia	100	41.9	5.4	26.1	604
Peru	FMC del Peru S.A., Lima	100	5.9	0.4	2.1	21
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	87.0	(0.2)	29.3	296
	FMC Japan K.K., Tokyo	100	50.3	(6.2)	(12.8)	687
Japan	Fresenius-Kawasumi Co. Ltd., Tokyo	70	20.3	3.4	22.3	65
	FMC Shanghai Co. Ltd., Shanghai	100	83.7	11.9	33.2	154
China	Fresenius Medical Care (Jiangsu) Co. Ltd., Changshu	100	7.6	(1.7)	10.7	330
Hong Kong	FMC Hong Kong Ltd., Hong Kong	100	26.2	1.2	44.9	39
	BioCare Technology Co. Ltd., Hong Kong	100	19.1	(0.4)	18.5	8
	Excelsior Renal Service Co. Ltd., Hong Kong	51	25.5	2.5	4.9	760
Singapore	FMC Singapore Pte. Ltd., Singapore	100	6.6	0.5	4.1	63
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	50.8	2.5	17.1	92
	Jiate Excelsior Co., Ltd., Taipei	51	14.0	(0.2)	10.3	215
India	FMC India Pvt. Ltd., New Dehli	100	4.8	0.2	0.4	66
Indonesia	PT FMC Indonesia, Jarkata	100	8.2	0.0	5.8	31
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	13.1	1.2	10.0	83
	FMC Philippines Inc., Makati City	100	9.9	1.5	6.1	28
Philippines	FMC Renalcare Corp., Makati City	100	0.2	1.4	1.4	18
	FMC Korea Ltd., Seoul	100	68.0	(1.3)	47.6	155
South Korea	NephroCare Korea Inc., Seoul	100	4.4	0.3	1.2	7
Thailand	FMC (Thailand) Ltd., Bangkok	100	15.3	0.9	7.7	41
Pakistan	FMC Pakistan (Private) Limited, Lahore	100	5.0	0.6	1.0	24

[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 US-GAAP-closing of FMC Holdings Inc.*
[4] *Full-time equivalents*

Chapter 6.4

5-YEAR SUMMARY

5-YEAR SUMMARY

Table 6.4.1

in $ thousands, except share data	2009	2008	2007	2006	2005
Statements of Income					
Net revenue	11,247,477	10,612,323	9,720,314	8,499,038	6,771,819
Cost of revenue[1]	7,415,965	6,983,475	6,364,519	5,621,482	4,563,681
Gross profit[1]	3,831,512	3,628,848	3,355,795	2,877,556	2,208,138
Selling, general and administrative expenses[1]	1,982,106	1,876,177	1,709,150	1,548,369	1,218,265
Gain on sale of legacy clinics	–	–	–	(40,233)	–
Research and development expenses	93,810	80,239	66,523	51,293	50,955
Operating income (EBIT)	1,755,596	1,672,432	1,580,122	1,318,127	938,918
Interest expenses, net	299,963	336,742	371,047	351,246	173,192
Income before income taxes and Noncontrolling interests	1,455,633	1,335,690	1,209,075	966,881	765,726
Income tax expense[2]	490,413	475,702	453,765	404,467	308,748
Less: Net income attributable to Noncontrolling interests[2]	74,082	42,381	38,180	25,668	2,026
▶ NET INCOME ATTRIBUTABLE TO FMC AG & CO. KGAA	**891,138**	**817,607**	**717,130**	**536,746**	**454,952**
Income per ordinary share	2.99	2.75	2.43	1.82	1.56
Income per preference share	3.02	2.78	2.45	1.85	1.58
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,212,681	2,088,103	1,943,451	1,626,825	1,190,370
Personnel expenses	3,708,951	3,506,423	3,189,348	2,766,599	2,174,719
Depreciation	396,838	368,304	329,327	265,488	211,103
Amortization	60,247	47,367	34,002	43,210	40,349
Before one-time costs[3]					
EBITDA	2,212,681	2,088,103	1,943,451	1,623,503	1,212,764
EBIT	1,755,596	1,672,432	1,580,122	1,314,805	961,312
Net income attributable to FMC AG & Co. KGaA	891,138	817,607	717,130	574,386	471,556
Earnings per share	2.99	2.75	2.43	1.95	1.62
Balance Sheet					
Current assets	4,727,800	4,211,997	3,859,472	3,411,916	2,460,938
Non-current assets	11,093,515	10,707,679	10,310,793	9,632,765	5,522,162
▶ TOTAL ASSETS	**15,821,315**	**14,919,676**	**14,170,265**	**13,044,681**	**7,983,100**
Short-term debt	484,418	1,139,599	974,387	495,941	296,139
Other current liabilities	2,125,297	2,004,813	2,052,106	1,879,764	1,282,101
Current liabilities	2,609,715	3,144,412	3,026,493	2,375,705	1,578,240
Long-term debt	5,084,017	4,598,075	4,668,008	5,083,169	1,894,964
Other non-current liabilities[2]	1,097,890	1,054,403	794,733	640,487	521,785
Non-current liabilities[2]	6,181,907	5,652,478	5,462,741	5,723,656	2,416,749
Total liabilities[2]	8,791,622	8,796,890	8,489,234	8,099,361	3,994,989
Shareholders' equity[2]	7,029,693	6,122,786	5,681,031	4,945,320	3,988,111
▶ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**15,821,315**	**14,919,676**	**14,170,265**	**13,044,681**	**7,983,100**
Total debt incl. accounts receivable securitization program	5,568,435	5,737,674	5,642,395	5,579,110	2,191,103
Working Capital[4]	2,717,503	2,322,184	1,922,366	1,647,152	1,296,378
Credit Rating					
Standard & Poor's[5]					
Corporate credit rating	BB	BB	BB	BB	BB+
Subordinated debt	BB	BB	B+	B+	BB-
Moody's					
Corporate credit rating	Ba1	Ba1	Ba2	Ba2	Ba2
Subordinated debt	Ba3	Ba3	B1	B1	B1
Fitch					
Corporate credit rating	BB	BB			
Subordinated debt	B+	B+			

[1] *Certain items in prior years have been reclassified to conform with the current periods presentation. The reclassifications include $ 124.5 million for 2005 relating to rents for clinics which were removed from selling, general and administrative expenses for the International segment and included in cost of revenue for dialysis care.*

[2] *Due to the adoption of the new accounting rule ASC 810 (U.S. GAAP), tax expenses related to minority interests of partnerships were reclassified to noncontrolling interest. 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 have been adjusted accordingly.*

5-YEAR SUMMARY

Table 6.4.1

in $ thousands, except share data	***2009***	*2008*	*2007*	*2006*	*2005*
Cash Flow					
Net cash provided by operating activities	1,338,617	1,016,398	1,199,574	907,830	670,304
Capital expenditure, net[6]	(561,876)	(673,510)	(543,053)	(445,627)	(288,296)
Free cash flow[6]	776,741	342,888	656,521	462,203	382,008
Acquisitions and investments, net of cash acquired and net purchases of intangible assets[6]	(188,113)	(276,473)	(263,395)	(4,311,190)	(134,199)
Proceeds from divestitures	51,965	58,582	29,495	515,705	–
Share data					
Year-end share price Frankfurt, XETRA *in €*					
Ordinary shares	36.94	33.31	36.69	33.66	29.67
Preference shares	33.31	33.50	35.39	31.67	26.28
Year-end ADS share price New York *in $*					
Ordinary shares	53.01	47.18	52.75	44.43	35.03
Preference shares	45.60	43.00	46.84	40.00	31.20
Weighted average number of ordinary shares	294,418,795	293,233,477	291,929,141	290,621,904	210,000,000
Weighted average number of preference shares	3,842,586	3,795,248	3,739,470	3,575,376	80,369,448
Total dividend amount *€ in thousands*	182,852	172,767	160,220	138,800	120,497
Dividend per ordinary share *in €*[7]	0.61	0.58	0.54	0.47	0.41
Dividend per preference share *in €*[7]	0.63	0.60	0.56	0.49	0.43
Employees					
Full-time equivalents	67,988	64,666	61,406	56,803	47,521
Operational ratios *in %*					
EBITDA margin[8]	19.7	19.7	20.0	19.1	17.6
EBIT margin[8]	15.6	15.8	16.3	15.5	13.9
EPS growth	8.5	13.5	32.9	17.0	12.6
Organic revenue growth (currency-adjusted)	8.1	7.3	6.4	10.2	7.4
Return on invested capital (ROIC)[9]	8.5	8.6	8.4	7.4	8.0
Return on operating assets (ROOA)[9]	12.2	12.3	12.5	11.3	12.6
Return on equity before taxes[2, 9, 11]	21.3	22.4	21.7	20.0	19.3
Return on equity after taxes[2, 9, 11]	13.1	13.7	12.9	11.8	11.4
Cash flow return on invested capital (CFROIC)[9]	14.4	14.5	14.4	16.0	14.5
Leverage ratio (total debt/EBITDA)[10]	2.5	2.7	2.8	3.2	1.8
Gearing ((total debt – cash)/equity)[2]	0.7	0.9	1.0	1.1	0.5
EBITDA/Interest expenses	7.4	6.2	5.2	4.6	6.9
Cash from operating activities in percent of revenue	11.9	9.6	12.3	10.7	9.9
Equity ratio (equity/total assets)[2]	44.4	41.0	40.1	37.9	50.0
Dialysis Care Data					
Treatments *in millions*	29.4	27.9	26.4	23.7	19.7
Patients	195,651	184,086	173,863	163,517	131,450
Clinics	2,553	2,388	2,238	2,108	1,680

[3] 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 but including costs related to the change of accounting principles for stock options of $ 14.3 million pre-tax and $ 9.7 million after tax; in 2005 before one-time costs for the transformation of legal form and the settlement and related legal fees of the shareholders suit. Effective January 1, 2006 the Company adopted the provisions of the accounting standards for share-based payments using the modified prospective transition method ▸see note 1t and 15.

[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, 2005: 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] 2009: Proposal for approval at the Annual General Meeting on May 11, 2010.

[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 but including one-time costs related to the change of accounting principles for stock options of $ 14.3 million; in 2005 EBITDA margin of 17.9 % and EBIT margin of 14.2 % before one-time costs for the transformation of legal form and the settlement and related legal fees of the shareholders suit.

[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] Correction of non-cash charges of $ 50.8 million in 2009, $ 44.4 million in 2008, $ 40.7 million in 2007, $ 35.0 million pro forma incl. RCG, after FTC mandated divestitures, excluding restructuring costs and in-process R&D and excluding gain from divested clinics in 2006; correction of non-cash charges of $ 14.0 million in 2005.

[11] Return on Equity has been calculated based on the net income attributable to FMC-AG & Co. KGaA and the total FMC-AG & Co. KGaA shareholders' equity.

Chapter 6.5

CONTACTS AND IMPRINT

▸ CONTACTS

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▸ 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 Web site:
www.fmc-ag.com.

Printed reports can be ordered online, by phone or in writing from Investor relations.

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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
Management Board: Dr. Ben J. Lipps (Chairman), Roberto Fusté, Dr. Emanuele Gatti, Rice Powell, Michael Brosnan, Dr. Rainer Runte, Kent Wanzek
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FRESENIUS MEDICAL CARE

Profile 2009

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.

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.

OPERATING DATA

Table 1

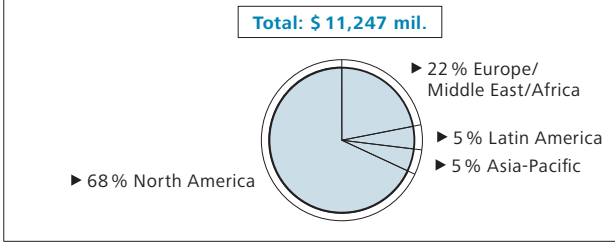
in $ millions

	2009	2008	Change
Selected key figures			
Net revenue	11,247	10,612	6 %
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,213	2,088	6 %
Earnings before interest and taxes (EBIT)	1,756	1,672	5 %
Net income[1]	891	818	9 %
Net cash flow from operating activities	1,339	1,016	32 %
Free Cash Flow[2]	777	343	127 %
Capital expenditures (net)	562	673	– 17 %
Acquisitions, investments and purchases of intangible assets (net)	136	218	– 38 %
Earnings per ordinary share *in $*	2.99	2.75	9 %
Dividend per ordinary share[3] *in €*	0.61	0.58	5 %
EBIT margin *in %*	15.6	15.8	–
Return on invested capital (ROIC) *in %*	8.5	8.6	–
Equity to assets *in %*	44.4	41.0	–

[1] *Net income attributable to Fresenius Medical Care AG & Co. KGaA.*
[2] *Before acquisitions and dividends.*
[3] *2009: Proposal for approval at the Annual General Meeting on May 11, 2010.*

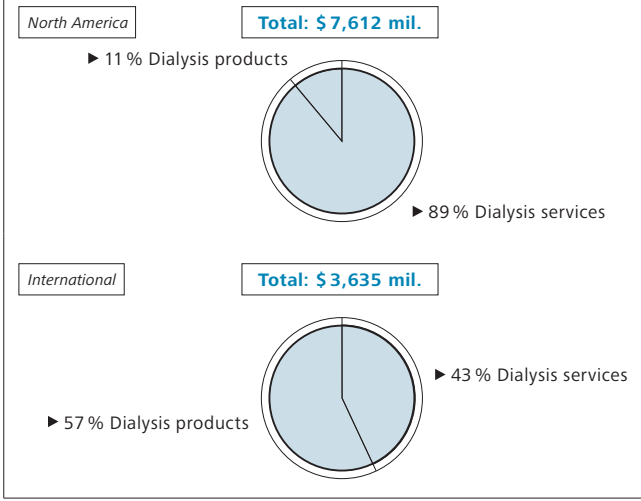
REVENUE BY REGION

Chart 2



REVENUE BY SEGMENT

Chart 3

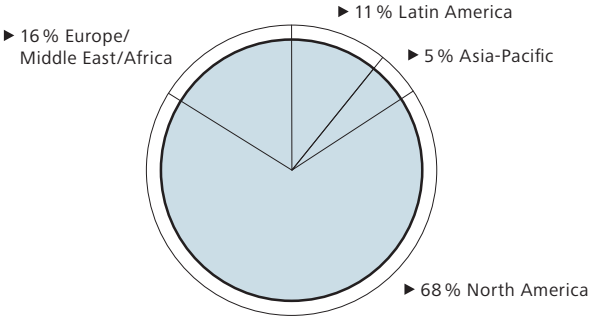


FRESENIUS MEDICAL CARE'S PATIENTS WORLDWIDE

Patients

Chart 4

Total: 195,651



FRESENIUS MEDICAL CARE'S CLINICS WORLDWIDE

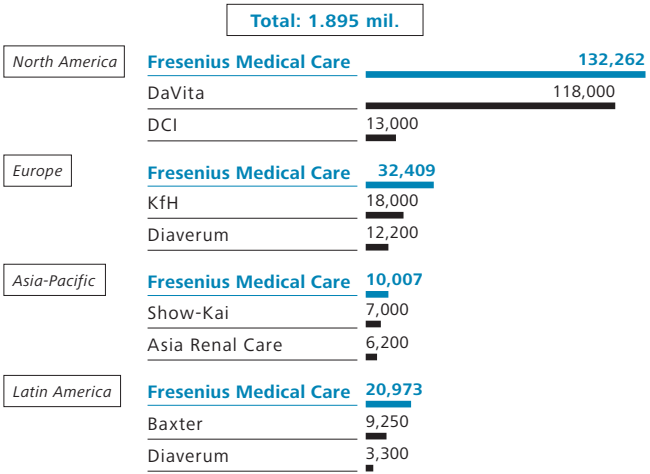
Number

Table 5

	2009	*2008*	*Change*
North America	1,784	1,686	6 %
Europe/Middle East/Africa	435	400	9 %
Latin America	191	177	8 %
Asia-Pacific	143	125	14 %
▶ TOTAL	**2,553**	**2,388**	**7 %**

DIALYSIS SERVICES WORLDWIDE 2009[1]

Chart 6



[1] *Based on company statements and estimates*

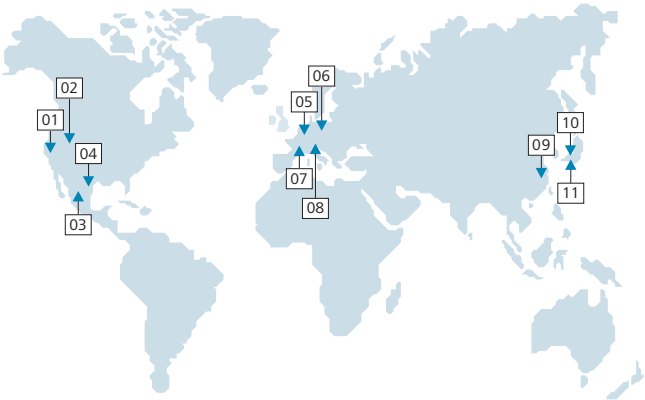
MARKET POSITION IN MAJOR PRODUCT GROUPS 2009

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	Pisa

MAJOR PRODUCTION SITES

Chart 8



America	**01** Walnut Creek, U.S.	Dialysis machines
	02 Ogden, U.S.	Dialyzers
	03 Guadalajara, MX	Dialysis solutions
	04 Reynosa, MX	Tubing systems
Europe	**05** St. Wendel, GER	Dialyzers
	06 Schweinfurt, GER	Dialysis machines
	07 L'Arbresle, FR	Dialyzers & dialysis solutions
	08 Cremona, IT	Tubing systems
Asia	**09** Jiangsu, CN	Tubing systems
	10 Buzen, JP	Dialyzers
	11 Inukai, JP	Dialyzers

OUR COMPANY PROFILE

in brief

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 1.89 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).

67,988

EMPLOYEES WORLDWIDE

over 30

PRODUCTION SITES WORLDWIDE

195,651

PATIENTS WORLDWIDE

2,553

CLINICS WORLDWIDE

round about 29.4 millions

DIALYSIS TREATMENTS

May 4, 2010

REPORT ON THE FIRST QUARTER 2010

May 11, 2010

ANNUAL GENERAL MEETING, FRANKFURT/MAIN

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IN TOUCH

IN TOUCH
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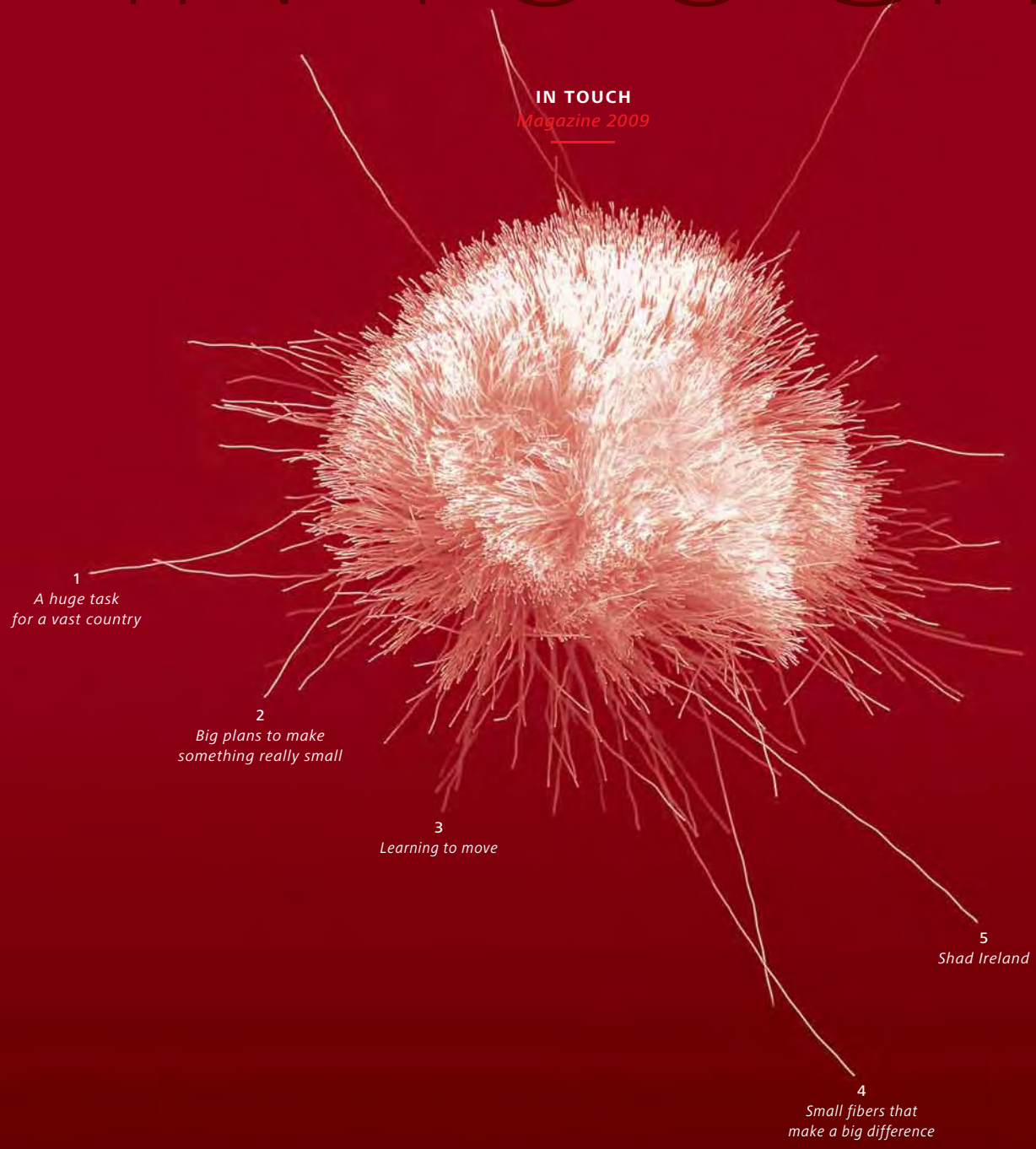

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DEAR READERS,

The stories in this magazine come from different countries around the world in which Fresenius Medical Care operates. They highlight the different perspectives, hopes and ambitions of our patients, partners and employees. All have one subject in common: being "in touch".

Being in touch is first and foremost something we as a company are committed to, for example, when it comes to expanding our business in one of the world's most promising growth markets by working closely with our partners. Being in touch is also an incentive in developing dialysis therapies for the future that meet today's and tomorrow's patient needs. And being in touch is our day-to-day reality in our efforts to improve our patients' quality of life and help them to inspire others.

The articles in this magazine illustrate how being in touch with patients, partners and markets defines Fresenius Medical Care's corporate culture, what it means to people close to us, and how important it is for our economic success.

A HUGE TASK FOR A VAST COUNTRY

REPORT

ESTABLISHING CHINA-WIDE COVERAGE OF DIALYSIS CLINICS AND PRODUCTS CONTINUES TO BE A MAJOR CHALLENGE. FRESENIUS MEDICAL CARE IS PREPARING TO EXPAND ITS BUSINESS IN THIS GROWING MARKET WITH ITS OWN PRODUCTION FACILITY AND IN CLOSE COOPERATION WITH PARTNERS.

Betty Tse seems to know everyone at the dialysis center in Renji Hospital in Shanghai: doctors and nurses, as well as the patients sitting in the brightly lit dialysis room. Some are resting comfortably on white reclining chairs; others greet the Fresenius Medical Care employee as she passes. Betty Tse is responsible for cooperation between the Company and state hospitals in China and therefore works closely with the dialysis center in Renji Hospital, too. Fresenius Medical Care not only supplies the hospital with dialysis machines used for cleaning patients' blood, but also single-use items such as dialyzers, dialysis solutions and bloodlines.

Betty Tse approaches a patient and asks how she is doing today. "Our staff explain to patients what they are allowed to eat, what amount of liquids they should drink, and what to avoid, because they have to pay close attention to their diet and limit their salt and potassium intake," she explains. "And we also show them how best to take care of their arteriovenous shunt to prevent infections." A shunt is inserted into a patient's forearm which enables him to be hooked up to a dialysis machine. It requires connecting an artery and a vein in a minor surgical procedure. This increases blood flow – a key factor for dialysis.

DIALYSIS IS STILL IN ITS INFANCY HERE

In the economic boom region of China, the treatment of kidney patients has only just got off the ground compared with international quality standards. That means a great amount of work for those involved – but it is also a great source of motivation. "Fresenius Medical Care is concentrating on very long-term plans for China. This is vital to be able to effect nationwide changes in dialysis," Betty Ma points out. She has been responsible for Fresenius Medical Care's business in China since 1997. Initially the 52-year-old worked from her home city of Hong Kong. Since 2007, she has been living and working in Shanghai. During this time, the trained nurse, who founded a company for distributing dialysis products before joining Fresenius Medical Care, has been able to observe China's amazing economic development, and the medical progress that has ensued. In 2009, China was already one of Fresenius Medical Care's most important markets for newly sold hemodialysis machines. The Company expects the number of dialysis patients in China to grow to more than 500,000 by 2018 – from around 120,000 at the end of 2009.

MANY KIDNEY PATIENTS HAVE NO ACCESS TO TREATMENT

A concerted effort is necessary to ensure that these patients also get treatment. Existing hospitals in China need to be expanded as they often lack the space and staff to establish their own dialysis wards. In accordance with Chinese law, dialysis treatment is currently only offered in hospitals and not in private dialysis clinics. China still has a long way to go before it can provide dialysis treatment nationwide. This is compounded by the fact that the quality of treatment varies widely between rural and urban areas and even from city to city.

The lack of access to treatment really becomes apparent when compared with international standards. Betty Ma comments: "In the U.S., the ratio of people undergoing dialysis is about 1,250 to one million. In Taiwan, that number is even around 2,400; in the former British colony of Hong Kong, it is approximately 640; but in mainland China, we are talking about a mere 90." Of course, we have to take into account that demographic factors such as the average age of the population and the spread of diabetes – both of which are related to the incidence of chronic kidney disease – differ significantly in these countries. However, the extremely low number of dialysis patients in China still shows that many people with renal failure in this country are currently not able to receive therapy.

A HEALTHCARE SYSTEM IN THE MAKING

One reason for this limited access to dialysis is the lack of a nation-wide health insurance. Most people, especially in rural areas,

Picture left In China, dialysis patients are treated in hospitals, for example by the dialysis team at the Renji Hospital in Shanghai.
Picture right Betty Tse, senior manager for dialysis services at Fresenius Medical Care, works closely with the clinic staff.

MORE THAN

850

BILLION YUAN
(ABOUT 87 BILLION EUROS)
ARE TO BE INVESTED
INTO THE HEALTH
SECTOR IN THE
NEXT THREE YEARS.

cannot afford dialysis treatment because they are not insured. Another reason is the fact that treatment cost and reimbursement levels vary considerably between individual cities and regions. While patients in Shanghai only have to pay around five to ten percent of treatment costs out of their own pockets, according to Betty Ma this amount can be up to 50 percent for patients in smaller cities.

To remedy this problem, the government has been working on a new healthcare system since 2009. It plans to provide health insurance for 90 percent of the rural population and open a small clinic in every village to cover basic medical care by 2011. At the same time, the Chinese government is funding the construction of 2,000 regional hospitals and staging 1.9 million training courses to qualify medical staff, who are urgently needed, especially in rural areas. The Chinese State Council has specified a long-term target of providing basic medical care for the entire population by 2020. In the next three years, around 850 billion yuan (more than 87 billion euros) are to be spent on healthcare. Nephrology will also benefit from this. "Dialysis will then be part of basic healthcare within the insurance system," says Betty Ma.

Besides the insufficient healthcare system, the dialysis situation in China is also influenced by a general scarcity of funds which impedes the large investments necessary for establishing dialysis centers. Smaller hospitals in particular are unable to cover the costs involved. Betty Ma reflects: "Fresenius Medical Care reacted to this situation early on, and worked out a special partnership model with hospitals, health authorities, and the Ministry of Health." The Company currently provides 21 hospitals with dialysis machines and equipment in return for a fee per treatment. Fresenius Medical Care employees also advise hospitals on how to implement high-quality standards for treatment. An increasing number of hospitals are embracing this model. "The number of partnerships is growing steadily because they offer considerable benefits for both parties," Betty Ma remarks. "This means that partner hospitals can treat a greater number of patients with high-quality dialysis under viable conditions. For Fresenius Medical Care, the model is an opportunity to use our high-quality products and years of experience to actively participate in the fast growth and steady opening of the market for dialysis."

Picture left *Professor Wang Haiyan from Peking University has been working with Fresenius Medical Care for many years.*
Picture right *The nephrologist heads the dialysis center at Peking University First Hospital in Beijing.*

FRESENIUS MEDICAL CARE COOPERATES WITH

21

HOSPITALS IN CHINA, PROVIDING THEM WITH DIALYSIS MACHINES, SINGLE-USE ITEMS, TRAINING, AND OPERATIONAL SUPPORT.

COLLABORATING WITH THE COUNTRY'S BEST NEPHROLOGISTS

Wang Haiyan from the renowned Peking University has cooperated with Fresenius Medical Care for many years. The professor and nephrologist has a unique insight into the situation in China. In her office in the old wing of the Peking University First Hospital in Xicheng district, she points at her computer screen on which colorful diagrams and maps flash up. Red means the area has a good supply of dialysis machines. But only Beijing, Shanghai, and Guangzhou in South China sport this color. "A good 20 percent of all available machines are located in just these three metropolitan areas," says Wang Haiyan. Another fifth of machines can be found in the rich provinces on the coast like Jiangsu and Zhejiang. But most of the country is colored green on the map, symbolizing an insufficient supply of dialysis machines. Wang Haiyan points out: "There is massive demand for dialysis machines in China."

Her dialysis center at Peking University started off small: "We began by renting machines from Fresenius Medical Care in the 1990s. We couldn't afford anything else back then," recalls the expert, who is far from retiring in spite of being 73 years old. Today, her center, which specializes in complicated cases, treats 180 patients with its own dialysis machines, most of them made by Fresenius Medical Care. The center's quality of treatment is so high that it is now responsible for controlling the quality of all other dialysis units in Beijing, a city with a population of over 17 million. Professor Wang attributes a good share of this impressive development to the long-standing partnership with Fresenius Medical Care: "The Company not only provides us with dialysis machines, but is also joining us in our commitment to expand and develop nephrology here in China." For example, Fresenius Medical Care supports the center with staff training. Company trainers instruct nurses on how to use the dialysis machines and single-use items safely and professionally. They also learn what general standards of hygiene and safety to observe when treating patients to ensure that dialysis treatment is as safe and effective as possible.

YEARS OF EXPERIENCE CREATE NEW OPPORTUNITIES

At the moment, mainly large university hospitals and municipal clinics offer dialysis, whereas district hospitals in rural areas or even on the outskirts of large cities such as Shanghai have only

Picture left The patients feel well looked after at the dialysis center in Beijing.
Picture right Fresenius Medical Care has been manufacturing locally at its production site in Changshu near Shanghai since 2007.

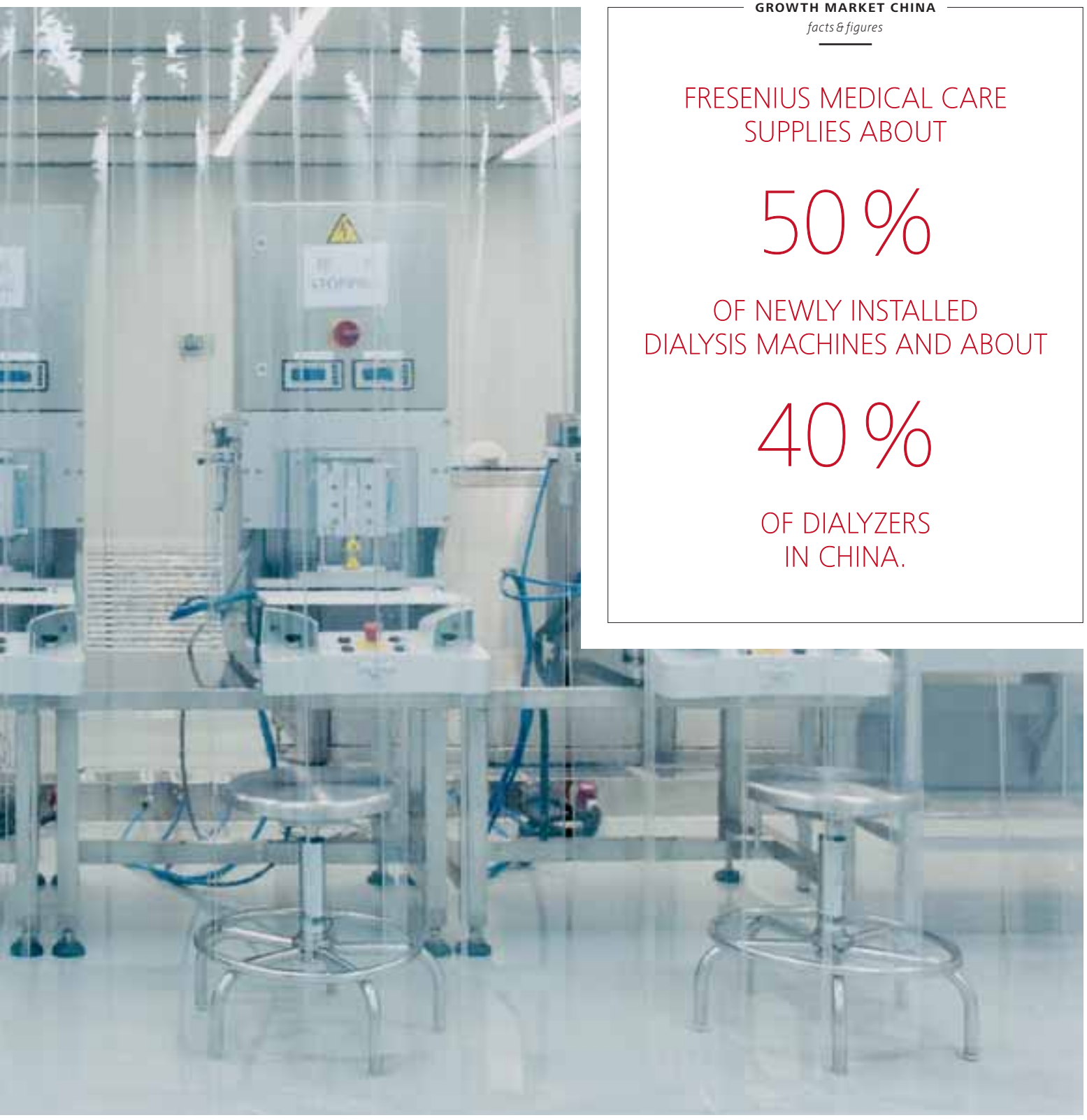
FRESENIUS MEDICAL CARE SUPPLIES ABOUT

50 %

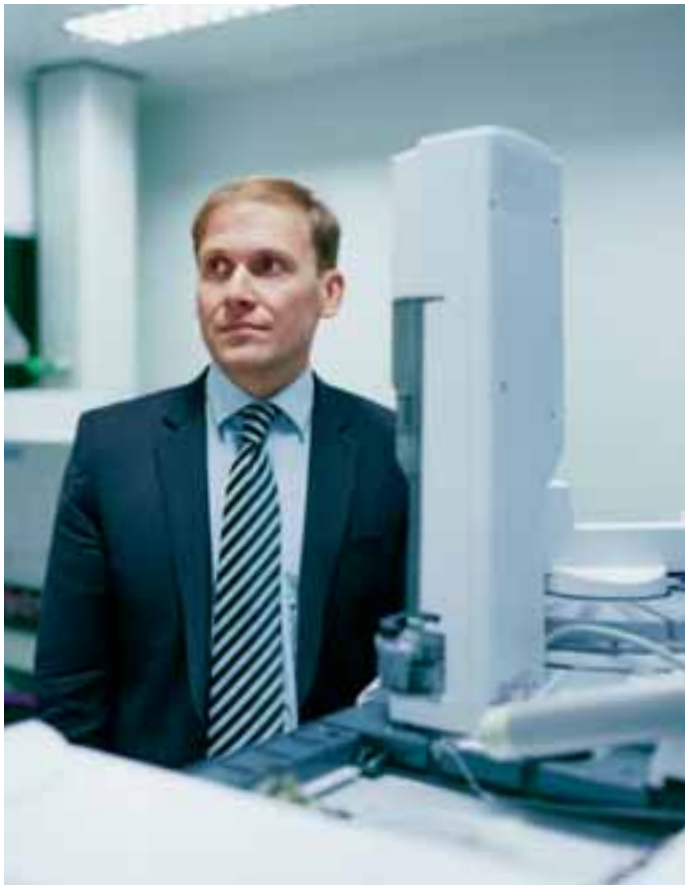
OF NEWLY INSTALLED DIALYSIS MACHINES AND ABOUT

40 %

OF DIALYZERS IN CHINA.



Fresenius Medical Care has equipped its plant in Changshu to meet state-of-the-art production standards. In the new laboratory, employees conduct tests for ongoing approval processes.



GROWTH MARKET CHINA

facts & figures

THE NUMBER OF DIALYSIS PATIENTS IS EXPECTED TO INCREASE TO MORE THAN

500,000

BY 2018. AT THE END OF 2009, THERE WERE ONLY ABOUT 120,000 PATIENTS.

limited resources. This is where Fresenius Medical Care can play an important role in the future. "We are working closely with the Ministry of Health to close this gap," Betty Ma notes. The Ministry of Health has shown great interest in collaboration. The common goal is to achieve a standardized treatment and reimbursement system for dialysis. "The government appreciates our many years of experience in running dialysis clinics in other countries and is aware that we have developed our own high quality standards." Fresenius Medical Care is considered to be uniquely qualified for collaboration of this kind as there is no other company that offers products as well as dialysis services. Betty Ma concludes, "We would like to build thousands of clinics, so that as many kidney patients as possible can be treated." The Company is currently in discussion with the Ministry of Health about the possibility of setting up dialysis clinics outside of hospitals.

LOCAL PRODUCTION FOR THE LOCAL MARKET

Fresenius Medical Care operates its own manufacturing facility in China which is key to its success in this growing dialysis market. Since 2007, the Company has been producing bloodlines in a plant in Changshu in Jiangsu province, a two-hour drive west from Shanghai. Before the plant was set up, these were imported to China. Manufacturing these bloodlines locally is more economical and gives the Company a competitive edge as it is closer to the market. "In the long run, we plan to offer our entire product portfolio in China and that makes this Chinese plant very valuable for us," claims Betty Ma. Fresenius Medical Care is already the market leader in all other areas of dialysis. "We account for about 50 percent of all newly installed dialysis machines and about 40 percent of dialyzers. The rest is divided between a number of different companies." Fresenius Medical Care imports dialysis machines from Germany while dialyzers come from various locations throughout Europe.

The new plant in Jiangsu province was already a factory for bloodlines that the Company bought from a Taiwanese firm and modified to meet its own production standards. Dr. Paul Gastauer is the production manager for Asia-Pacific and responsible for the Chinese plant. He comments:

"WE CURRENTLY HAVE AN ANNUAL CAPACITY OF AROUND TWO MILLION BLOODLINES, WHICH WE WILL BE DOUBLING TO FOUR MILLION IN 2010."

Gastauer, who is a chemical engineer and holds a PhD in process engineering, adds that Fresenius Medical Care supplies other clinics in the region and across the country as well as associated dialysis centers. "We have started integrating other products into our portfolio, such as dialysis solutions for peritoneal dialysis or concentrates for hemodialysis." A modern laboratory complex has been built on the premises to handle ongoing approval processes and necessary test procedures.

A ROLE MODEL FOR THE ENTIRE INDUSTRY

Gastauer coordinates closely with other locations to ensure that the quality is in line with international Company standards. He is able to draw on his experience as Plant Manager in Buzen, Japan, and Managing Director in France. For instance, to prepare for the planned expansion of the plant's product portfolio, he sources the most important machines he needs for manufacturing from the same suppliers the Company's other locations work with. "Our quality indirectly sets standards for local manufacturers," he explains. "Inspectors from the Chinese health authorities observe standards of work safety, hygiene and production processes at our plant that they will also look for when they inspect local plants."

HIGH QUALITY AT A MINIMUM COST

In the meantime, Betty Tse, Fresenius Medical Care's senior manager for dialysis services, has finished visiting patients at Renji Hospital in Shanghai. She is convinced that it's not only kidney patients who urgently need information on living with dialysis. In a bid to enable her patients to enjoy the highest possible quality of life, she would like to take it to the next level and raise employers' awareness for the plight of employees on dialysis. Kidney patients are often forced to give up work because their employers refuse to let them take the necessary couple of hours off several times a week. "They have to give kidney patients the opportunity to take time off work, after all, they don't fall ill by choice," demands Betty Tse.

The 150-year-old Renji Hospital, hidden away from the hustle and bustle of life in a side street close to Shanghai's pristine boulevard "Bund", is an institution in the city. The attached dialysis center is also renowned. "We have been around for a long time and we are committed to doing good work," says Professor Qian Jiaqi, Professor of Nephrology and head of the dialysis center. His dialysis clinic at Renji Hospital sets the standards for quality control in Shanghai, just as Wang Haiyan's center does in Beijing. Professor Qian is former Vice President of the Chinese Society of Nephrology and has been working with Fresenius Medical Care since 1996. "Our collaboration is one of the driving forces which enable us to offer our 180 patients treatment at this level and improve it bit by bit," he outlines. "Besides providing dialysis machines and products and training my staff, Fresenius Medical Care helps us give our patients a greater quality of life beyond dialysis itself."

As production manager for Asia-Pacific, Dr. Paul Gastauer is also responsible for the Company's plant in China. It supplies the dialysis centers of Fresenius Medical Care's partners and other clinics with bloodlines.

GROWTH MARKET CHINA

facts & figures

THE CHINESE GOVERNMENT PLANS TO FUND THE CONSTRUCTION OF

2,000

REGIONAL HOSPITALS. THE OBJECTIVE BY 2011 IS FOR

90 %

OF THE RURAL POPULATION TO HAVE HEALTH INSURANCE COVERAGE.

This includes organizing vacations that include regular dialysis treatments away from home as an inherent part of the trip.

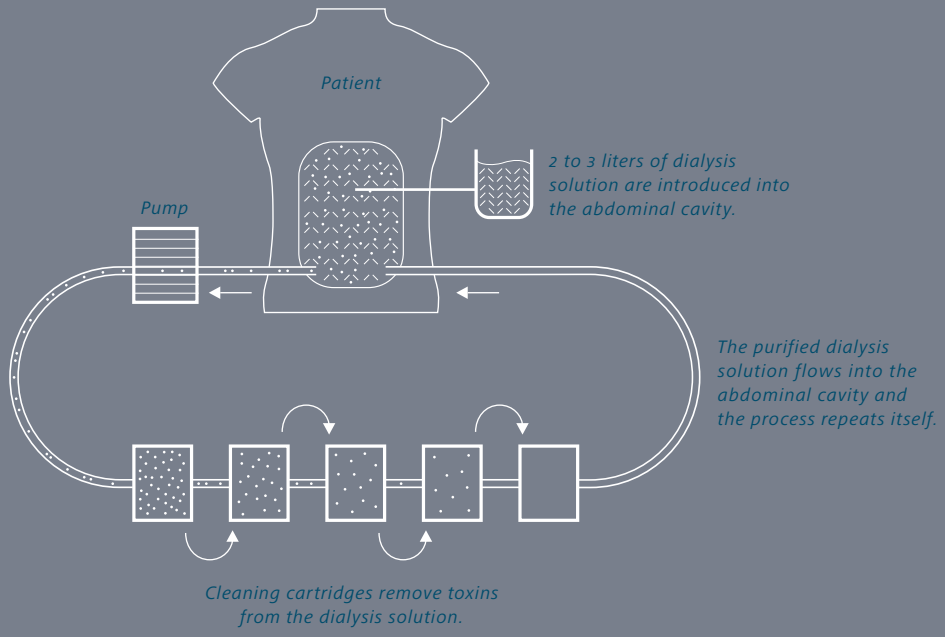
Fresenius Medical Care also supports the professor and his colleagues when they visit medical conventions around the world. "If we want to improve dialysis treatment in this vast country, participating in international scientific discourse is vital. This may be easier to understand for a dialysis company that has spent many years collaborating with us here in China than for a company that operates from abroad." Qian Jiaqi believes that the enormous cost involved constitutes the biggest challenge when it comes to providing dialysis treatment nationwide, and cites a study conducted by the Ministry of Health: around 50 million yuan, approximately 5.3 million euros, would be required just to modernize the hemodialysis facilities in the nine hospitals in Shanghai's rural districts. He sees Fresenius Medical Care's decision to focus on China as a production site and to offer its high-quality dialysis products on the Chinese market at a more competitive price as a great opportunity for everyone involved: "I hope that we can continue to work together to provide patients in China with high-quality treatment at an affordable cost."

Betty Ma is now standing in her corner office at the top of an office tower with views over the giant city of Shanghai. She can relate to the professor's concern: if it were up to her, she wouldn't wait another day to start collaborating with more hospitals or even setting up dialysis clinics outside of hospitals. This would both enhance the quality of life for patients and further the success of the Company. "The overall goal is to make sure that all patients in China can receive treatment," the manager emphasizes, gazing out of her window at the vast city below. "I am proud that we can be a part of this great task."

Picture left Professor Qian Jiaqi, head of the dialysis center at Renji Hospital in Shanghai, has been working with Fresenius Medical Care for over ten years.
Picture right Together with her team, Betty Ma wants to help make dialysis treatment accessible for all patients in China.

BIG PLANS TO MAKE SOMETHING REALLY SMALL

AN INTERVIEW WITH NORMA J. OFSTHUN, PHD, VICE PRESIDENT OF CORPORATE RESEARCH AT FRESENIUS MEDICAL CARE IN THE U.S., ABOUT THE DEVELOPMENT OF A WEARABLE ARTIFICIAL KIDNEY.



Norma Ofsthun began her career as an engineer in an industrial concern in Pittsburgh, Pennsylvania. One day, a colleague asked her and other employees at the firm if they would be prepared to undergo a blood test and, if the results matched, to donate white blood cells for his critically ill daughter. Norma was confirmed as a suitable donor and, a few hours later, found herself sitting in front of a machine, mesmerized by the sight of her own blood running through it. In her imagination, she embarked on a fantastical journey into the realm of molecules. She watched white blood cells being filtered from the bloodstream through wafer-thin membranes, and red blood cells, plasma, and blood platelets later being returned to the blood through another membrane. That was when Norma Ofsthun knew: this is it. This is important. This is exciting. She had stumbled upon her scientific vocation. She returned to university that very year and wrote her doctoral thesis at the Massachusetts Institute of Technology on the filtration of blood and other cell suspensions.

Today, she works at Fresenius Medical Care's research center in Lexington, where she coordinates a worldwide project, which she compares with the search for the Holy Grail of dialysis. Over the last five years, in the laboratories outside Boston, a product has begun to take shape that has been the subject of scientists' and doctors' dreams for decades – the wearable artificial kidney.

WHAT IS IT ABOUT THIS PRODUCT THAT FASCINATES YOU AND SO MANY OTHER SCIENTISTS?

The kidney itself is a fascinating organ. It is small enough to fit in your palm and weighs only 200 grams, and yet it fulfils unbelievably complex functions in the human body. Every day, more than 100 liters of fluid pass through its needle-thin canals. It filters toxins out of the blood using various methods. In addition, it enriches the blood, returns important nutrients to it, filters excess fluid, and balances nutrient and pH levels. Half a century ago, doctors used dialysis machines that looked like giant washing machines to replace these functions after renal failure. Over time these machines have become smaller and smaller. Our current prototype weighs just 1.5 kilograms. It can be worn like a belt, enabling patients to have effective mobile therapy for the first time ever. This opens a whole new range of possibilities in dialysis.

HOW IS WORK ORGANIZED IN THE PROJECT TEAM?

Here in Lexington, we coordinate the efforts of five different locations in Germany and the U.S. This international collaboration involving different departments within the Group is particularly beneficial for the development of the wearable kidney. Such a significant project would not be possible otherwise. For example, we have employees in St. Wendel in Germany with two decades of experience in developing special membranes, while our team of experts in Newport Beach, California, is specialized in miniature pumps and batteries. And I'm sitting here pulling the strings.

Fascinated by the vast world of tiny molecules in motion: Norma J. Ofsthun, PhD, head of the research project for the development of a wearable artificial kidney.

Norma Ofsthun leads the way to a laboratory in the research center at Lexington. She stops in front of a white plastic water tank. Trials are currently being conducted using these containers. Two pencil-thin tubes protrude from the containers and end in one of the prototypes of the wearable artificial kidney. It comprises five interconnected cleaning cartridges that look like external hard drives. Ultra-thin white fibers and black and white powder are visible in these cartridges, which are barely larger than decks of playing cards. At the moment, the artificial kidney is only filtering molecules like phosphate, urea and organic compounds from the water in the tanks. The first patients will have to wait to try out the wearable artificial kidney until the scientists have met all their targets in these water tank trials.

SCIENTISTS HAVE BEEN TALKING ABOUT THE WEARABLE KIDNEY FOR DECADES. WHY IS IT SO DIFFICULT TO ACCOMPLISH?

Up to now, the main problem has been that both types of conventional technology use large amounts of liquid. In hemodialysis, for example, fluid passes continuously through a filter, and during peritoneal dialysis, patients' abdominal cavities are repeatedly flushed with liters of liquid and then drained. More than 100 liters of water are needed for one course of hemodialysis. Large machines, filters and pumps are needed to handle this amount of fluid. So we started our research by trying to find ways to radically reduce the amount required. We have managed to get it down to six liters so far, but our goal is two to three liters. This would allow us to make individual components considerably smaller.

HOW DID YOU MANAGE THAT?

By replacing the continuous supply of fresh liquid needed in conventional methods with a process in which only a small amount of fluid circulates between the body and the filters. This is then repeatedly recycled and reused.

HOW DOES THAT WORK?

In a first step, we introduce about two to three liters of dialysis solution to the abdominal cavity, just like you would during peritoneal dialysis. Metabolic waste products, such as urea, phosphate, or organic compounds pass, or "diffuse", from the blood into the dialysis solution. Driven by a tiny pump, the dialysis solution circulates between the abdominal cavity and the filters that the patient wears on a belt around his or her waist. There, the substances which diffused into the dialysis solution from the blood are removed by the cleaning cartridges. The purified solution can then flow back into the abdominal cavity to absorb more toxins. This process is repeated at a flow rate of 100 milliliters per minute. There is no need to insert cannulae into the bloodstream or pump the blood out of the body to clean it. This makes the treatment relatively gentle for the patient.

ONE IMPORTANT ASPECT OF DIALYSIS IS REMOVING EXCESS WATER FROM THE BLOOD…

This is also done by the dialysis solution. We have put the principle of osmosis to work here. Water molecules will always migrate from a fluid with a lower solute concentration to fluid with a higher solute concentration. The dialysis solution, for example a sugar solution, contains more dissolved particles than human blood and consequently absorbs water from the blood. This causes an increase in the volume of the dialysis solution during treatment. At the end of the treatment, the solution is drained and discarded.

Innovative materials, some of which are grown or manufactured on a large scale, are part of what makes these new miniaturized processes possible. Norma Ofsthun picks up a few white beans in her laboratory. "These are jack beans, which are grown exclusively for Fresenius Medical Care," she says with a smile. "We can extract a certain enzyme from them, a protein that breaks down urea and is one of our most important components." The enzyme is much cheaper when grown naturally in the bean than when it is produced synthetically. Another cost-effective sorbent that scientists use is zirconium. It may look like a plain white powder but it is the oldest known mineral on earth. The knowledge about these unusual materials was provided by Renal Solutions (RSI), which was acquired by Fresenius Medical Care in 2007. RSI's cutting-edge sorbent technology is key to this international research project.

For the past five years, experts from different fields in Germany and the U.S. have been working on a miniaturized version of dialysis. A prototype of a wearable kidney is currently being tested in Lexington.

The project brings together Fresenius Medical Care's know-how from around the world: technologies and materials from different areas within the Company are refined here. Natural substances are also used, such as an enzyme extracted from a bean and an ancient mineral.

In the laboratory, samples are tested to determine how well the sorbents have removed the toxins.

IN A WEARABLE KIDNEY, THE FILTERS REQUIRED TO REPEATEDLY RECYCLE THE DIALYSIS SOLUTION MUST BE TINY. HOW HAVE YOU ACHIEVED THAT?

First, phosphate and organic compounds are removed from the dialysis solution via the ultrafiltration membrane developed at our plant in St. Wendel, Germany. This membrane, which you can see in the cleaning cartridges as white fibers, filters in a very similar way to the tissue that filters blood in the human kidney. It has relatively large pores and allows considerable amounts of water and toxins to be removed in a short space of time. Other toxins in the solution are retained in the filters using sorbents – another innovative development. Sorbents are substances that are capable of effectively binding and accumulating molecules of toxins like urea. This means that we can use miniscule filters that work very effectively. Finally, the cleansed solution passes through another membrane cartridge that stops waste materials but is permeable to ions like calcium or magnesium, which the body needs to survive. Time is another important factor: as a wearable dialysis machine means that treatment times can be extended compared to dialysis in the clinic, we can use smaller filters.

ONCE YOU AND YOUR TEAM HAVE DEVELOPED A MARKETABLE PRODUCT, WHICH PATIENTS WILL IT BE SUITABLE FOR?

The current average age of dialysis patients is around 62. Patients of this age prefer to be treated in a dialysis clinic. Elderly people want someone to take care of them, and this is often necessary from a medical point of view, too. Unfortunately, we are also likely to see growing numbers of younger patients due to the rise of common diseases such as diabetes and high blood pressure. Young people want to travel, be active, and pursue a career, so a wearable product that enables them to undergo therapy independently and on their own responsibility should be very attractive for them. It will also be interesting for patients who live far away from dialysis clinics. Furthermore, the growing number of patients means that there will not be enough dialysis clinics in every region to satisfy future demand. The wearable kidney will then be important to ensure nationwide coverage because it can be used safely and effectively at home.

WHAT ROLE DO PATIENTS PLAY IN PRODUCT DEVELOPMENT?

As scientists, we can make calculations, measure results, and conduct experiments. But we need the patients to tell us how they feel and what does and doesn't feel good. This helps us more than any diagram. I've always enjoyed talking with patients whenever I visited dialysis clinics in the past. They have good ideas and know exactly what bothers them or how something can be improved. In 2009, for instance, we asked some patients to carry the prototype of the wearable kidney around for a day as part of a study. The point of the exercise was to find out about its weight, so of course, they were not yet connected to it via a catheter. In this way, we learned that even two kilograms feel "heavy" after a while. So reducing the weight of the device as much as possible is key to its success.

WILL MOBILE TECHNOLOGY IMPACT THE GENERAL DEVELOPMENT OF DIALYSIS?

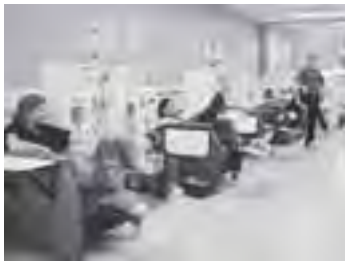
This newly developed dialysis technology will soon make the lives of many patients easier and provide more treatment options – even before the first wearable artificial kidney has been put on the market. We are applying this technology to other products as well. To give an example, we are currently preparing to launch a new water purification cartridge. This will mean that patients who carry out conventional hemodialysis at home will no longer need to instal the expensive, bulky and hard-to-use water treatment system they currently use. A regular dialysis station will be able to work with normal tap water after installing a small filter cartridge. At the same time, we are working on a machine for peritoneal dialysis which will be smaller than a vanity case and can be used to treat patients at night while they are asleep. Both of these products are based on technology developed for the wearable kidney.

WHEN WILL THE WEARABLE KIDNEY BE PUT ON THE MARKET?

We are still searching for the perfect membrane and the best sorbent. As soon as we have found them, we'll be ready to go. We plan to have the product on the market within the next eight to ten years. However, the other products based on our research for this project will become available much sooner because they do not need to be so small.

Smaller and better: Harold F. Sandford, PhD, a member of Norma Ofsthun's research team, with a prototype of the wearable artificial kidney. The final product should work more efficiently than previous technologies and remove numerous toxins from the blood, much like a real kidney.

LEARNING TO MOVE



REPORT

It all started with a gardening project to teach patients how to grow their own fruit and vegetables. At the same time, they learned that gardening is good for the body and mind. Today, patients in Argentina even exercise during dialysis treatment. This story is about a project that literally set things in motion.

Good ideas speak for themselves – as the following story shows. It began at Fresenius Medical Care in Argentina in summer 2004: the Company came up with the idea of introducing exercise programs in its clinics for patients on dialysis. The team from the "Rehabilitation and Quality of Life" department immediately started to put this idea into practice: they designed a three-month field test which was implemented in two clinics in cooperation with the local teams. To compile all the necessary data to support the decision whether to roll out the concept to other clinics and in what form, the project team collected data and conducted surveys among patients.

A TEST TURNS INTO A COUNTRYWIDE PROJECT

By the time the trial run had been completed, the staff and patients at both clinics had already made up their minds: they liked it so much they did not want to stop. Rather, they asked whether the training program could be extended. "That's how the Fitness on Dialysis project started," explains a smiling Marta Lugo, head of the project team. 18 clinics run by Fresenius Medical Care throughout Argentina are now taking part. Thousands of patients have stretched elastic bands, lifted small weights, or cycled to the

WITH RENEWED ENERGY

Leonardo used to watch TV while he was on dialysis. Today, he works out. After all, he needs to keep fit: despite his disease he supports his five children and takes care of a few polo horses.

sound of music while on dialysis. It's not just a matter of getting patients to move, explains biochemistry and psychology graduate Marta Lugo: "What we really want to achieve with our project is to get patients actively involved. This should help them to get a grip on their own lives and take the initiative."

Sport during dialysis is not just popular in Argentina. Other clinics have already set a precedent, such as the Elisabeth clinic in Essen, Germany, or the Renal Research Institute in the U.S., which are well known for their activities in this area. But training of this kind is still the exception. There is no doubt at Fresenius Medical Care in Argentina that there is a lot to be said for combining dialysis and physical exercise. "You can tell simply from the change in patients' moods," explains Liliana Pinelli, Medical Director of the Company's dialysis clinic in Pilar, 50 kilometers away from Buenos Aires. Here, as in other clinics, there is movement in dialysis – both literally and figuratively. Patients no longer sit watching television for hours, but are active, exercise together and talk to each other. They laugh, move their bodies, encourage one another, and make jokes with the nurses, who often join in, too. "The clinic really comes to life," as Liliana Pinelli puts it. That doesn't just make the clinic sound unusually lively, it also makes things easier for the patients. "Because we are constantly in action, the time required for treatment passes much more quickly, and it's fun," explains 34-year-old Leonardo, lifting a small weight.

Published research also supports the beneficial effects of physical exercise during dialysis. It shows, for instance, that sport even increases the effectiveness of blood purification. There is also evidence that exercise acts as an anti-depressant, as patients build up their energy and improve their overall fitness, giving them greater autonomy and confidence in their everyday lives. "This is why we encourage this program," says Gabriela Cannatelli, CEO of Fresenius Medical Care Argentina, "because it fits in perfectly with the basic idea of a therapy that centers on the patients and their needs."

"WE WANT TO EXPLORE EVERY OPPORTUNITY THAT ENABLES US TO HELP PATIENTS TO LIVE WITH THEIR ILLNESS AND GIVE THEM THE BEST POSSIBLE QUALITY OF LIFE."

That is exactly what Fresenius Medical Care's employees in Argentina have been working on successfully for years. Back in 2001 and 2002, when Argentina was going through a particularly severe economic crisis that caused food prices to soar, the Company initiated a gardening project, enabling patients to grow their own fruit and vegetables either at home or on the grounds of clinics. Patients not only enjoyed the produce but also began to feel better. They noticed that the physical exercise of working in the garden did them good. That's how the idea for the current fitness project came about.

MORE CONFIDENCE AND MOTIVATION

Getting this idea off the ground not only required the persuasion of patients and staff; it also needed a suitable instructor: someone who could look beyond the patients' physical limitations and recognize the potential that even people with a serious illness have. Ezequiel Correas Espeche was the man for the job: a dedicated athlete, himself a former dialysis patient in a Fresenius Medical Care clinic who had received a donor kidney 14 years before. He is one of the most experienced instructors involved in this project. "At the beginning it was difficult to get patients motivated," he remembers. "But it didn't take long for them to start noticing improvements. All at once they really wanted to get moving and started to look after themselves and take more responsibility for their bodies."

On this day, the lively Mariel Sosa is instructing the patients during treatment at the clinic in Pilar. Although they have different levels of physical fitness, all patients do the same exercises. Only the intensity varies. "That encourages team spirit and makes the group activity more fun," explains Sosa. She describes the exercise routine as a kind of physiotherapy.

"THE OBJECTIVE IS FOR PEOPLE WITH KIDNEY FAILURE TO ACHIEVE A DEGREE OF MOBILITY, ENDURANCE AND OVERALL STRENGTH."

What's more, physical fitness can revive patients' private lives: for example, they tell us that they fooled around with their grandchildren for the first time in ages, or that they carry on doing their exercises at home with their family or friends.

To the astonishment of everyone involved, the project has even molded real athletes out of some patients. One with two artificial legs recently took part in the Argentinean table tennis championships for disabled athletes. Another patient now plays in the second table tennis league. "We have one patient who started doing karate at the age of 40. That really amazed me," says Espeche. The man has already qualified for his first belt.

THE SOUND OF MOVEMENT

Liliana Pinelli, manager of the dialysis clinic in Pilar, is happy about the good atmosphere in the clinic since the sport project began. She looks after more than 130 patients here, who are now seeing a lot of action in their treatment.

REYNA CASTRO

59 years of age
dialysis patient for eight years

To start with, I was a bit concerned that exercising might interfere with the treatment. But I quickly realized that the instructors had designed the exercise program very carefully, and they make sure that nothing happens. At the beginning, my legs hurt a bit. But now I don't have any aches and pains whatsoever, despite working out the entire session and cycling for 60 minutes on top, which I particularly enjoy. Afterwards, I feel great and full of life. I must say that physical exercise has changed everything for me. Before, I could hardly walk, had no interest in anything. I couldn't stand myself in that state. Now I can enjoy life again: I exercise at home, take walks to keep fit, and I can take care of lots of things myself again without any assistance, such as sweeping, cleaning the house, making the beds and taking a shower.

"Physical exercise has changed everything for me.
Before, I could hardly walk, had no interest in anything,
I couldn't stand myself that way. Now I enjoy life again."

"EL DEPORTE CAMBIÓ TODO: ANTES CASI NO PODIA CAMINAR, NO TENIA GANAS DE HACER NADA, NI VERME. HOY DISFRUTO DE MI VIDA OTRA VEZ."

LEONARDO BERTHELOT

34 years of age
dialysis patient for ten years

I used to just watch TV during dialysis. But thanks to the fitness program, which I've been doing for three years now, I can use the time I spend here to learn how to strengthen and stretch my muscles, even sitting down. We started with exercises to make us more supple; now I do weight training and physical exercises using one kilogram ankle weights. I have to keep fit; after all I have five children to feed. One of my jobs is looking after polo horses. I find the stretching exercises particularly helpful for that. Now I can work better and longer. The exercises are not only good for my body but also my mind. I actually enjoy going to dialysis the days we train. Time passes much more quickly, and it is fun. We always have a good laugh.

"I can tell the exercises are good for me, for my body as well as for my mind."

"NOTO, QUE EL DEPORTE
HACE BIEN PARA MI BIENESTAR,
EL FAVORECE MI CUERPO
Y MI SALUD MENTAL."

LUIS GODOY

55 years of age
dialysis patient for seven years

We started off doing very light exercises. But now, the program has become effective training for the tummy and legs. I also do the same exercises by myself at home every day. It's good that physical activity has become part of our everyday lives. It keeps us moving. Now, I regularly visit my neighbour and my son at his repair shop. I even help him with his work there sometimes. Before I started training, I couldn't do any of those things.

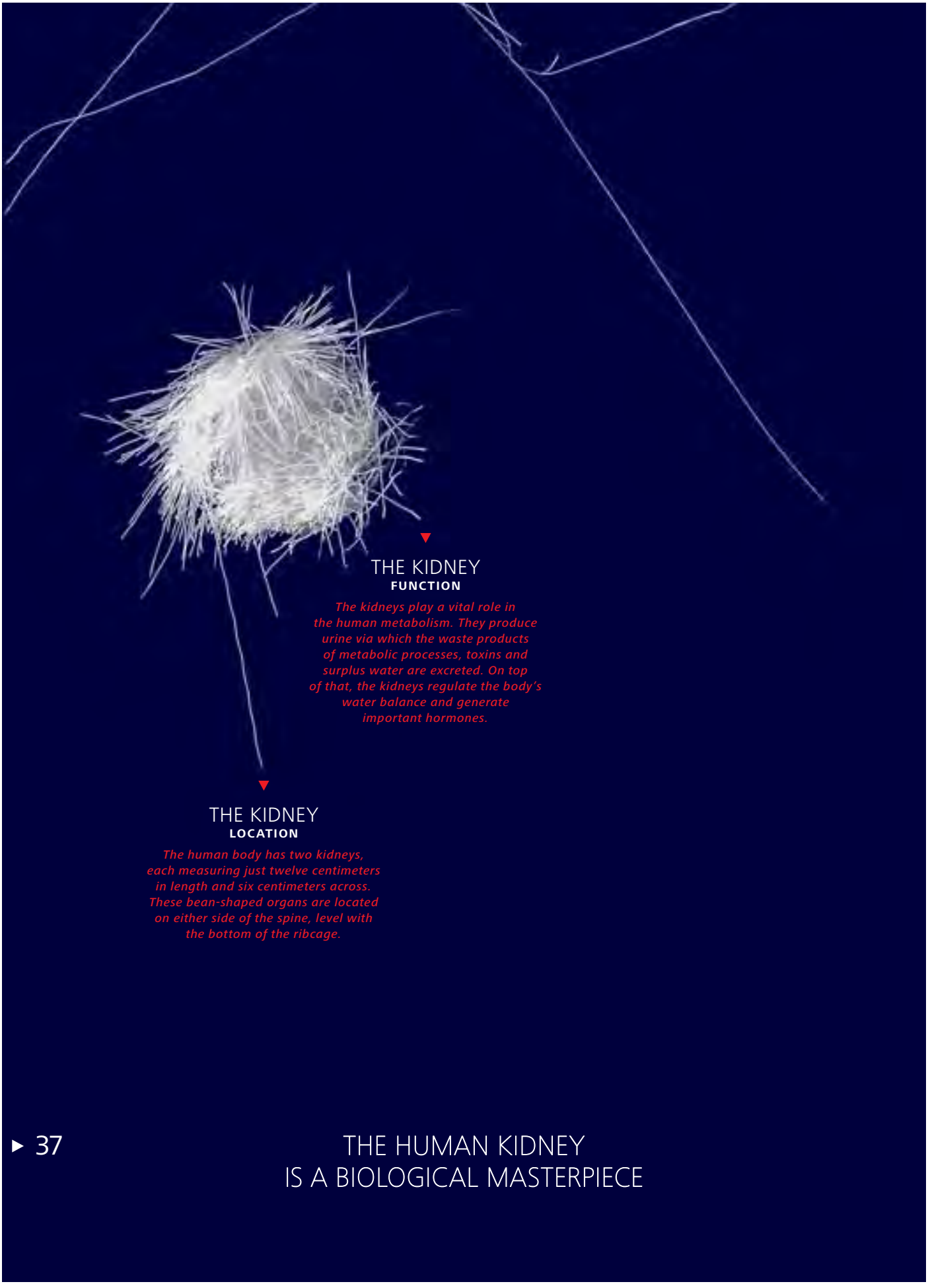
"What's most important to me is that we are still able to do things, we are able to move and do exercises. I see this as very positive."

"LO MAS IMPORTANTE ES EL HECHO, QUE AUN PODEMOS HACER ALGO. QUE SOMOS CAPAZ DE MOVERNOS, DE ENTRENAR. LO VEO MUY POSITIVO."

SMALL FIBERS THAT MAKE A BIG DIFFERENCE

FACTS & FIGURES

UNDERSTANDING DIALYSIS



THE KIDNEY
FUNCTION

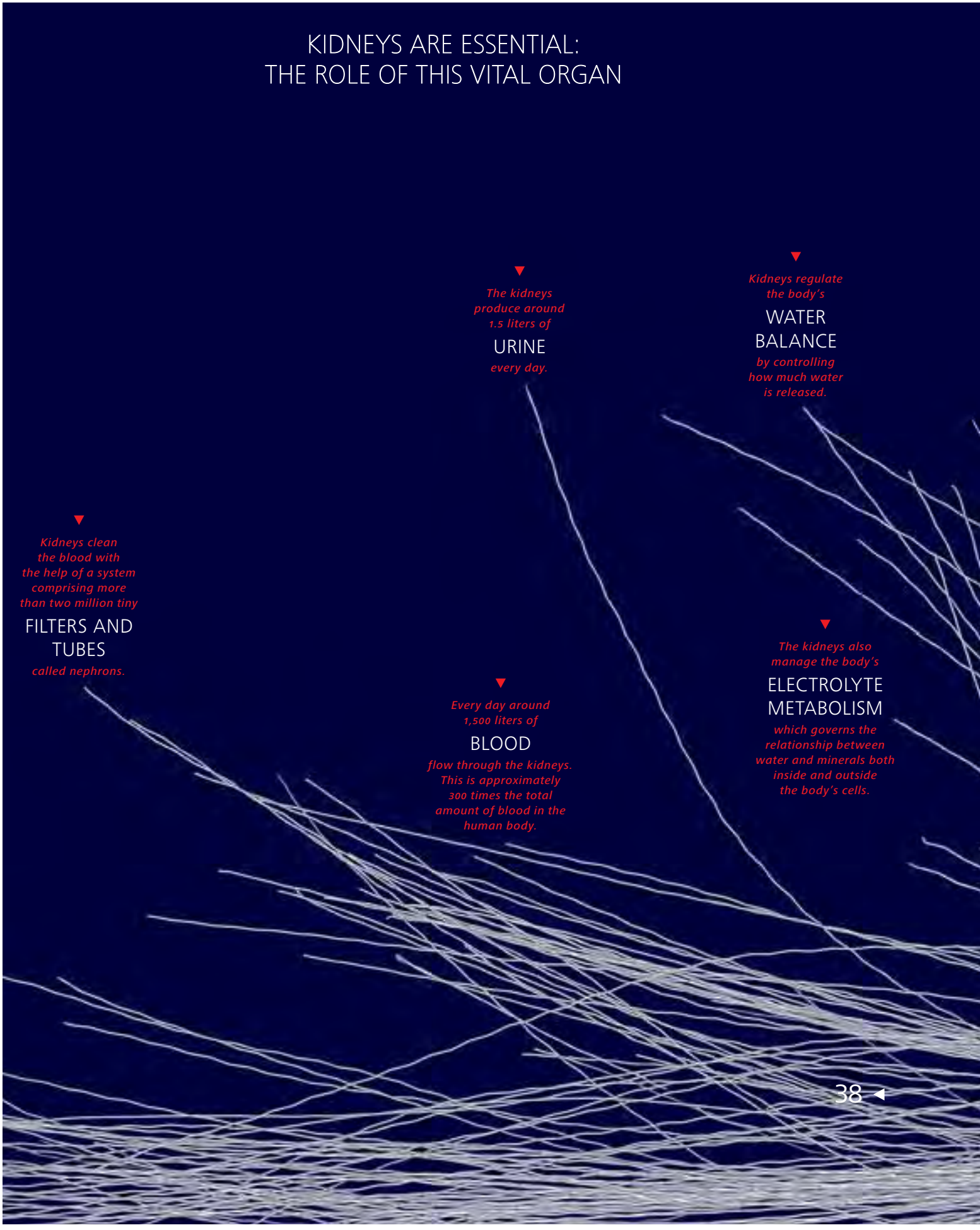
The kidneys play a vital role in the human metabolism. They produce urine via which the waste products of metabolic processes, toxins and surplus water are excreted. On top of that, the kidneys regulate the body's water balance and generate important hormones.

THE KIDNEY
LOCATION

The human body has two kidneys, each measuring just twelve centimeters in length and six centimeters across. These bean-shaped organs are located on either side of the spine, level with the bottom of the ribcage.

THE HUMAN KIDNEY IS A BIOLOGICAL MASTERPIECE

KIDNEYS ARE ESSENTIAL: THE ROLE OF THIS VITAL ORGAN



Kidneys clean the blood with the help of a system comprising more than two million tiny

FILTERS AND TUBES

called nephrons.

The kidneys produce around 1.5 liters of

URINE

every day.

Kidneys regulate the body's

WATER BALANCE

by controlling how much water is released.

Every day around 1,500 liters of

BLOOD

flow through the kidneys. This is approximately 300 times the total amount of blood in the human body.

The kidneys also manage the body's

ELECTROLYTE METABOLISM

which governs the relationship between water and minerals both inside and outside the body's cells.


The human body excretes toxins and around 100 known
BY-PRODUCTS
through the urine.
Kidneys play an important role in the body's
ACID-BASE BALANCE
which protects the body against pH imbalances.
The kidneys also produce the
HORMONES
renine for regulating blood pressure and erythropoietin for producing red blood cells.

CAUSES AND EFFECTS ▸ As kidneys perform so many important tasks in the body, a person's health is in serious danger if they become diseased and are unable to function effectively. If the kidneys fail completely, this can even be life-threatening. The most common causes of renal disease are two ailments, which are now described as common diseases due to their spreading incidence among the population – diabetes and high blood pressure. Kidney failure can also be caused by infections of the kidney tissue; this, however, is considerably rarer. Excess use of medication or congenital diseases can also impact kidney function.

Generally, the kidneys' performance deteriorates over a number of years; this deterioration can be classified into varying levels of severity. As the kidneys are such efficient organs, they can work reliably for a long time even with limited functionality, especially as there are two of them in the body. Often, affected patients live symptom-free for a while, or they do not notice that illnesses are being triggered by kidney problems. That is why it is vital that doctors regularly examine patients who are at greater risk of kidney damage due to previous ailments and carry out special tests.

WHEN KIDNEYS FALL ILL

DIABETES AND HIGH BLOOD PRESSURE: THE GREATEST THREAT FOR THE KIDNEYS

DEFINITION

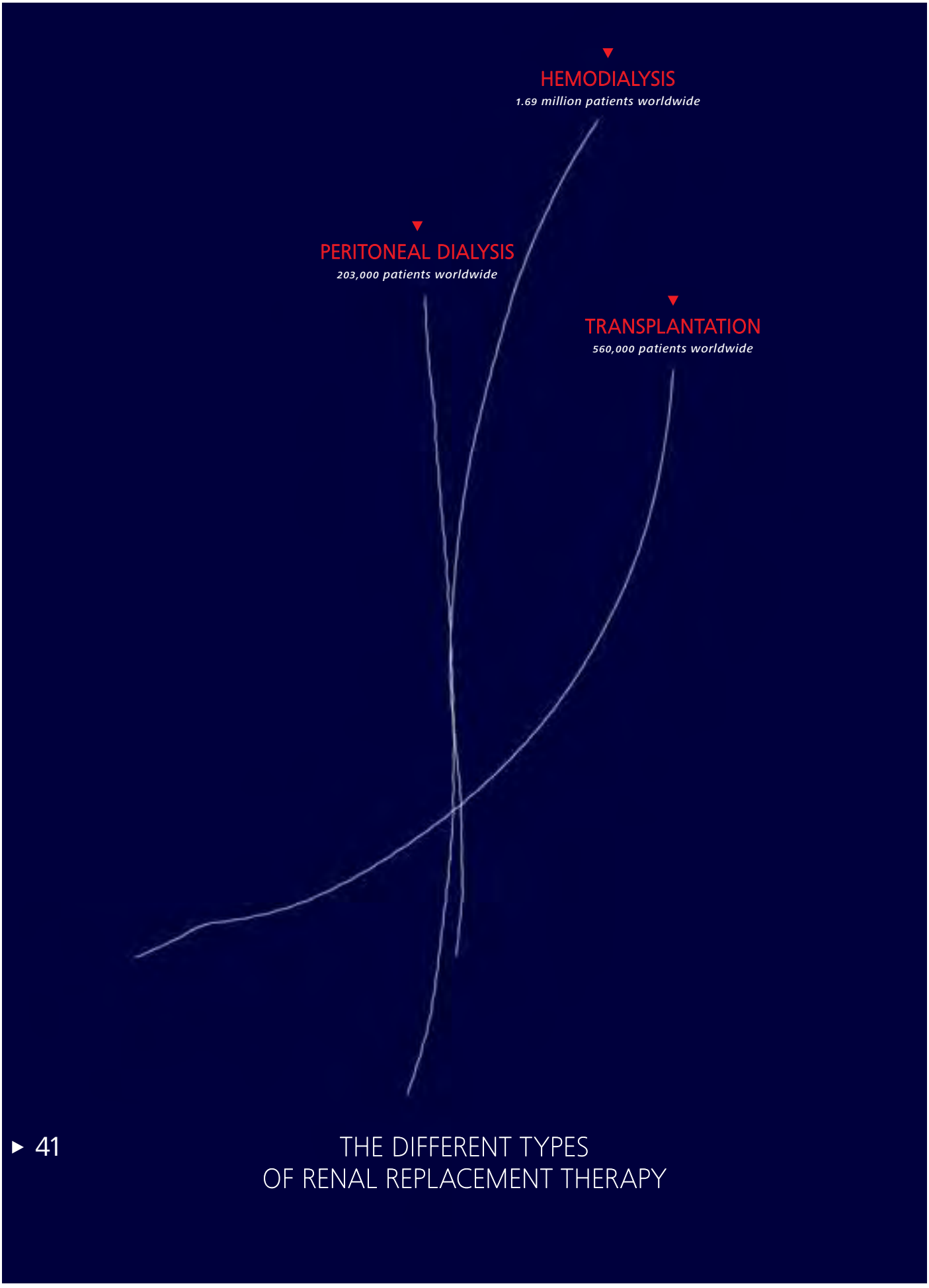
Chronic and acute kidney failure

CHRONIC AND ACUTE KIDNEY FAILURE ▸ If patients' kidneys are (almost) completely ineffective, then they are said to be suffering from chronic kidney failure. This diagnosis is made as soon as kidneys are operating at less than five percent of their normal capacity. The efficiency of the kidneys deteriorates over a long period of time in the case of chronic kidney failure, with patients only suffering minor health complaints to start with. When the kidneys' function is drastically limited, the human body's physical and mental capabilities decline rapidly. Patients suffer from sickness and a lack of appetite; they store excess water in the body, often causing shortness of breath. This is frequently compounded by other complications such as high blood pressure, irregular heartbeat, protein deficiency, anemia, and brittle bones. Medical professionals refer to this as uremia, meaning that the body is no longer able to excrete the toxins and waste products from the metabolism via the urine. This is a life-threatening condition and has to be treated with the help of so-called renal replacement therapy. This can take two forms: one is dialysis, which involves regularly cleaning the blood of toxins and waste products. The second type of renal replacement therapy is kidney transplantation with a donor organ.

Patients with chronic kidney failure often suffer from concomitant diseases like cardiovascular ailments and generally have to take various kinds of medication on a permanent basis on top of their dialysis treatment. Other crucial functions usually performed by the kidneys are replaced by drugs, like producing the hormone erythropoietin (EPO), which is vital for the formation of blood cells.

Kidneys can also fail within a short space of time. In other words, their function can substantially deteriorate in a matter of hours or days. Acute kidney failure such as this can develop in a number of different ways, for example following a serious accident that causes a sudden reduction in the body's blood volume due to heavy bleeding or a drastic lack of fluids. Another cause can be infections that spread to various organs, including the kidneys. Even within the organs themselves, acute kidney diseases or strong side effects of medication are other possible reasons. Acute kidney failure can also stem from the urinary tract, for instance, if an enlarged prostate causes urinary retention. It is also treated with the help of dialysis. In contrast to chronic kidney failure, in this case dialysis can help to completely restore the kidneys' function in many patients.

Dialysis performs a life-preserving task for sufferers of both chronic and acute kidney failure by removing excess water and cleaning the blood.



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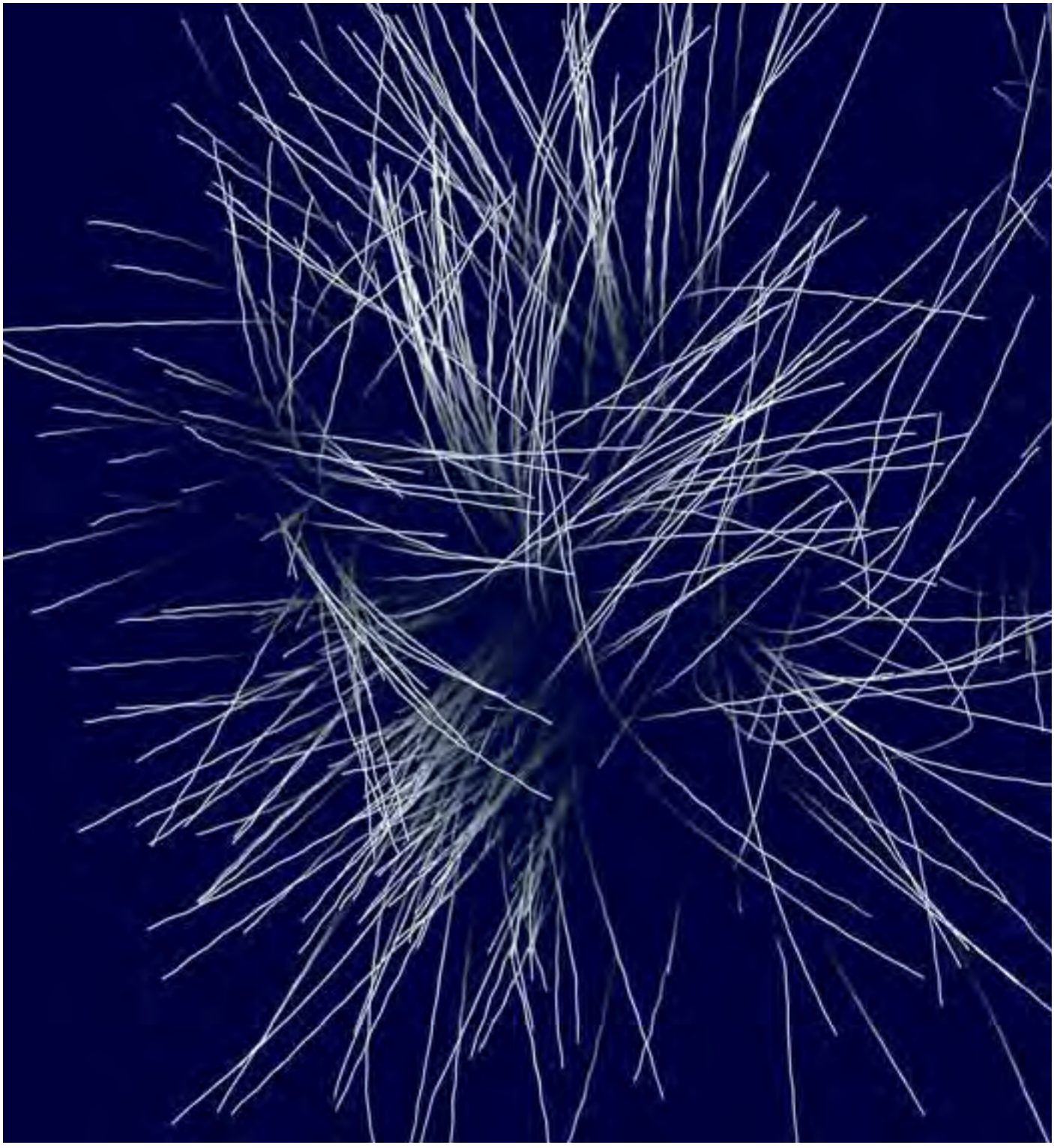
THE DIFFERENT TYPES
OF RENAL REPLACEMENT THERAPY



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ONLY 0.3 MILLIMETERS THICK

but up to 30 centimeters long are the hollow fibers in the dialyzer.

THE FIBERS ARE PRODUCED IN SUCH A WAY THAT THEY FEED TOXINS INTO THE DIALYSIS SOLUTION BUT RETAIN IMPORTANT COMPONENTS OF THE BLOOD.

HEMODIALYSIS ▸ Nowadays it is possible to treat many kinds of kidney disease with medication. However, in the case of acute and chronic kidney failure, that is no longer enough and dialysis becomes necessary. This treatment takes over the cleaning function of the kidneys, which are normally responsible for excreting waste products from metabolic processes via the urine. There are two main types of dialysis: hemodialysis and peritoneal dialysis. In the case of hemodialysis, the blood is cleaned outside of the body (extracorporeal). The treatment is usually carried out in a dialysis center, generally three times a week. This involves connecting patients to a dialysis machine for around four hours via a line to a blood vessel in their lower arm. To facilitate the process, doctors permanently fit the patients with a so-called "shunt" under their skin. In a small operation, a vein and an artery in the lower arm are joined. This ensures that enough blood is cleaned during dialysis, which is decisive for the quality of the treatment. During hemodialysis, the dialysis machine pumps the blood out of the body through a kind of filter, called a dialyzer. The blood is cleaned here before being fed back into the patient's body.

THE "ARTIFICIAL KIDNEY"

A DIALYSIS MACHINE CLEANS THE BLOOD TOGETHER WITH A DIALYZER

DEFINITION

Hemodialysis and the dialyzer

DIALYZER ▸ The dialyzer consists of a casing in which some 20,000 artificial fibers with a diameter of around 0.3 millimeters (approximately as thin as a human hair) and a length of 30 centimeters are arranged. These so-called "hollow fibers" have numerous tiny pores. The fiber walls with pores act as semi-permeable membranes, a kind of thin skin which allows smaller substances to pass through but traps larger ones. When blood flows through the hollow fibers during treatment, excess water and toxins are removed from the blood via the pores, while vital blood components like protein and blood cells are kept in. The dialyzer is also known as an "artificial kidney" due to this filter function, as it actually replaces the kidneys' function of cleaning the blood.

In addition, a dialysis solution, also known as dialysate, is required in some hemodialysis methods. This involves preparing over 100 liters of water with a special system to make it ultrapure, meaning it is free of any chemical and microbiological contamination. The processed water is enriched with minerals and buffer substances, the concentration of which is adjusted in the dialysate to match that of the patient's blood. Every minute, around half a liter of dialysate flows through the dialysis machine, removing the substances and excess water that have been filtered out of the blood. An anticoagulant is also added to the blood via the dialysis machine to prevent blood clotting during treatment and ensure that the blood can flow unhindered.

Hemodialysis can also be performed outside the clinic environment, for example in patients' homes. Home hemodialysis requires patients to learn how to carry out the treatment themselves. This means that they no longer need to visit a clinic for a long dialysis session three times a week, which provides patients with greater freedom in their daily life and a more even distribution of therapy over time. However, home hemodialysis patients have to assume a high degree of personal responsibility. This type of therapy is therefore generally less well suited to older patients who require more intensive assistance from medical and care staff.

THE DIALYZER IS ALSO KNOWN AS AN "ARTIFICIAL KIDNEY"
AS IT ACTUALLY TAKES OVER THE KIDNEY'S
TASK OF CLEANING THE BLOOD DURING HEMODIALYSIS.

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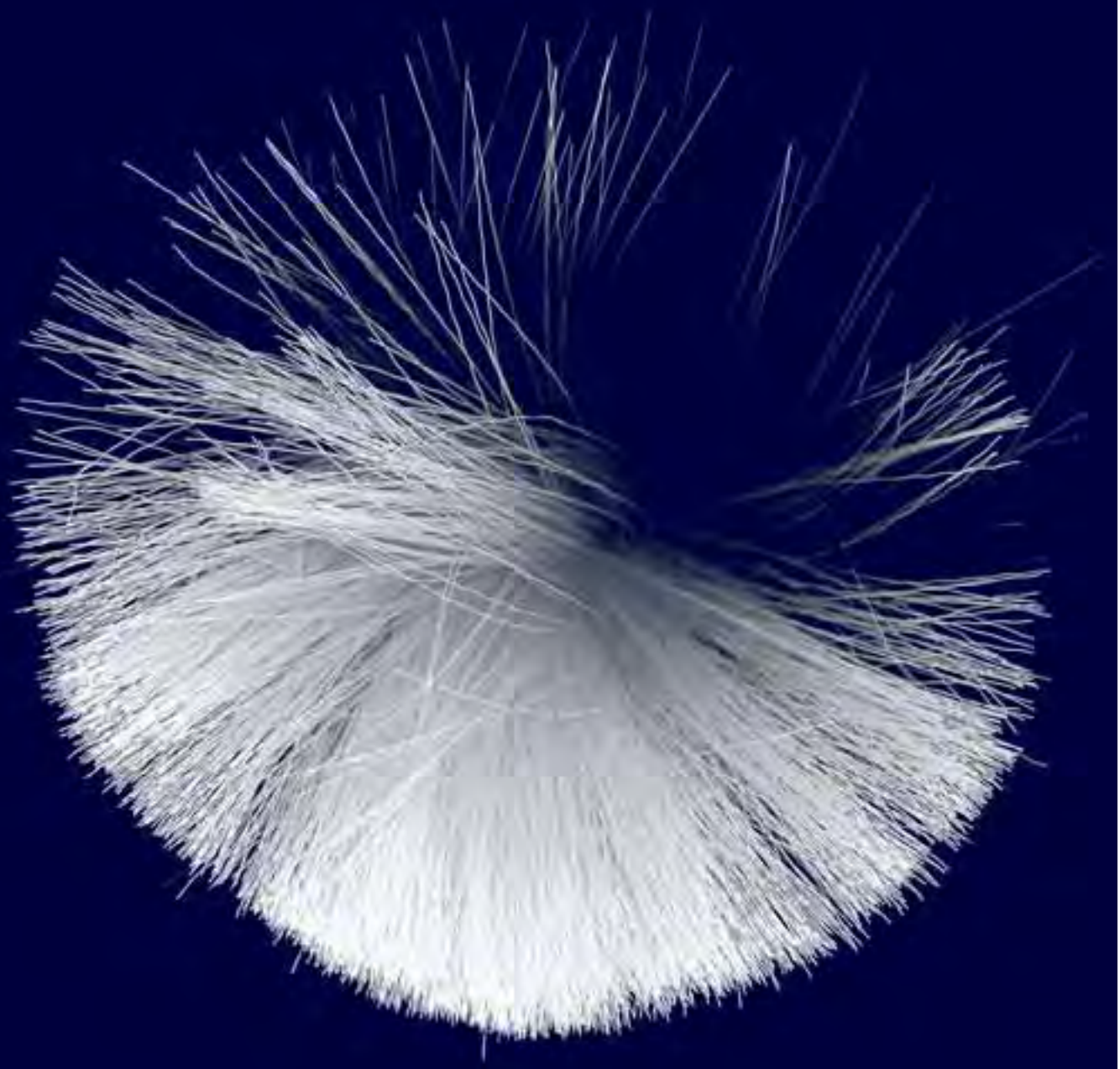
AROUND 20,000

of these hollow fibers
clean the blood in the dialyzer



PERITONEAL DIALYSIS ▸ In contrast to the extracorporeal approach, peritoneal dialysis cleans the blood within the body. This can be done continuously, for example overnight, or at regular intervals. The therapy draws its name from the peritoneum, a natural semi-permeable abdominal membrane that is ideal for cleaning the blood due to its structure, location and properties. The peritoneum has a good blood supply and covers large sections of the abdominal organs and wall, forming the abdominal cavity.

DEFINITION
Peritoneal dialysis

THE PERITONEUM FILTERS TOXINS OUT OF THE BLOOD

Doctors implant a catheter in the patient's abdominal cavity. Every time the patient undergoes dialysis treatment, the abdomen is filled with a dialysis solution, which remains there for between half an hour and several hours, depending on the method, and has to be renewed on a regular basis. The peritoneum then takes on the role of a semi-permeable membrane: excess water and toxins are filtered out of the blood and into the dialysis solution through the peritoneum. Around ten percent of all dialysis patients are treated with peritoneal dialysis. Similar to home hemodialysis, peritoneal dialysis is a process that patients can carry out themselves outside the clinic environment after in-depth training and in consultation with medical professionals. This allows them greater freedom in their daily lives, and is particularly suited to people who want to pursue a career and lead an active lifestyle.

However, this type of treatment again implies a great deal of personal responsibility and is therefore not suitable for all patients. Furthermore, peritoneal dialysis can change the peritoneum, rendering it ineffective as a filter. Patients then often have to make the switch from peritoneal dialysis to hemodialysis.

TRANSPLANTATION ▸ Another type of renal replacement therapy is the transplantation of a donor organ. In a surgical procedure, the donor kidney is usually inserted into the side of the patient's lower abdomen, while the damaged kidneys remain in place. Although transplantation is a very effective way of treating kidney failure, there are not nearly enough donor kidneys for all patients. Despite ongoing efforts by regional initiatives to raise awareness of kidney donation and encourage more people to donate, the distribution of patients between the various treatment modes has hardly changed over the past ten years. Some patients' bodies reject donor kidneys. However, if the operation is a success, a donor kidney can work for an average of ten years, and sometimes for longer than 20 years. As there are considerably fewer donor organs available than potential recipients, kidney patients generally have to wait several years for a transplantation. The institutions that organize the distribution of donor kidneys therefore apply stringent, objective criteria. The most important prerequisite is that the biological parameters of the organ donor and recipient are a good match, in particular the blood type and features of the immune system. Once the organ is transplanted, recipients have to take drugs, so-called immunosuppressive agents, for the rest of their lives to suppress the reaction of the immune system. These are designed to stop the body rejecting the donor kidney, but this can still happen despite medication. In addition, the patients have to pay careful attention to their health as the drugs weaken the body's own immune system and have side effects that could damage the transplanted kidney. At the end of 2009, about 560,000 kidney patients worldwide lived with a transplanted kidney.

DEFINITION
Transplantation

A NEW KIDNEY ASSUMES THE TASKS OF THE DISEASED ORGANS

Shad as a dialysis patient

Training is always followed by dialysis. Four to five times a week, Shad sits down at his dialysis machine – preferably at home.

PORTRAIT
of a dialysis patient

SHAD IRELAND

▼

Insight 1

A NEW LIFE – TIME AND AGAIN

▼

Insight 2

THE SHAD IRELAND FOUNDATION

▼

Insight 3

I'M AN IRONMAN

▼

Insight 4

4,639 MILES TO RAISE AWARENESS

A NEW LIFE – TIME AND AGAIN

Insight 1

Even though Shad Ireland was seriously ill, he made up his mind to become an extreme athlete. Today he is the first patient on dialysis in the world to have taken part in an Ironman triathlon contest. This is a story about how the impossible can actually happen, and how fervent belief in it saved a life and helps others today.

When Shad was 14, he calculated that in total, the doctors treating him must have spent more than 100 years studying medicine. 100 years, but still they were telling him that there was nothing they could do for him, that he would always be ill and that his life expectancy was 25 years, at most.

Shad was always the smallest kid in school, the boy his classmates picked on, the youngster who, at the age of eleven, discovered that his urine had suddenly turned as black as coffee. And the schoolboy who was told that his kidneys were no longer working properly. But none of the doctors could tell him why.

Shad spent every third day during his teens hooked up to a dialysis machine. Every single day he felt weak, ill and tired. He hated his illness and himself, resorted to taking drugs and drinking, and attempted suicide several times. Just after his 18th birthday Shad had a kidney transplant. It worked well for three years and then he had a second transplant. That kidney lasted only a few weeks. In his early twenties his life again rotated between dialysis in the clinic and the couch at his mother's house. He spent his time either sleeping or watching TV. He flicked through the TV channels and one day stumbled across the live coverage of an Ironman triathlon. He watched athletes crawl across the finish line on all fours. "One day I am going to cross that line," Shad promised himself that very day.

Today, some 17 years later, Shad Ireland is steering his car over the highways of Minneapolis. He's wearing reflective sunglasses and a black coat. A small man, he is brimming over with energy. His Blackberry never stops ringing. His conversations are filled with his inimitable enthusiasm. "Great" is a word he uses again and again. He is on his way to an interview. After that he is going to visit dialysis patients in a clinic. Today, Shad Ireland calls himself "Iron Shad." He has fought his way over the finish line in an Ironman contest, taken part in 20 other triathlons, crossed the U.S. on his bike, and set up a foundation to help other people with kidney disease, the Shad Ireland Foundation.

Shad has told his story countless times. Managers, doctors, patients and journalists listen carefully to what he has to say. The story is about his triumph, his life and survival. He never tires of telling it. He doesn't wait to be asked questions. His car rolls over the highway and Shad takes us on a journey through his life.

Of course, it was a crazy thing to announce to his friends on his 31st birthday that he was going to take part in an Ironman contest the following year. It was two o'clock in the morning, he was sitting in a bar with a cigarette in one hand and a cup of coffee in the other. The table was covered with empty cocktail glasses and one last round of shots. Shad remarks about his life back then:

"I WASN'T LIVING FROM ONE DAY TO THE NEXT: I WAS LIVING HOUR BY HOUR."

The next morning he looked at himself in his bathroom mirror and thought "So, I am still alive" despite doctors in his childhood having been convinced that he was not going to make it beyond 25. He stopped drinking and smoking that day. He went to dialysis and told his doctors and nurses that he was going to take part in the Ironman contest.

Shad had decided to start a new life, the life of an extreme athlete. It was not his first comeback. He had already turned over a new leaf a couple of years before. It was one of those days when he was feeling really ill, one of the days when he hated the world, himself, and life in general. But then, he almost collided with a man in a wheelchair who used his mouth to steer it. His head was the only part of his body he could move. "Our eyes met and I knew right away that this man would do anything just to step in my shoes for 20 minutes," explains Shad. He suddenly understood that even fate is relative. He was doing comparatively well. He could still walk.

That was when Shad decided to do more than just spend his life on the couch and the dialysis machine. He wanted to study, earn money and drive a sports car. Shad enrolled in a computer sciences course at the Metropolitan State University of Minneapolis. Explains Shad, "8:30 a.m. Philosophy" was on the day-one class schedule, "Perspectives: Education, Philosophy and Planning with Professor Phillip Bell." That was about the last thing Shad was interested in on a Monday morning. The professor asked all students to write about a dramatic event in their life. Shad said: "My whole life is dramatic." The professor replied: "Well then you'd better get started, you must have plenty to write about."

He often talks about his lecturer. He taught him how to really live his life. Reflect on where you come from, understand your capabilities and recognize where you want to go, was what Phillip Bell taught. Shad still repeats this mantra, several times a day. After finishing his university course he found a job as an IT specialist. He bought a sports car. He paid taxes. But he wasn't passionate about his work and this made him realize that the job and the money were not what he was aiming for. Shortly after, he lost his job. He thought back to his big dream and started training.

Since then Shad Ireland has pushed himself across many finish lines as an extreme athlete. The finish lines and dialysis have kept him alive. One evening, after completing another triathlon, Shad's phone rang. It was one of his old classmates who used to pick on him at school. He was calling to apologize and offer his congratulations. ▸

THE SHAD IRELAND FOUNDATION

Insight 2

Shad Ireland rushes into the dialysis clinic of Fresenius Medical Care in Minneapolis like a travelling salesman. He has a book under his arm from his 2009 bike tour that took him across the U.S.: 4,639 miles dedicated to raising awareness of his disease and the international non-profit foundation he has established. He greets the nurses by their first names. And they reply with a familiar "Hi, Shad." More than 20 patients are currently being treated here. They sit relaxed in red armchairs. The room is illuminated with fluorescent light and the dialysis machines are humming away. At reception, nurses have grouped around Shad looking at a copy of his new book signed with the words:

"ANYTHING IS POSSIBLE! SHAD."

One of the nurses asks him to go over to the lady first up on the right. She could be a candidate for him. Shad shrugs off his coat. He draws up a chair and sits down beside the woman. She is lying in her armchair like a limp sheet of paper as if someone has just left her there and now she is waiting for someone to pick her up again. She is wearing a woolen hat and could be in her mid-fifties. Her arms and legs are very thin. She is staring at a screen showing cartoons. "Hi, I'm Shad," Shad Ireland introduces himself. He asks her how she is doing and they both share their medical histories. After only a few sentences they have already bonded, something probably only patients can do.

Shad tells her about his foundation and his separate role as national spokesman for Fresenius Medical Care. He explains that he helps motivate patients to take up physical exercise and remain adherent to their dialysis treatment so they can feel better. Shad explains that he is working with Fresenius Medical Care support to develop a website called Renal Resources, to provide education and information aimed at fostering patient empowerment and self-management. One of the nurses removes the woman's cannulae; her session is over. With a sigh she folds herself out of the armchair. Shad says goodbye while gently touching her hand. The clinic's medical director is a tall, thin man with a moustache and engaging eyes. He has a warm smile on his face as he watches Shad leave. "He can sure talk, don't you think?" he asks with a wink. "He is doing a great job," the doctor adds appreciatively. "People believe him." When he as a doctor

tells patients they should do some exercise, try longer dialysis sessions or opt for home dialysis, he feels the rebuke in their eyes: you are healthy, how can you know how I feel? "The problem," explains the doctor, "is that most patients don't believe that they can ever feel better again." Shad shows them that they can.

Shad is in his car; the highway is gray and winds past shopping malls and car dealerships. In the distance the lights of downtown Minneapolis glow. Shad is on his way home. The phone rings with familiar regularity. Shad explains that he now knows just how important his old life was, when he hated himself and this disease so much. He wants to show patients that they are more than just their diagnosis.

"BACK THEN I CURSED MY LIFE. BUT YOU KNOW, I COULDN'T DO ALL THIS IF I HADN'T HAD THOSE YEARS."

Although Fresenius Medical Care does not contribute to Shad's foundation's patient grants, the Company's employees are very proud of the work he does. He has helped more than 450 patients in the U.S. and Canada so far. "The foundation is even helping a patient to play golf to get exercise," explains Shad. The man lives in Canada; Shad met him during one of his trips. Back then the man said that he would dearly love to play golf again. "Then why don't you?" replied Shad. Since he has been playing golf on a regular basis, the man feels much better and has even found a job. "That's the mission of the foundation," adds Shad. "We want to turn patients into productive people who can go back to work and draw strength from it."

Shad's foundation supports people by helping out with funding, providing exercise programs and offering information on effective dialysis and a healthy diet. Shad is dedicated to ensuring better support for patients in areas with limited access to resources. He argues with gym owners who refuse membership to dialysis patients, because they don't want "sick" people on their weights.

MOTIVATION FOR SPORTS

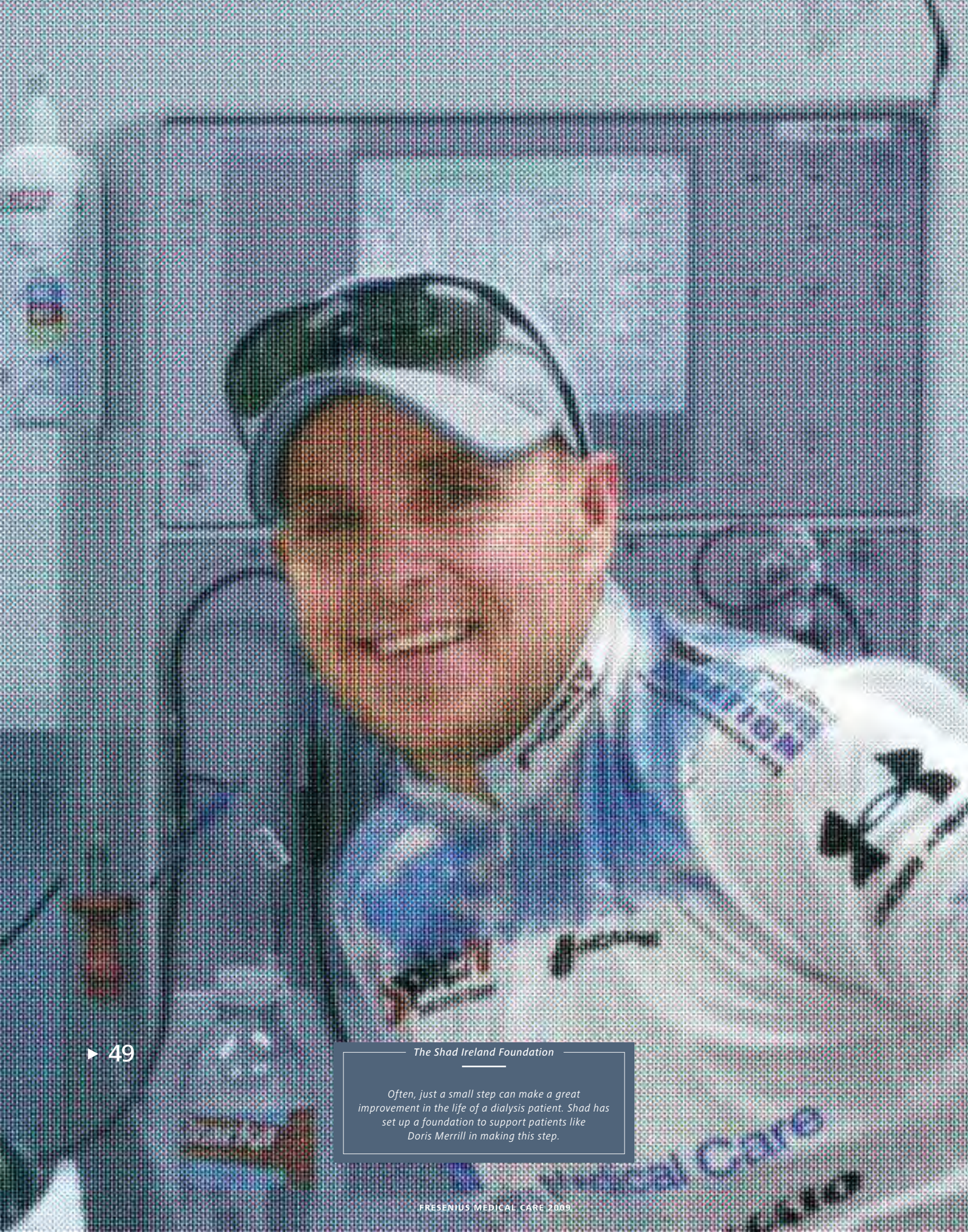
The team at Fresenius Medical Care's dialysis clinic in Bexar County supports Shad's ideas. At the Sacred Heart Hospital Pediatric Acute Center in Pensacola, Florida, Shad motivates patients like Marisol Avalos to do sport to keep healthy.

Shad has arrived at home. He walks up the stairs to his office to a desk with a dialysis machine behind it. The foundation has become his avocation. He often sits here late at night, his blood flowing through a dialyzer, while the neighborhood is fast asleep. He never seems to rest. In 2008 alone, as Company spokesman Shad visited 101 clinics operated by Fresenius Medical Care in the U.S. and spoke to 15 or 30 patients in each of these clinics. He recounted his story again and again and asked seriously ill patients, of all people, what inspires them. He tried to motivate, educate and encourage them. After days like these, he sat at his dialysis machine late at night, tired, but with a smile on his face. The next morning he boarded another plane and made his way to another clinic.

Shad boots up his computer. He would like to show us something – his foundation's new project: a platform for dialysis patients around the world. "It's like Facebook for the dialysis community," he explains with excitement and not just a little pride. A social network for patients, a place where they can share their experiences, get information and facts, and contact specialists about different forms of treatment. Patients can even enter their weight or blood values into an interactive training program, which then computes what that specific patient's values could be in six months. Patients can receive an exercise plan to make sure that they put theory into practice. They also keep an online diary with their blood count, exercise details and diet. This approach ensures that progress is visible. "Professional athletes apply the exact same principle," explains Shad.

His phone rings again and after just a few seconds, the first "great" bursts out of Shad. Rock star Prince's former keyboard player has confirmed that he will be taking part in the charity CD which Shad's foundation aims to produce with musicians from Minneapolis. The proceeds from the CD are to be donated to local communities with poorly developed community resources for those with kidney disease.

Shad Ireland has one big dream: In the future he wants to extend his foundation's reach and roll it out to Europe, for instance. To create awareness for his work there, he is planning on taking part in three alpine stages of the Tour de France in 2011. "It will be the three most punishing, up to Mount Ventoux," adds Shad. And of course, that has never been attempted by a dialysis patient before. ▸



The Shad Ireland Foundation

Often, just a small step can make a great improvement in the life of a dialysis patient. Shad has set up a foundation to support patients like Doris Merrill in making this step.

"I'M AN IRONMAN"

Insight 3

In 2003, aged 31, Shad Ireland walked into a gym for the first time in his life. He asked to see an instructor and told him he wanted to take part in an Ironman contest. The instructor asked: "Are you a good swimmer, a good runner or a good cyclist?" Shad shook his head three times. He didn't even try to explain that he had never done any sport in his entire life. Highly motivated, he climbed onto the treadmill, but collapsed, completely worn out, after just 90 seconds. "That's when I noticed just how ill I really was and I staggered home piping with rage," remembers Shad. Back then he weighed less than 40 kilograms. Once home, Shad promised himself that he would last at least two minutes by the end of the week. He still believed firmly that he could manage an Ironman contest in only one year.

"SOMETIMES IGNORANCE IS A BLESSING."

When you walk into his apartment, the first thing you see is a racing bike, propped up on a stand right in the middle of the living room. It almost looks like a trophy. Another bike is leaning against the wall, an extra light model for training outdoors. Shad shows both with visible pride. He gets a DVD out of a drawer and insists to watch it straight away. Twelve minutes of Ironman Lake Placid 2004.

Today Shad cycles for at least one hour every day and jogs for another three quarters of an hour or pumps iron at the gym. He frequently suffers from sore muscles, very much like any other athlete. If he misses his training routine because he is busy with other things, he just doesn't feel right and his mood takes a turn for the worse. This year he is planning to dedicate a lot of time to working out. "I want to qualify for the Ironman World Championships in Hawaii," explains Shad. To achieve that, he has to do as well as a healthy person in his age group, because the Paralympics Committee does not classify kidney failure as a disability. Shad believes that in some ways, taking part in an Ironman contest is not all that different from dialysis: "In both cases you have to get used to the fact that you are not going to be feeling all that great for a pretty long time."

THIS FINISH LINE WAS HIS DREAM

In 16 hours and 25 minutes, Shad fulfils his dream in Lake Placid, New York. He becomes the first dialysis patient in the world to complete an Ironman, achieving what for many seemed impossible.

When he told doctors and nurses at his dialysis clinic in 2003 that he was going to take part in an Ironman contest, Shad had long accepted that his condition was never really going to improve. The medical staff reacted accordingly. At best, they thought it was a joke; many were sure that Shad was out of his mind. It took a leap of imagination to associate his pitifully feeble frame with extreme sports, however sympathetic they were to his cause. But one doctor didn't dismiss the idea totally. "He said to me," Shad notes, "that no dialysis patient had ever attempted anything like that." The doctor thought the idea was unusual, but not impossible. He did, however, point out one serious problem for dialysis patients who engage in demanding physical training: potassium.

Physical exertion raises potassium levels, as potassium ions move from the cells into the blood during exercise. Normally, healthy kidneys regulate this back to a normal level. But if this does not happen, as is the case with dialysis patients, increased potassium levels can quickly have life-threatening consequences, such as cardiac arrhythmia, a stroke or cardiac arrest. Shad therefore not only had to improve his stamina on the treadmill; more importantly he had to get his potassium problem under control. The remedy for the former problem was more exercise, and for the latter, more dialysis.

So Shad changed his weekly rhythm. From then on he worked out six days a week for two to three hours. Instead of three days on dialysis as before, he now went five to six times a week, with sessions lasting between four and five hours. To make enough time for this routine, he changed to home dialysis. This meant that he was able to organize his treatment more flexibly. And very soon, for the first time in a long while, he started to feel better. After six months of training and an increased dialysis routine, he was able to run for one hour without collapsing. The scales went up to 65 kilograms. Shad suddenly discovered something he had never had before: real muscles.

But of course, Shad was still a long way from being a candidate for an Ironman contest. He continued training, day after day, week after week. Eight months later, Shad found himself at the starting line of the Ironman contest in Lake Placid. He had gotten out of bed at five o'clock in the morning, sat down for dialysis and got ready for his big day. Doctors from

around the world had been in touch with him in the run-up to the event advising him against taking part. But he jumped into the water together with thousands of other athletes, some of them simply swimming over him. After that he climbed on the bike, pedaling 180 kilometers. He tackled the marathon at a walking pace and pushed himself until he was only a few miles from the finish line, but then he had to sit down on the pavement for a rest. He couldn't go any further. At some point a man spoke to him, asking what he was doing. Shad said that he just couldn't carry on. The stranger simply said that he had to. He could still make the 17 hour time limit. Shad forced himself back onto his legs and walked with the man until he could see the finish line.

"I RAN THE LAST 200 METERS AS FAST AS I COULD,"

remembers Shad. It was already dark, but after 16 hours and 25 minutes he came in number 317 out of 329 starters in his age group. His first thought on reaching the finish line was: I need a doctor. And the second: I wonder which triathlon is next?

Since then, Shad has taken part in 20 more triathlons. He has even gotten some of the doctors who advised him against it back then to take part in the Ironman contest themselves. He also initiated "Team Ireland", which currently includes 40 athletes with a range of conditions from diabetes to cancer, all of whom take part in triathlons. The athletes in turn collect money for the foundation. In three years they have raised more than 125,000 dollars.

If Shad really wants to qualify for the World Championship in the coming year, he will have to reach the finish line within around nine hours. Many people believe that this is impossible. But what do they know? ▸

▶ 51

Ironman

During training, Shad forgets his disease. Then he is an athlete through and through – an extreme sportsman who has even survived the Ironman.

A bike trip across the United States

Straight down the coast: the bike trip through the u.s. was like a dream for Shad. Here he cycles through Mississippi – for real.

4,639 MILES TO RAISE AWARENESS

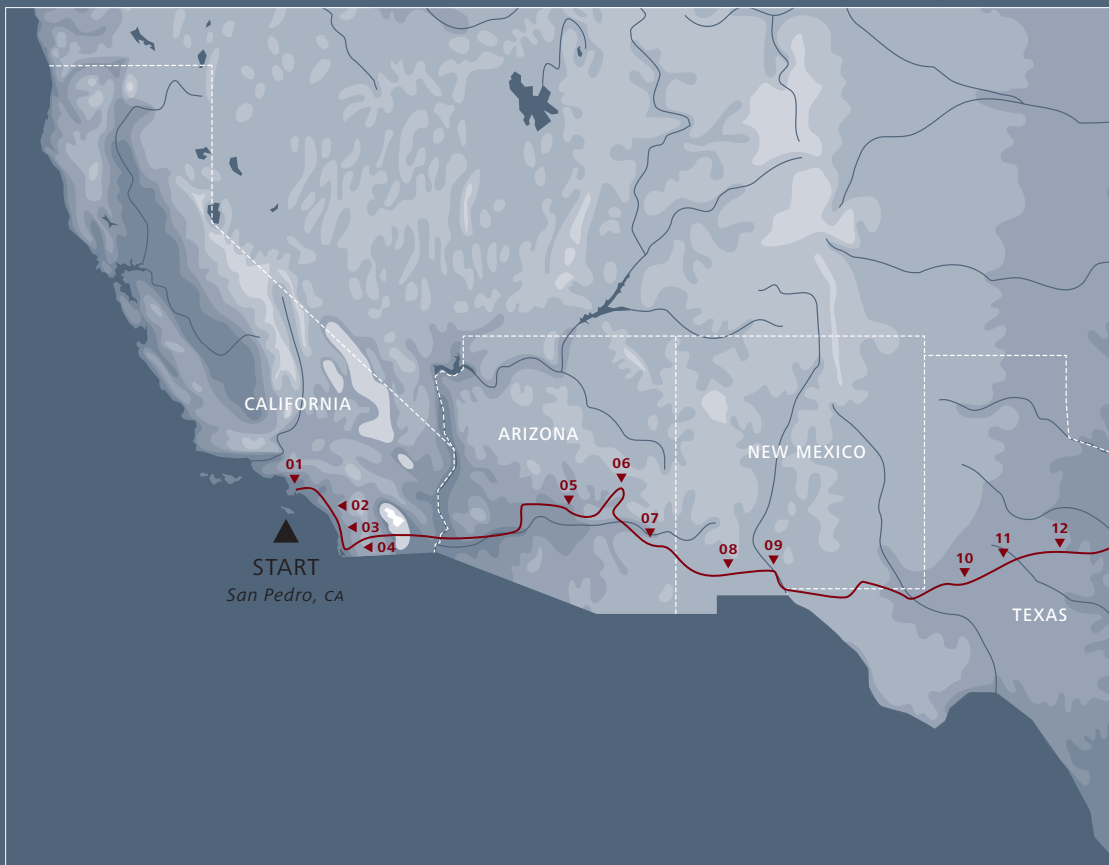
Insight 4

"Who ever said that Texas was flat anyway?" Shad Ireland groans in exasperation as he pushes himself along the lonely tarmac in the midday heat. Keeping close to the yellow road markings, he struggles up what seems to be a never-ending hill. Shad pedals hard, breathing heavily, gasping for air. When he at last arrives at the top, he raises his fist and lets out a loud yell, as if to unleash the physical exertion he has endured. Even if there is nobody to hear him. Just a few tufts of tumbleweed at the edge of the road are rolling back and forth in the wind.

"AN ALMOST CLOUDLESS BLUE SKY ABOVE ME AND MILES OF EMPTY ROAD AHEAD – IT'S AT MOMENTS LIKE THESE THAT I REALLY FEEL HAPPY AND FREE."

This was just one day of a total of 90 during which time Shad Ireland cycled 4,639 miles across the U.S. He made his way from San Pedro in California to Washington D.C., where he raised his bike over his head on the steps of Capitol Hill on July 30, 2009 after completing the last stage of his journey. He had his first run-in with pain on day one, after just 30 miles.

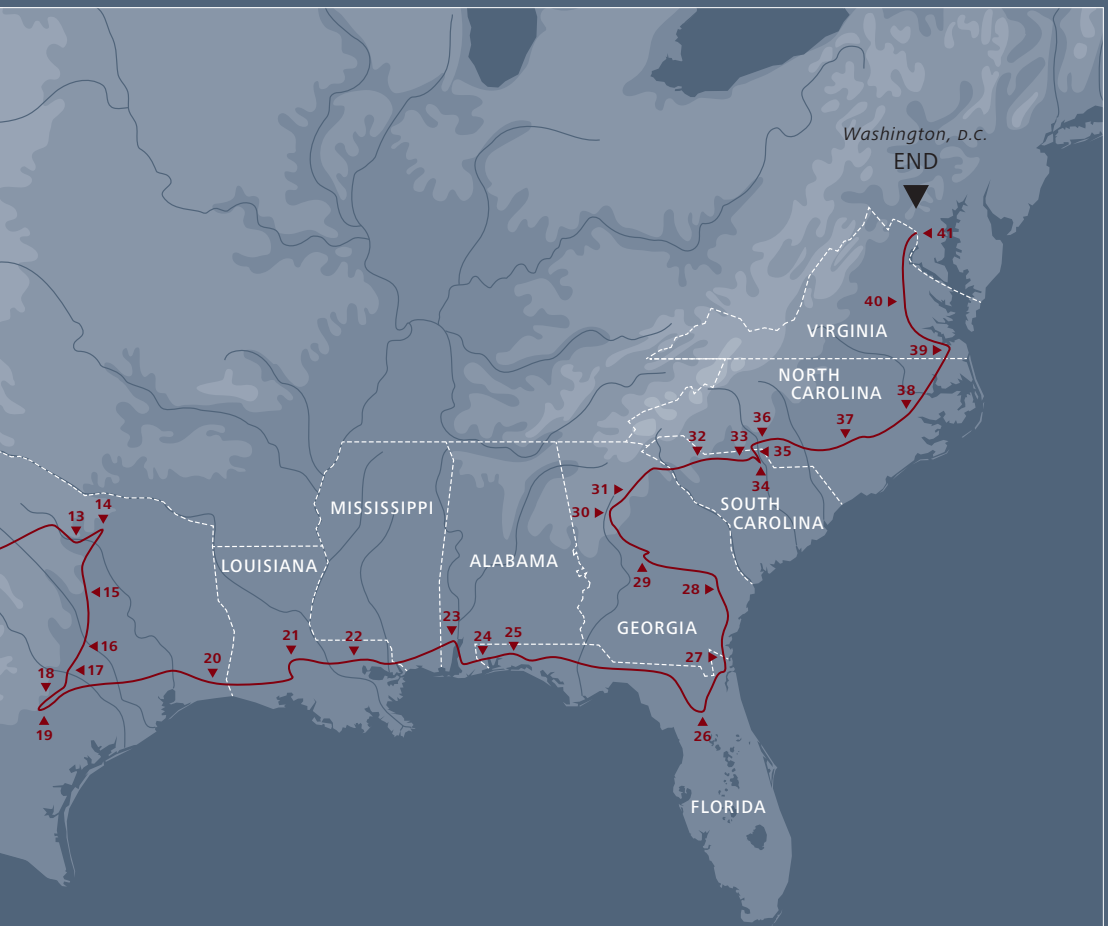
And yet as Shad told a journalist during the tour: "I am doing what I enjoy most and it even allows me to help other people. I am a happy man." He organized this tour with partners like Fresenius Medical Care North America with the objective of raising awareness of kidney failure in the U.S. Shad wanted to do more than simply reach his destination using pedal power; he wanted to reach people's minds. He wanted to tell them about the typical risk factors for kidney failure, diabetes and high blood pressure – widespread diseases that affect millions of U.S. citizens, but which are much easier to treat than renal disease. To bring this home, free blood sugar and blood pressure tests were organized at many of the stage finishes for hundreds of people.



ALL THE WAY ACROSS THE UNITED STATES

4,639 miles eastwards – in 90 days, Shad cycled all the way across the United States. He pedaled through 13 federal states, dealt with scorching heat and sharp frost. And yet he still made time to talk to patients: Shad visited 45 Fresenius Medical Care dialysis clinics during his extreme trip, and received dialysis treatment himself 41 times after finishing the different stages of the tour.

01 START – *San Pedro, CA*
02 *San Diego, CA*
03 *Oceanside, CA*
04 *El Cajon, CA*
05 *Apache Junction, AZ*
06 *Peridot, AZ*
07 *Safford, AZ*
08 *Deming, NM*
09 *Las Cruces, NM*
10 *Odessa, TX*
11 *Big Spring, TX*
12 *Abilene, TX*
13 *Forth Worth, TX*
14 *Garland, TX*
15 *Waco, TX*
16 *San Marcos, TX*
17 *Austin, TX*
18 *New Braunfels, TX*
19 *San Antonio, TX*
20 *Beaumont, TX*
21 *Opelousas, LA*
22 *Hammond, LA*
23 *Mobile, AL*
24 *Pensacola, FL*
25 *Crestview, FL*
26 *Gainesville, FL*
27 *Jacksonville, FL*
28 *Claxton, GA*
29 *Macon, GA*
30 *Tucker, GA*
31 *College Park, GA*
32 *Greenville, SC*
33 *Chester, SC*
34 *York, SC*
35 *Charlotte, NC*
36 *Fort Mill, SC*
37 *Fayetteville, NC*
38 *Greenville, NC*
39 *Suffolk, VA*
40 *Richmond, VA*
41 END – *Washington, D.C.*



"I CAN DO ANYTHING I WANT
AND GO ANYWHERE I LIKE ON MY BIKE.
I JUST PUT ON THE JERSEY AND WIN
THE RACE OF MY LIFE!"

Shad Ireland cycled through deserts, cities and mountain ranges. He passed beaches and fields. He was chased by dogs and caught by a tornado. Sometimes he hopped on his bike at four in the morning to avoid the scorching heat of the day. Shad discovered the many facets of the U.S. as he cycled alone or with friends. Other times he was joined by strangers who simply tagged along for a part of the journey. Today, Shad says of this tour: "It felt like one long dream, not at all like reality."

But reality caught up with him every evening at the end of each stage when it was time for dialysis. Or, in his words, when he pulled his disease out of the box that he had kept it tightly locked up in during the rest of the day. But this was part of his mission, too. He spoke to patients in the dialysis clinics and encouraged them to live an active life. He gave them tips on how to work out and what to eat. "This tour was also the first attempt to set up a real community for us dialysis patients," claims Shad. "We have to take our frustration and transform it into a fresh belief that new treatments will do a lot to enrich our lives." Of course, not every dialysis patient will become an athlete like Shad. The average dialysis patient is twice as old as he is and often has multiple diseases. Nevertheless, modern dialysis technology offers even seriously ill patients a quality of life that was unimaginable decades ago.

After fulfilling his three-month dream in Washington and having exchanged his cycling outfit for a shirt and tie, Shad was asked by a journalist at the reception held for his sponsors and helpers how he had benefited from the tour: "I've become a better person and I have made lots of new friends," was Shad's reply. Not forgetting to add: "And of course these three months were excellent cardio-vascular training in preparation for the Ironman triathlons in the year ahead." The journalist wrote that down, too. But if you took a closer look you could see the astonished look on his face. ◂

In 2009, our employees once again cooperated successfully with the Company's partners to boost the quality of life of our patients all over the world. 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.

THANK YOU
Your Fresenius Medical Care Team

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