FRESENIUS




forward...

Annual Report 2007

FRESENIUS MEDICAL CARE

FRESENIUS KABI

FRESENIUS HELIOS

FRESENIUS VAMED

...thinking:

reflects our commitment to pursuing medical progress for the patient's benefit.

Medical progress has many facets. Four are presented on the following pages. As you will see from our Annual Report, medical progress is the principal driver of our financial results.

FRESENIUS

Fresenius is a health care Group with products and services for dialysis, the hospital and the medical care of patients at home. In addition, Fresenius focuses on hospital management as well as on engineering and services for hospitals and other health care facilities. About 114,000 employees work with dedication in the service of health in around 100 countries of the globe.

FRESENIUS GROUP IN FIGURES

in million €	**2007**	2006	2005	2004	2003
Earnings					
Sales	**11,358**	10,777	7,889	7,271	7,064
EBIT	**1,609**	1,444	969	845	781
Net income	**410**	330	222	168	115
Depreciation and amortization	**421**	399	320	315	325
Operating cash flow	**1,296**	1,052	780	851	776
Operating cash flow in % of sales	**11.4 %**	9.8 %	9.9 %	11.7 %	11.0 %
Earnings per ordinary share in €	**2.64**	2.15[1)]	1.76[1)]	1.36[1)]	0.93[1)]
Earnings per preference share in €	**2.65**	2.16[1)]	1.77[1)]	1.37[1)]	0.94[1)]
Balance sheet					
Total assets	**15,324**	15,024	11,594	8,188	8,347
Non-current assets	**11,033**	10,918	8,063	5,433	5,603
Equity[2)]	**6,059**	5,728	5,130	3,347	3,214
Equity ratio[2)]	**40 %**	38 %	44 %	41 %	39 %
Investments[3)]	**1,318**	4,314	2,247	421	430
Profitability					
EBIT margin	**14.2 %**	13.4 %	12.3 %	11.6 %	11.1 %
Return on equity after taxes (ROE)[4) 6)]	**12.0 %**	10.4 %	11.4 %	10.5 %	7.5 %
Return on operating assets (ROOA)[4) 5)]	**11.4 %**	10.4 %	11.7 %	11.1 %	9.8 %
Return on invested capital (ROIC)[4) 5)]	**8.4 %**	7.4 %	8.0 %	7.4 %	6.3 %
Dividend per ordinary share in €	**0.66[7)]**	0.57	0.49[1)]	0.45[1)]	0.41[1)]
Dividend per preference share in €	**0.67[7)]**	0.58	0.50[1)]	0.46[1)]	0.42[1)]
Employees (December 31)	**114,181**	104,872	91,971	68,494	66,264

[1)] Adjusted for share split in February 2007
[2)] Equity including minority interests
[3)] Investments in property, plant and equipment and intangible assets, acquisitions
[4)] 2005: balance sheet adjusted for acquisition of HELIOS Kliniken
[5)] 2006 pro forma Renal Care Group, excluding earnings from the divestiture of US dialysis clinics as well as their first quarter 2006 earnings
[6)] 2006 pro forma Renal Care Group, excluding first quarter 2006 earnings of divested US dialysis clinics
[7)] Proposal

You will find a 10-year overview on our website: www.fresenius-ag.com/Investor Relations.

FRESENIUS MEDICAL CARE

Dialysis products, Dialysis care, Extracorporeal therapies

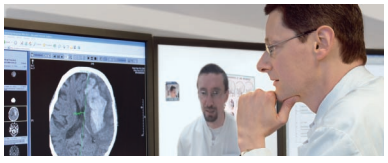
	2007 in mill. US$	2006 in mill. US$	Change
Sales	**9,720**	8,499	14 %
EBIT	**1,580**	1,318	20 %
Net income	**717**	537	34 %
Operating cash flow	**1,200**	908	32 %
Capital expenditure/acquisitions	**932**	4,783	-81 %
R & D expenses	**67**	51	31 %
Employees (December 31)	**64,662**	59,996	8 %

FRESENIUS KABI

Infusion therapy, Clinical nutrition, Transfusion technology

	2007 in million €	2006 in million €	Change
Sales	**2,030**	1,893	7 %
EBIT	**332**	291	14 %
Net income	**183**	143	28 %
Operating cash flow	**179**	202	-11 %
Capital expenditure/acquisitions	**294**	127	--
R & D expenses	**86**	77	12 %
Employees (December 31)	**16,964**	15,591	9 %

FRESENIUS HELIOS



Hospital operation

	2007 in million €	2006 in million €	Change
Sales	**1,841**	1,673	10 %
EBIT	**155**	133	17 %
Net income	**64**	59	8 %
Operating cash flow	**202**	141	43 %
Capital expenditure/acquisitions	**323**	214	51 %
Order Intake	**n/a**	n/a	
Employees (December 31)	**30,043**	26,368	14 %

FRESENIUS VAMED

Engineering and Services for hospitals and other health care facilities

	2007 in million €	2006 in million €	Change
Sales	**408**	392	4 %
EBIT	**26**	23	13 %
Net income	**23**	20	15 %
Operating cash flow	**72**	34	112 %
Capital expenditure/acquisitions	**10**	5	100 %
Order Intake	**395**	337	17 %
Employees (December 31)	**1,767**	1,768	0 %

As from January 1, 2008, Fresenius ProServe was replaced by the two new business segments Fresenius Helios and Fresenius Vamed which previously formed Fresenius ProServe. Therefore, this new structure is already presented in this Annual Report. For Fresenius ProServe's financial results please see page 82 and 83.

To our Shareholders:

Fresenius has fully achieved its objectives in 2007. We increased sales by 10 percent in constant currency to € 11.4 billion and operating income by 17 percent to € 1,609 million. Net income rose by 28 percent in constant currency to € 410 million. All our business segments contributed to this success with double-digit growth rates in operating income. We are committed to sustained growth and value creation as we continue to build Fresenius into a leading global health care group.

Fresenius is active in several areas of health care. Diversification enhances financial stability for the Group, while decentralized entrepreneurial responsibility assures focused management of our individual business segments. Following this principle, we reorganized our hospital business at the beginning of 2008, splitting it into the two new business segments Fresenius Helios and Fresenius Vamed.

There are significant global growth opportunities in health care, and our business segments Fresenius Medical Care, Fresenius Kabi and Fresenius Vamed are well positioned to pursue them. Fresenius Helios will focus its efforts on the German hospital market given its significant size and privatization potential.

In all our businesses a key objective is to maintain high organic growth rates – the most profitable form of growth. To accomplish this, we are constantly striving to better meet patients' requirements and needs.

Acquisitions are a second important growth driver. We will continue to take advantage of attractive opportunities, targeting expansion through selected acquisitions. In our acquisition activity, we focus on professional and disciplined deal execution as well as swift and proper integration.

forward:thinking, the title of this Annual Report, is an integral part of our long-term approach to the health care business. We are constantly seeking new and more effective solutions, applying our know-how to medical improvements that will achieve the best outcomes for our patients.

- Fresenius Medical Care improves dialysis treatment outcomes by combining innovative products with optimized therapies that are adapted to patients' medical needs. Insights gained from treatments in our clinics are frequently the source of product innovations.
- Fresenius Kabi focuses its expertise in infusion therapy and clinical nutrition on providing better care for critically-ill patients. Oncology is one major area where the company strives to improve standards of care and quality of life.
- Fresenius Helios is dedicated to improving medical outcomes in its hospital operations. An industry-leading, comprehensive quality management process – monitored by quality indicators – leads to continuous improvement of treatment outcomes.
- Fresenius Vamed offers planning and process services that enable hospitals to run their operations more efficiently. Patients' needs and process optimization are the guiding principles.
- Fresenius Biotech is developing innovative antibody therapies to treat diseases in oncology that are presently incurable.

As we pursue our long-term corporate strategy, our financial targets are clearly defined: For 2008, we expect to increase sales by 8 to 10 percent in constant currency. Net income should grow more strongly, by 10 to 15 percent. We have ambitious mid-term targets for Fresenius as exemplified by our goal "15/15 in 2010". This means that we are targeting revenues of € 15 billion and a Group EBIT margin of 15 percent in 2010. Putting this growth plan in place will require continued strong organic growth and selective acquisitions. We will continue to provide maximum transparency regarding our current performance and Fresenius' future opportunities and strategies. This transparency enables you to assess the company and your investment in Fresenius.

I would like to sincerely thank our Group's associates for their outstanding contributions and achievements in 2007. Their enthusiasm and commitment to excellence will be key as we constantly strive to improve the level of care for our patients.

Thank you for your continued trust and support.

Dr. Ulf M. Schneider

Chairman of the Management Board

FRESENIUS

MEDICAL PROGRESS HAS MANY FACETS.

Sometimes it comes in great bounds, in quantum leaps. But mostly it comes in small steps. It can be the outcome of targeted research, but it may also be a result of chance.

Medical progress cannot be coerced. But if you approach it with scientific competence, determination and passion, you have a good chance of achieving it.

From a synergy of dialysis technology, renal pharmaceuticals and dialysis therapies medical progress emerges, and thus more quality of life for patients ▸ FRESENIUS MEDICAL CARE.

Medical progress often starts by identifying a problem whose importance for the patient's health was previously underestimated ▸ FRESENIUS KABI.

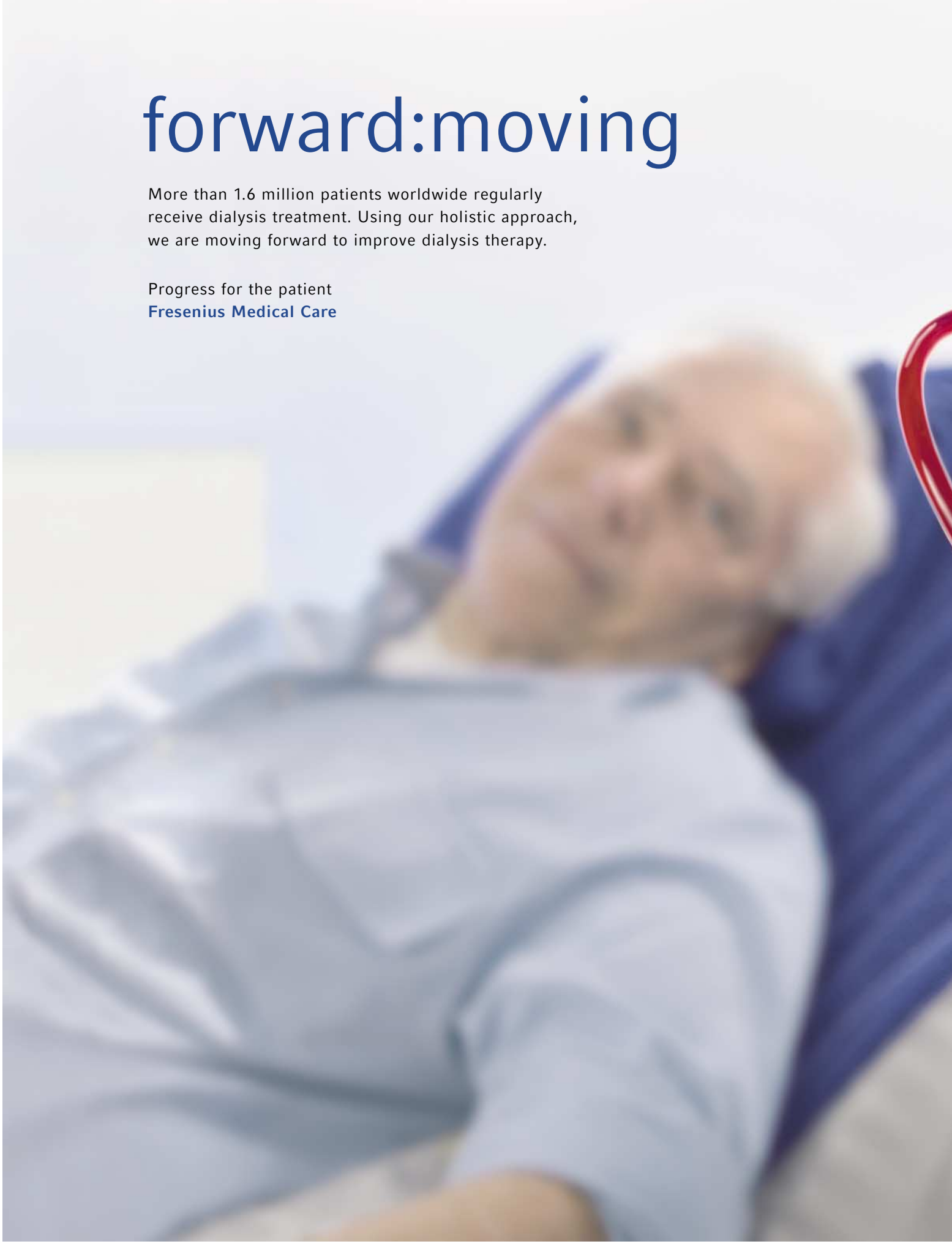
In situations where minutes can hold the balance between life or death, medical progress that supplies a reliable diagnosis and the right therapy can be life-saving ▸ FRESENIUS HELIOS.

For many people, medical progress has concrete relevance: it enables them to receive appropriate clinical treatment and care ▸ FRESENIUS VAMED.

forward:moving

More than 1.6 million patients worldwide regularly receive dialysis treatment. Using our holistic approach, we are moving forward to improve dialysis therapy.

Progress for the patient
Fresenius Medical Care

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WITH OUR RENAL PHARMACEUTICALS INITIATIVE WE ARE WORKING ON HOLISTIC THERAPY CONCEPTS FOR DIALYSIS PATIENTS. WE ARE ALREADY THE WORLD LEADER IN DIALYSIS TECHNOLOGY AND DIALYSIS CARE. SINCE 2006, WE HAVE BEEN FURTHER STRENGTHENING OUR COMMITMENT IN THE FIELD OF RENAL PHARMACEUTICALS.

Kidneys, like their functions, are extremely complex: They cleanse the blood, regulate the body's water and salt levels, and produce important hormones. Today, medical devices and drugs can replace many of the kidney's functions. New therapies that combine advanced medical technology and expertise with special renal pharmaceuticals will further improve treatment results and quality of life for dialysis patients.

With its renal pharmaceuticals initiative Fresenius Medical Care is working on holistic therapy concepts which also include drugs for dialysis patients. Dialysis machines filter the blood and remove toxic metabolic waste products and excess water. Renal pharmaceuticals replace other kidney functions; phosphate binders eliminate the phosphate, which in healthy people is removed by the kidneys and could otherwise cause bone disease, thyroid problems and vascular calcification. Vitamin D helps normalize the absorption of calcium: if not treated, dialysis patients face the risk of bone resorption. Iron preparations and the artificially produced hormone erythropoietin (EPO) support blood formation – another function normally performed by the kidneys.

Growth through renal pharmaceuticals. The world market for renal pharmaceuticals, excluding erythropoiesis-stimulating agents, is worth about US$ 2.2 billion, offering considerable growth potential for Fresenius Medical Care. It is planned to introduce integrated therapy systems with further improved drugs and innovative dialysis technologies. The knowledge gathered from 26.4 million treatments a year at our own clinics provides an excellent basis for future developments.

Quality of life for patients. Dialysis patients have to take between 20 and 40 pills each day. Today, the innovative gel capsule surrounding Fresenius Medical Care's PhosLo tablets already makes it easier to swallow the large ones. Fresenius Medical Care is also working on a liquid phosphate binder to be taken orally. Other drug improvements designed to make the patient's life easier are in preparation. For the future, integrated pharma-tech therapies are key. Here, renal pharmaceuticals and dialysis technologies are being further developed, matched, and combined. So that, in future, dialysis patients receive from a single source what a single organ accomplishes for healthy people.

FRESENIUS MEDICAL CARE

RENAL PHARMACEUTICALS. WITH PHOSLO AND OSVAREN, WE ALREADY OFFER TWO HIGHLY EFFECTIVE PHOSPHATE BINDERS. IN ADDITION, WE HAVE ENTERED INTO A RESEARCH PARTNERSHIP WITH THE LEADING MANUFACTURER OF EPO, TO IMPROVE THE TREATMENT OF ANEMIA AND BONE MINERALISM DISORDER.

forward:strengthening

More than 40 % of all cancer patients are malnourished.*
Clinical nutrition can enhance the success of a therapy and improve a patient's quality of life.

Progress for the patient
Fresenius Kabi

*Barrera R. Nutritional support in cancer patients. JPEN J Parenter Enteral Nutr. (2002) 26: 63-71

IN FIGHTING CANCER, THE PATIENT'S NUTRITIONAL CONDITION IS CRUCIAL. TODAY, STRENGTHENING THE BODY WITH TARGETED NUTRIENTS IS BECOMING AN INCREASINGLY IMPORTANT PART OF THE THERAPY.

Many cancer diseases lead to a reduced intake of nutrients, for instance if the intake of food is restricted by the tumor, or if treatments such as chemotherapy or radiotherapy cause sickness and vomiting. Furthermore, although oncology patients have higher nutritional needs, the nutrients are not ingested as efficiently. If the body is not supplied with sufficient nutrients, malnutrition will impair the tolerance and success of the therapies and will also increase the risk of infection*.

*J. Arends J. et al., Leitlinie Parenterale Ernährung der DGEM: Nichtchirurgische Onkologie. (DGEM parenteral nutrition guide: nonsurgical oncology). Aktuel Ernaehr Med (2007) 32 (Supp.1): 124-133

Setting standards to improve the quality of life. Malnutrition can be prevented. Fresenius Kabi has developed the program „Good Nutrition Practice®" for this purpose. Following a systematic procedure, its aim is to detect and treat nutritional deficiencies at an early stage. Patients are tested for malnutrition, or for a foreseeable risk of malnutrition in a screening. The next step is to analyze the relevant metabolic, nutritional, and laboratory parameters to determine the patient's specific nutritional needs. Tumor patients have a changed carbohydrate, fat and protein metabolism. Since patients cannot adapt their metabolism to the nutrition level, the nutrition has to be adapted to their metabolism. Therefore, an individually tailored nutrition therapy is essential. The effectiveness of the therapy is continuously monitored. The integration of „Good Nutrition Practice®" into the treatment of oncology patients can offer decisive help to improve a patient's quality of life.

Taking the initiative to sustain the quality of life. Fresenius Kabi provides patients in many countries in Europe with an outpatient nutrition therapy service. In Germany alone, we

carry out about 200,000 treatments a year. We are one of the few companies that offer both parenteral and enteral nutrition therapies. Our products are matched to the patients' specific nutritional needs. Together with the medical experts, the patient and the patient's family, we coordinate the implementation of the nutrition therapy, and provide a simple and safe application. By enabling them to be treated in their home environment, we insure that a nutrition therapy can be continued effectively after the patient is discharged from hospital, helping to sustain a maximum quality of life for oncology patients.

FRESENIUS KABI

CLINICAL NUTRITION CAN CONTRIBUTE TO THE SUCCESS OF A THERAPY AND SHORTEN THE TIME SPENT IN HOSPITAL. IT IS THEREFORE AN INTEGRAL PART OF A HOLISTIC APPROACH TO THE TREATMENT OF ONCOLOGY PATIENTS.


Arbeitsliste
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Im:17
[A]
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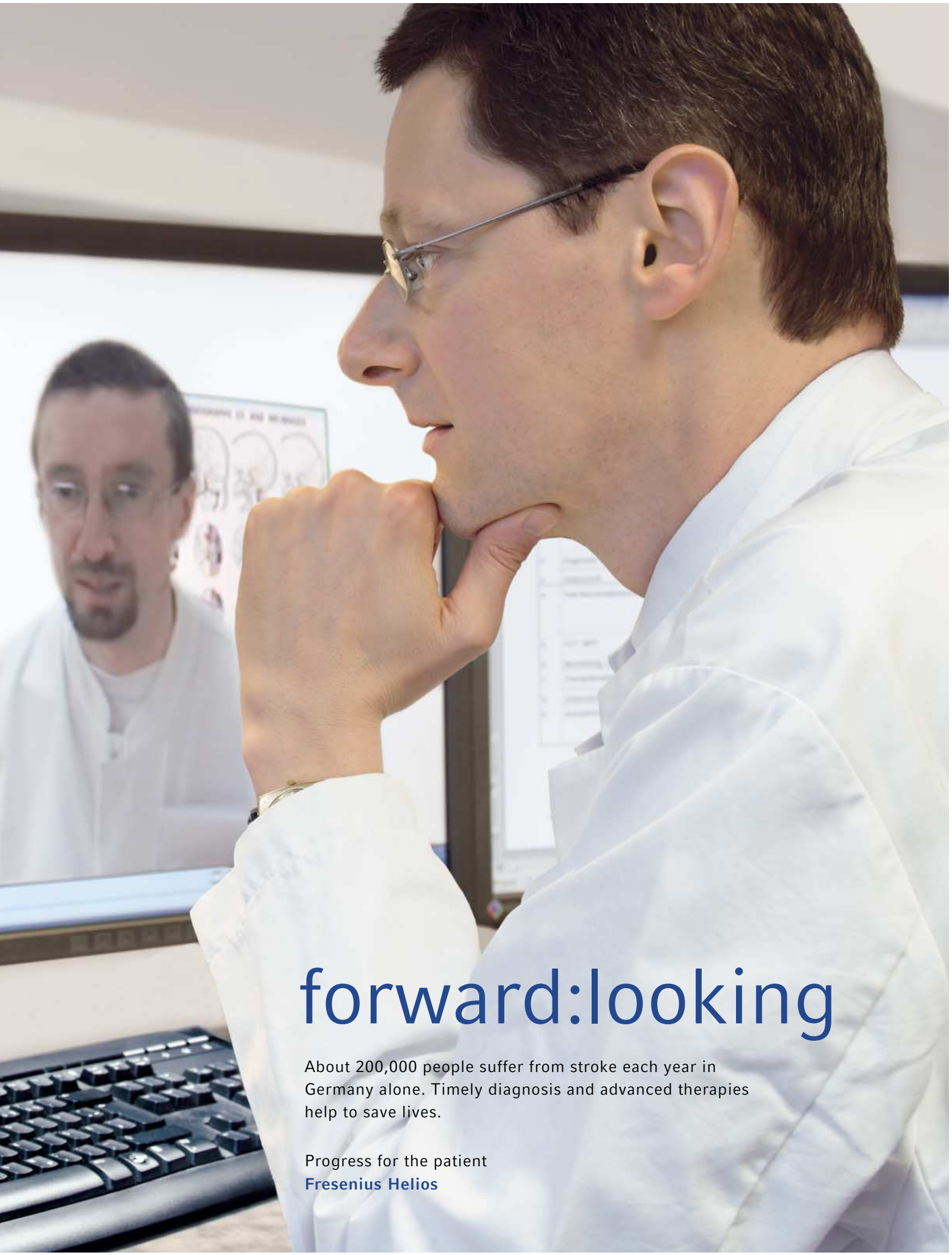
Patientendaten
Untersuchungsdaten
Bericht
e-Learning
Start



forward:looking

About 200,000 people suffer from stroke each year in Germany alone. Timely diagnosis and advanced therapies help to save lives.

Progress for the patient
Fresenius Helios

TIME IS OF THE ESSENCE IN THE TREATMENT OF STROKE PATIENTS – THE FIRST THREE HOURS ARE CRITICAL. THE SOONER MEASURES ARE INITIATED WITHIN THIS VERY NARROW TIME FRAME, THE GREATER THE CHANCES OF SURVIVAL AND RECOVERY.

Patients at all HELIOS clinics benefit via HELIOS NEURONET from the highly specialized neurological expertise within the group and thus receive excellent acute medical care. Telemedicine means the condition of stroke patients can be assessed via video transmission: Online diagnosis using HELIOS NEURONET enables rapid decisions.

HELIOS NEURONET was launched in early 2007 to improve the treatment quality for stroke patients within the HELIOS Kliniken Group. Its aim is to make the expertise of HELIOS Kliniken's four major stroke units in Aue, Berlin-Buch, Erfurt and Wuppertal available to all the Group's hospitals. Specialists at these stroke units can be reached around the clock, seven days a week via a hotline. Doctors in the emergency rooms contact the stroke units using video transmission. Specialists examine the findings and images (computer or magnetic resonance tomography) and make a diagnosis. Rapid decisions can then be taken to provide swift and appropriate help to the patient.

Hospitals without own neurological departments benefit from HELIOS NEURONET. Delays of more than 30 minutes are avoided because patients do not need to be transported to a clinic with neurological expertise farther away. The use of HELIOS NEURONET considerably improved the outcome of our stroke care especially in rural areas. Stroke patients at all HELIOS clinics benefit from the highly differentiated infrastructure of stroke units and neurological intensive care wards at large clinics. Hospitals not belonging to the HELIOS Group can also join the network and draw on HELIOS' neurological expertise via video transmission to expand their own treatment plan.

Networking can save lives. In 2007, the mortality rate for stroke patients at the HELIOS clinics was 10.0 %, below the German average of 11.3 % (2005). The HELIOS clinics treated 5,533 stroke patients in 2007. HELIOS will use its pioneering status in ultra-modern advanced medicine and patient safety to further improve treatment quality. The goal is to achieve consistently better results than the German average or other known international benchmarks.

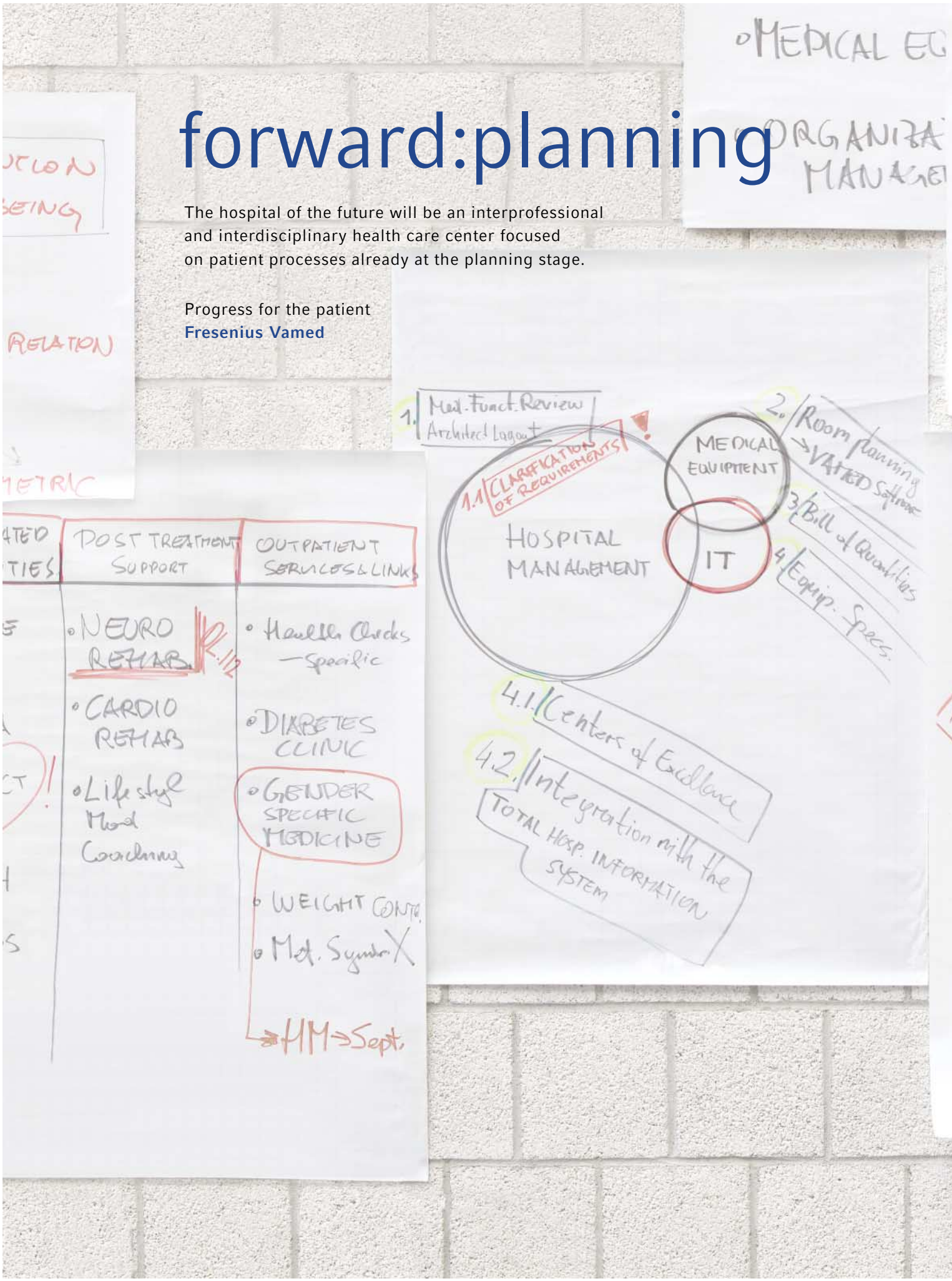
FRESENIUS HELIOS

BEST-IN-CLASS QUALITY IS THE STANDARD WE AIM TO GUARANTEE. WE ARE SYSTEMATICALLY EXPLORING NEW PATHS TO INSURE THAT WE CAN FULFILL THIS OBJECTIVE ALSO IN THE LONG-TERM. THE TREATMENT OF STROKE PATIENTS IS ONE EXAMPLE OF OUR INITIATIVE TO IMPROVE THE QUALITY OF HEALTH CARE.

forward:planning

The hospital of the future will be an interprofessional and interdisciplinary health care center focused on patient processes already at the planning stage.

Progress for the patient
Fresenius Vamed




OUTPATIENT
LAB
4 ICU
STAFF PATIENTS
→ DONATE
ENRICHING
PROGRESSIVE
LEVEL 3/B
RECONSTR. SURGERY & BURNS
+ Tiss. Cult. LABS
Skin Bank
CENTERS OF EXCELLENCE
DEDICATED FACILITIES
POST TREATMENTS SUPPORT
HEART, STROKE & VASCULAR
OUTPATIENT SERVICES & LINKS
DAY CARE CENTER
ONCOLOGY/HEMATI
LEVEL 1
RADIATION & SURG
ONCOLOGY
CANCER PREVEN
EARLY DETECTI

HOSPITAL CONCEPTS OF THE FUTURE WILL INCORPORATE A HOLISTIC APPROACH THAT CONCENTRATES ON PATIENTS' INDIVIDUAL REQUIREMENTS, AT THE SAME TIME TAKING ACCOUNT OF OPERATIONAL AND ECONOMIC CONSTRAINTS.

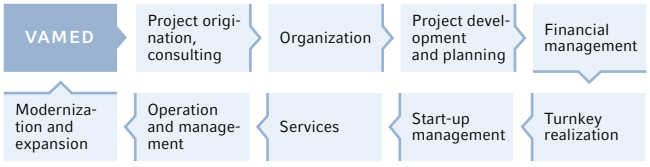
This means a reorientation in the planning and organization of health care facilities – which the VAMED Group is successfully developing. Today's hospital, with its ward-based structure and sectoral separation from health care providers outside the hospital, requires a high degree of integrated management to eliminate inefficiencies between the departments and sectors.

Hospitals will become health care centers. Collaboration by all health care providers create clear information flows for the benefit of the patient. The hospital of the future will play the central role in an integrated health care cluster, effectively coordinating and controlling all the processes – from prevention, via primary medical care, through to rehabilitation and nursing care. Hospital planning will be oriented to cross-sectoral and sector-permeable concepts, placing high demands on structural quality and process quality. The guiding principle must be that patients are treated at the appropriate level of care according to their individual medical needs.

New organizational models in the hospital. Traditional structures based on specialist wards will be replaced by new types of organization. On the medical-nursing side, the hospital of the future will be characterized by interdisciplinary centers of competence with modular care and treatment services. Various support functions, such as x-ray, laboratory, central OP, and non-medical service facilities, will be concentrated at service centers to optimize quality and resources.

Hospital planning and execution. New approaches are therefore required in the planning and construction of hospitals – these VAMED has already developed and successfully applied. Key criteria are a structural layout that takes process optimization into account, differentiation according to modular levels of care, and high flexibility to accommodate future shifts in needs in response to reimbursement systems and technological advances. All this calls for high competence and a knowledge of the key technologies for planning, constructing and operating a forward-looking hospital. With VAMED this expertise in hospital planning and organization, technical, commercial, and overall operation as well as the key technologies of medical, building and electromechanical engineering and information technology is all available from a single source.

VAMED SPECTRUM OF SERVICES



FRESENIUS VAMED

BENEFITS FOR THE CLIENTS. IN OUR PLANNING, CONSTRUCTION, AND OPERATION MODELS WE FOCUS ON A HEALTH CARE FACILITY'S WHOLE LIFE CYCLE, THEREBY CREATING QUALITATIVE AND OPERATIONAL BENEFITS FOR OUR CUSTOMERS.

Read more about renal pharmaceuticals on page 4

Read more about clinical nutrition on page 8

Read more about timely diagnosis on page 12

Read more about hospital care on page 16

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SUMMARY OF THE FISCAL YEAR

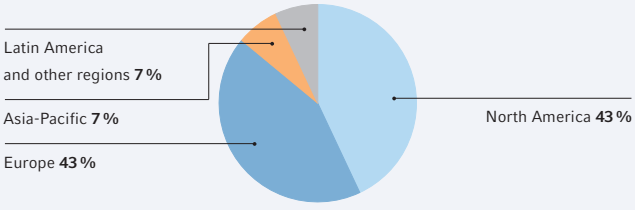
SALES

Consolidated sales increased by 5 % to € 11,358 million in 2007. Excellent organic growth of 6 % was achieved, while acquisitions contributed 6 % to growth. Divestitures reduced sales by 2 % and currency translation had a negative impact of 5 %.

EARNINGS

Operating income (EBIT) grew by 11 % and by 17 % in constant currency to € 1,609 million (2006: € 1,444 million). All the business segments contributed to this excellent earnings growth with double-digit rates.

SALES BY REGION



2007: € 11.4 billion

in million €	2007	2006	Change	Change in constant currency
EBIT	**1,609**	1,444	11 %	17 %
Net interest	**-368**	-395	7 %	2 %
Income taxes	**-448**	-414	-8 %	-14 %
Minority interest	**-383**	-305	-26 %	-32 %
Net income	**410**	330	24 %	28 %

- In North America sales increased by 10 % in constant currency due to a good organic growth of 5 % and the full-year Renal Care Group consolidation.
- In Europe sales grew by 7 % with organic sales growth contributing 5 %.
- Strong organic growth rates were achieved in the emerging markets with 9 % in Asia-Pacific, 10 % in Latin America and 26 % in Africa.
- The EBIT margin improved by 80 basis points to 14.2 %.
- Group net interest was € -368 million (2006: € -395 million, including one-time expenses of € 30 million for the early refinancing of Group debt).
- Net income was € 410 million, an excellent increase of 24 %. Earnings per ordinary and preference share rose by 23 %.

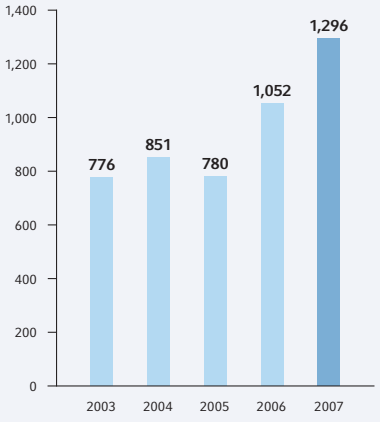
CASH FLOW

Fresenius generated a high operating cash flow of € 1,296 million in 2007 (2006: € 1,052 million). Key driver was the strong growth in earnings. The cash flow margin rose to 11.4 % (2006: 9.8 %).

BALANCE SHEET

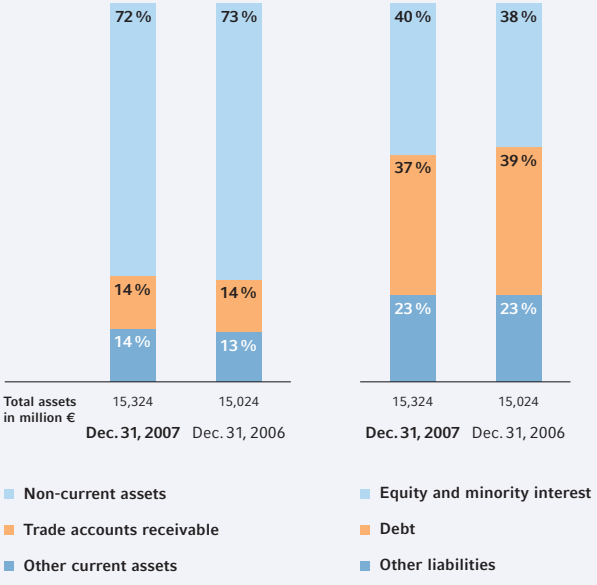
The balance sheet is solid. Total assets rose by 2 % to € 15,324 million. In constant currency, the increase was 8 %.

OPERATING CASH FLOW, IN MILLION €



ASSETS

EQUITY AND LIABILITIES



- Cash flow before acquisitions and dividends increased to € 630 million (2006: € 481 million) despite the high investments in property, plant and equipment. It was sufficient to finance all acquisitions and dividends.
- Free cash flow after acquisitions and dividends was € 33 million.

- Shareholders' equity including minority interest increased by 6 % to € 6,059 million.
- The equity ratio including minority interest improved to around 40 %.
- Debt decreased by 3 % to € 5,699 million (December 31, 2006: € 5,872 million). In constant currency, debt increased by 3 %.
- The net debt/EBITDA ratio improved to 2.6 (December 31, 2006: 3.0).

FRESENIUS

FRESENIUS SHARES AND CORPORATE GOVERNANCE REPORT

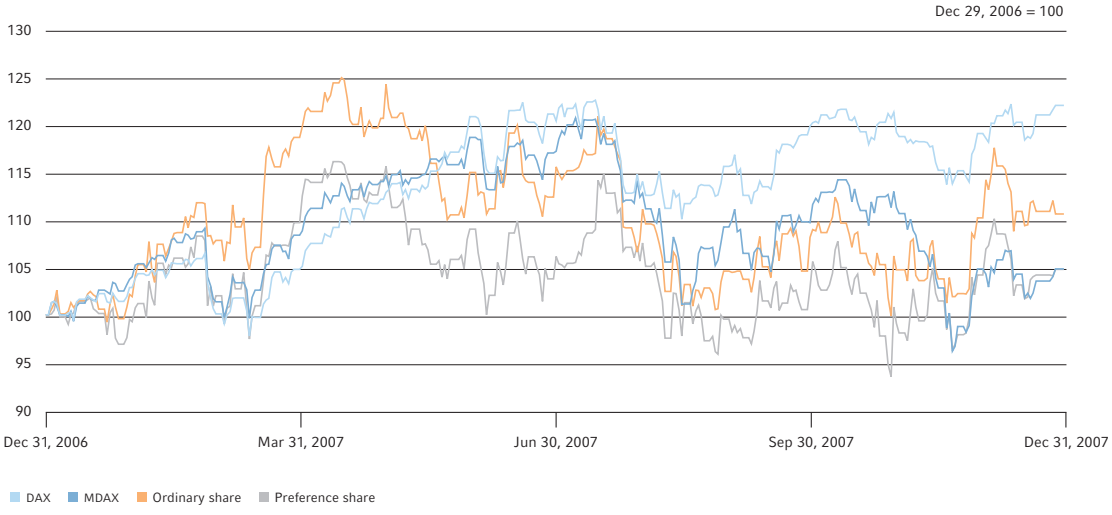
- IN TERMS OF MARKET CAPITALIZATION, FRESENIUS IS ONE OF THE 35 LARGEST PUBLICLY TRADED COMPANIES IN GERMANY.
- THE ORDINARY SHARE ROSE 11 % AND THE PREFERENCE SHARE 5 %.
- DIVIDEND INCREASE PROPOSED.

Overall 2007 was a good year for the stock markets, and especially for German equities. The Fresenius ordinary share did much better than the benchmark index MDAX, while the Fresenius preference share performed in line with the MDAX. Over the last three years, both share classes have outperformed the MDAX, with the Fresenius ordinary share increasing by 125 % and the Fresenius preference share by 148 %. Over the same period the MDAX gained 84 %.

STOCK MARKETS

After a good year for the stock market in 2006, the positive trend on the international equity markets continued in the first half of 2007. In June the DAX moved above the 8,000 mark for the first time since 2000 to reach an all-time high of 8,106 points on June 16, 2007. At the end of May the MDAX topped 11,000 points for the first time ever and touched its high for the year of 11,378 points on July 9, 2007. The price gains in the first half of the year were driven both by the above-average growth dynamic of corporate earnings, good economic data and buoyant merger and acquisition activity as well as by the optimism prevailing in the market. Price corrections midway through the year then brought the upward trend to a halt. Triggers were sharply increased oil prices and the upheavals resulting from the US subprime mortgage crisis. These caused considerable uncertainty in capital markets in the second half of the year. Many investors withdrew their capital from the capital market and from stocks respectively to minimize risk, leading to high volatility in individual stocks and indices. In the following months the DAX lost up to 10 %, down to 7,270 points. The MDAX lost 21 %, falling to 9,042 points. Both indices managed to recover by the end of 2007, with the DAX closing the year at 8,067 points and the MDAX at 9,865 points. For the full year the DAX's performance was 22 %, while the MDAX gained 5 %. Of the European blue chip indices, the DAX was the best performer, while Portugal's PS120 (+16 %), Norway's OBX (+14 %), Spain's IBEX (+7 %) and the EuroStoxx 50 (+7 %) beat the MDAX. The European Dow Jones STOXX 600 Index, which comprises Europe's 600 largest companies, closed the year at 365 points, at the same level as at the end of 2006. In this index the best performing sectors

RELATIVE SHARE PRICE PERFORMANCE



were Chemicals (+27 %), Automobiles (+25 %) and Basic Resources (+24 %), while Banks (-9 %), Travel/Leisure (-10 %) and Insurance (-10 %) were the three worst performers. The leading US indices also posted gains. The S & P 500 closed 2007 with an increase of 4 %, while the Dow Jones Industrial Average was up 6 %.

FRESENIUS SHARES

In 2007, the ordinary share rose 11 % and the preference share 5 %. Both share classes exceeded the European Dow Jones Stoxx Healthcare Index (-5 %). The ordinary share outperformed the MDAX and the German Prime Pharma & Healthcare Index (+10 %). Despite the excellent operating performance and the positive outlook, the Fresenius shares were unable to decouple from the general market trend. Discussions over a possible change in the EPO dosage in dialysis also affected the performance of the shares.

The price of the ordinary share fell to € 50.17 on January 22, 2007, its low for the year, but recovered to close at € 56.00 at the end of 2007. The ordinary share reached its high for the year of € 63.35 on April 16, 2007. The preference share touched its low for the year of € 50.70 on October 30, 2007 and its high for the year of € 63.12 on April 13, 2007. It closed the year at € 56.90.

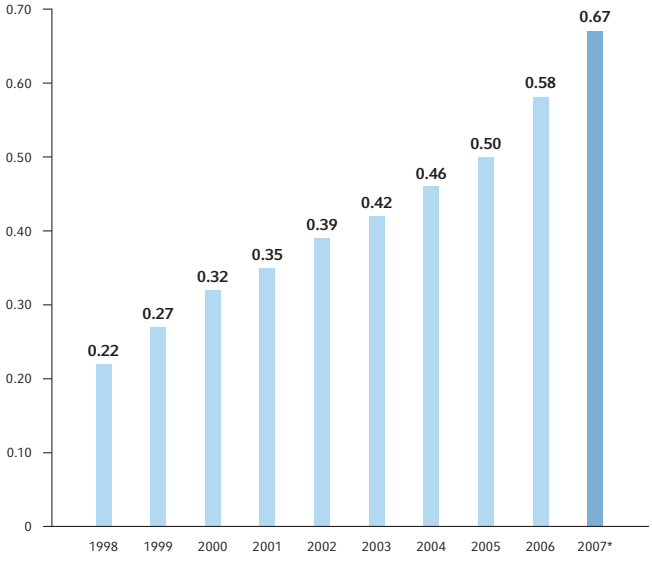
Fresenius SE's market capitalization rose 9 % to € 8.8 billion as of December 31, 2007.

The average Xetra daily trading volume in the Fresenius shares increased substantially in 2007. This can also be seen as evidence that the share split, carried out at the beginning of 2007, succeeded in increasing the attractiveness and liquidity of the two share classes.

	Average trading volume 2007	Average trading volume 2006	Change in %
Ordinary share	**70,574**	61,169	15
Preference share	**534,660**	363,570	47

Prior-year figures adjusted for the share split in February 2007

DIVIDEND PREFERENCE SHARE IN €



* Proposal
1998 - 2005 adjusted for share split

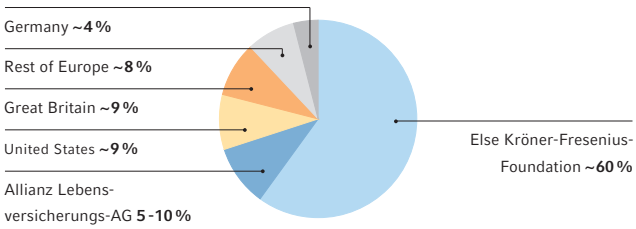
SHARE SPLIT AND CAPITAL INCREASE FROM COMPANY FUNDS

The reorganization of subscribed capital (share split), with a capital increase from company funds approved by the Extraordinary General Meeting in December 2006, was carried out on February 2, 2007. The shareholders of Fresenius SE received two additional shares for each ordinary or preference share previously held.

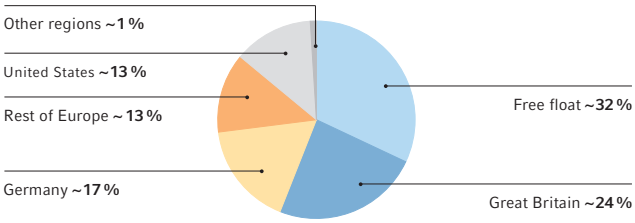
CAPITAL STRUCTURE

Stock options on ordinary and preference shares under the 1998 and 2003 stock option plans were exercised to a small extent in 2007. This increased the number of ordinary and preference shares by 405,447 shares each. At the end of 2007, there were 77,582,385 bearer ordinary shares and

SHAREHOLDER STRUCTURE ORDINARY SHARES



SHAREHOLDER STRUCTURE PREFERENCE SHARES



77,582,385 bearer preference shares outstanding. Further information on the stock option plans can be found on pages 201 ff. of this Annual Report.

DIVIDEND

Based on the Group's excellent financial results, we are pleased to increase the dividend for 2007. We are therefore continuing our earnings-linked dividend policy. We are proposing to our shareholders a dividend increase for the 15th consecutive year to € 0.66 (2006: € 0.57) per ordinary share and € 0.67 (2006: € 0.58) per preference share. This is an increase of approximately 15 % per share. The total proposed dividend distribution will be € 103 million, equivalent to 25 % of Group net income.

We have added a total return calculator as a new service on our website at www.fresenius.com/Investor Relations/Shares/Share Price. You can use this calculator to determine the total return on your Fresenius shares including dividend payments.

SHAREHOLDER STRUCTURE

The Else Kröner-Fresenius Foundation is the largest shareholder of Fresenius SE with approximately 60 % of the voting shares. According to Allianz Lebensversicherungs-AG the company holds between 5 and 10 % of the voting shares. Further shareholding information can be found on pages 179 and 180 of the Notes.

At the beginning of 2007, we conducted a shareholder survey covering 82 % of our subscribed capital. 97 % of the ordinary shares and 67 % of the preference shares were identified.

According to this survey, 204 institutional investors held about 70.0 million shares. This was split into 21.7 million ordinary shares and 48,3 million preference shares. 0.9 million ordinary shares and 3.3 million preference shares were identified as retail holdings. The top ten investors hold approximately 15 % of the ordinary share capital and approximately 28 % of the preference share capital.

The geographical distribution of the Fresenius shares became more international in 2007. Approximately 13 % of the preference shares and approximately 9 % of the ordinary shares are held by US investors (2006: 11 % and 6 %, respectively). Investors in Great Britain hold about 24 % of the preference shares and about 9 % of the ordinary shares (2006: 22 % and 6 %, respectively). The relative weight of German investors declined: approximately 17 % of the preference shares and about 4 % of the ordinary shares are held by German investors (2006: 23 % and 7 %, respectively).

INVESTOR RELATIONS

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

KEY DATA OF THE FRESENIUS SHARES

	2007	2006	2005	2004	2003
Number of shares	**155,164,770**	51,451,292	50,722,280	40,971,038	40,969,684
Ordinary shares	**77,582,385**	25,725,646	25,361,140	20,485,519	20,484,842
Preference shares	**77,582,385**	25,725,646	25,361,140	20,485,519	20,484,842
Stock exchange quotation ordinary share[1] (€)					
High	**63.35**	51.32[4]	36.38[4]	27.83[4]	22.83[4]
Low	**50.17**	35.47[4]	25.19[4]	20.10[4]	11.73[4]
Year-end quotation	**56.00**	50.57[4]	35.33[4]	24.88[4]	21.50[4]
Stock exchange quotation preference share[1] (€)					
High	**63.12**	55.32[4]	39.83[4]	24.09[4]	19.18[4]
Low	**50.70**	37.41[4]	22.97[4]	16.96[4]	12.00[4]
Year-end quotation	**56.90**	54.27[4]	38.22[4]	22.94[4]	18.48[4]
Market capitalization[2] (million €)	**8,759**	8,091	5,596	2,939	2,437
Beta factor[3]	**0.80**	0.88	0.75	0.33	1.10
Total dividend distribution (million €)	**103.2**[5]	88.8	75.8	55.9	51.0
Per share in €					
Dividend ordinary share	**0.66**[5]	0.57	0.49[4]	0.45[4]	0.41[4]
Dividend preference share	**0.67**[5]	0.58	0.50[4]	0.46[4]	0.42[4]
Earnings per ordinary share	**2.64**	2.15[4]	1.76[4]	1.36[4]	0.93[4]
Earnings per preference share	**2.65**	2.16[4]	1.77[4]	1.37[4]	0.94[4]

[1] Final Xetra quotations on the Frankfurt Stock Exchange
[2] Total number of ordinary and preference shares multiplied by the respective Xetra year-end quotations on the Frankfurt Stock Exchange
[3] Fresenius preference share (source: Bloomberg)
[4] Adjusted for share split
[5] Proposal

In 2007, we intensified our dialogue with the capital market in order to enable investors and analysts to make a fair assessment of Fresenius Group's business situation and market conditions. In addition to the regular analyst meetings held two times each year and the quarterly conference calls, Fresenius also made presentations in important financial markets in Europe and in the United States. Regular contacts with institutional investors and analysts were further extended at eleven international investor conferences and numerous roadshows, as well as at one-on-one meetings with institutional investors and analysts. We also continued the dialogue with private investors. Here, the Internet is an important instrument. Our private shareholders can follow live web casts of the quarterly conference calls and download presentations of analysts meetings and conferences at www.fresenius.com/ Investor Relations/Presentations. We intend to make further improvements to our communication with private shareholders, and welcome any suggestions you may care to make. We also plan to further extend the information content on our website in 2008.

In 2007, we again received important commendations for the standard of our financial communications. In the competition for the best annual report conducted by the German business magazine manager magazin, which analyzed more than 200 annual reports published by German and European companies, we came second in the MDAX category and seventh in the overall ranking. In the Handelsblatt's annual report test "Geschäftsberichte im Test", we were placed fifth out of the 130 companies surveyed. We also received the Platinum Award in the category "Health Care-Equipment & Supplies" from the League of American Communications Professionals (LACP), USA. In the overall ranking for all categories, Fresenius achieved a very good 25th place. About 2,500 companies from 21 countries took part in this contest. In the Thomson Extel competition for the best investor relations work, we managed to climb 14 places this year and came fourth out of all the MDAX companies. In the Capital Investor Relations Prize, Fresenius was ranked 12th out of all the MDAX companies, an improvement of 13 places.

EARNINGS PER SHARE

In 2007, the Fresenius Group achieved earnings per ordinary share of € 2.64 and per preference share of € 2.65 (2006: € 2.15 per ordinary share and € 2.16 per preference share). This is an increase of 23 %. Further details on earnings performance and earnings per share can be found on page 84 of the Management Report and on page 152 of the Notes.

ANALYST RECOMMENDATIONS

The recommendations published by financial analysts are an important guide for institutional as well as private investors when making investment decisions. According to our survey, we were rated with 18 "buy" recommendations and three "hold" recommendations as of February 20, 2008. This reflects analysts' confidence in the long-term earnings power of the Fresenius Group and the potential both for our business and for our shares. The table below lists the banks which provide analyst coverage on Fresenius and their latest recommendations:

ANALYST RECOMMENDATIONS

Bankhaus Lampe	December 2007	Hold
Bankhaus Metzler	November 2007	Buy
Cheuvreux	February 2008	Outperform
Citigroup	February 2008	Buy
Credit Suisse	November 2007	Buy
Deutsche Bank	February 2008	Buy
Dresdner Bank	February 2008	Buy
DZ Bank	February 2008	Buy
Euromobiliare	February 2008	Buy
Goldman Sachs	January 2008	Hold
JP Morgan	February 2008	Overweight
Landesbank Baden-Württemberg	November 2007	Buy
Lehman Brothers	February 2008	Buy
Main First Bank	February 2008	Buy
Merrill Lynch	February 2008	Buy
NordLB	November 2007	Hold
Redburn Partners LLP	August 2007	Buy
Sal. Oppenheim	February 2008	Buy
UBS	February 2008	Buy
UniCredit	February 2008	Buy
WestLB	February 2008	Add

CORPORATE GOVERNANCE REPORT

The German Corporate Governance Code (Code) was established to increase confidence in the corporate management of publicly traded companies. It aims to provide more transparency for investors regarding existing regulations concerning the management and monitoring of companies. The Management and Supervisory Boards of Fresenius SE support the principles set out in the Code and are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Key elements of this approach are long-term corporate strategies, solid financial management and strict adherence to legal and ethical business standards. Transparent corporate communication is a further commitment. Good corporate governance is an integral part of corporate policy at Fresenius. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations and proposals for responsible management contained in the Code, have been basic components of Fresenius' activities for many years.

SHAREHOLDERS

The shareholders execute their rights at the General Meeting and exercise their voting rights there. Each ordinary share of Fresenius SE confers one vote. Preference shares of Fresenius SE basically confer no voting rights. Holders of these shares have precedence in the distribution of earnings and are entitled to a higher dividend. None of the shares carry multiple or preferential voting rights.

ANNUAL GENERAL MEETING

Our last Annual General Meeting (AGM) was held on May 16, 2007 in Frankfurt am Main. Approximately 91 % of the ordinary share capital and approximately 9 % of the preference share capital was represented at the meeting. We broadcast the speech of the Chairman of the Management Board on our website www.fresenius.com/Investor Relations/Annual General Meeting for those shareholders unable to attend the AGM. In addition, shareholders were able to have their voting rights exercised by proxy or, in line with the recommendation in the Code, by a voting representative appointed by Fresenius SE. The AGM voted on the appropriation of the distributable profits, the approval of the actions of the Management and Supervisory Boards and the appointment of the auditors.

MANAGEMENT BOARD

The Management Board of Fresenius SE is responsible for managing the Company and conducts Fresenius' business. Its actions and decisions are focused on the Company's interests. The Management Board's seven members are listed on page 223 of this Annual Report.

SUPERVISORY BOARD

The Supervisory Board of Fresenius SE consists of twelve members who are appointed by the AGM. Of these, six members are appointed on the basis of proposals put forward by the employees; the AGM is bound to these nominations. The term of office of the current Supervisory Board members will end at the close of the Company's AGM on May 21, 2008.

One Supervisory Board member is a partner in a law firm that provides legal advice to the Group. The Supervisory Board has approved this mandate. There are no other consulting and service contracts between the Company and members of the Supervisory Board. The Supervisory Board is not aware of any conflicts of interest involving members of the Supervisory or Management Boards. Members are required to notify the Supervisory Board promptly should such conflicts arise.

The Supervisory Board appoints the members of the Management Board, and supervises and advises the Management Board in its management of the Company. The Supervisory Board has established rules of procedure in accordance with clause 5.1.3 of the Code. The Chairman of the Supervisory

Board is responsible for coordinating the activities of the Supervisory Board, chairing its meetings and representing its interests externally. Regular dialogue with the Management Board insures that the Supervisory Board is well informed at all times about the Company's operating performance, corporate development and strategy. It approves the corporate planning and gives its assent to the Group's annual financial statements taking into account the auditor's reports. Another important part of the Supervisory Board's activities is the work conducted within committees formed in accordance with the requirements of the German Stock Corporation Act (Aktiengesetz) and the recommendations of the Code.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE has formed three committees: the Audit Committee, consisting of five members, the Personnel Committee and the Nomination Committee, each consisting of three members. The chairman of the Audit Committee is appointed in accordance with clause 5.3.2 of the Code. The members of the committees are listed on page 224 and 225 of this Annual Report. The Audit Committee's function is, among other things, to prepare the Supervisory Board's approval of the financial statements and the consolidated financial statements, review the quarterly reports, and – following discussion with the Management Board – appoint the auditor for the financial statements and determine the auditor's fees. Other matters within its remit are risk management and compliance issues. The Personnel Committee is responsible for determining the conclusion, modification and termination of the contracts of employment of the members of the Management Board and structuring their compensation scheme. The Nomination Committee proposes suitable candidates to the Supervisory Board for the nominations it makes to the AGM for election to the Supervisory Board. It consists solely of representatives of the shareholders.

SUPERVISORY BOARD EFFICIENCY EVALUATION

The Supervisory Board performs regular efficiency evaluations in accordance with clause 5.6 of the Code. So far, the self-evaluations have shown that the Supervisory Board is organized efficiently and that there is good cooperation between the two boards.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

The Management and Supervisory Boards work closely together in the interests of the Company. Open communication is of great importance. The Management Board discusses the Company's strategic focus with the Supervisory Board. As the monitoring body, the Supervisory Board also needs to be informed comprehensively on operating performance and corporate planning, as well as on the risk situation, risk management and compliance. Important business transactions require the approval of the Supervisory Board.

COMPENSATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

Details about the Management and Supervisory Board members' compensation, disclosures relating to the stock option plans, and Directors & Officers (D & O) insurance arrangements may be found on pages 209 to 214 of the Notes.

DISCLOSURES OF DIRECTOR'S DEALINGS AND SHAREHOLDINGS IN 2007

Members of the Management and Supervisory Boards, other executive officers and persons closely related to them are required, pursuant to § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz), to disclose purchases and sales of shares of Fresenius SE and financial instruments based on them (Director's Dealings). In compliance with clause 6.6 of the Code, no member of the Management or Supervisory Board holds, directly and indirectly, more than 1 % of the shares issued by Fresenius SE. Furthermore, the combined holdings of all Management and Supervisory Board members of shares issued by Fresenius SE was less than 1 % in 2007. We received no notifications either that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act (Wertpapierhandelsgesetz).

DIRECTOR'S DEALINGS

2007	Name	Position	Class of share	Quantity	Price in €	Total volume in €	Type of transaction
Feb 23	Dr. G. Krick	SB	Ords	5,160	33.37	172,189	Exercise of options against cash settlement
Feb 23	Dr. G. Krick	SB	Prefs	5,160	31.98	165,017	Exercise of options against cash settlement
May 21	Dr. G. Krick	SB	Ords	5,160	35.17	181,477	Exercise of options against cash settlement
May 21	Dr. G. Krick	SB	Prefs	5,160	31.14	160,682	Exercise of options against cash settlement
June 1	Dr. G. Krick	SB	Ords	7,740	35.03	271,132	Exercise of options against cash settlement
June 1	Dr. G. Krick	SB	Prefs	7,740	33.07	255,962	Exercise of options against cash settlement
June 5	Dr. G. Krick	SB	Ords	7,740	34.20	264,708	Exercise of options against cash settlement
June 5	Dr. G. Krick	SB	Prefs	7,740	31.39	242,959	Exercise of options against cash settlement
Okt 31	S. Sturm	MB	Ords	1,000	51.46	51,460	Purchase
Nov 1	R. Baule	MB	Ords	12,900	22.05	284,445	Exercise of options against cash settlement
Nov 1	R. Baule	MB	Prefs	12,900	19.06	245,874	Exercise of options against cash settlement
Nov 14	Dr. J. Götz	MB	Ords	1,500	24.71	37,065	Exercise of options against cash settlement
Nov 14	Dr. J. Götz	MB	Prefs	1,500	26.10	39,150	Exercise of options against cash settlement

SB = Supervisory Board; MB = Management Board; Ords = Ordinary share; Prefs = Preference share

TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations of clause 6 of the Code. Transparency is guaranteed by continuous communication with the public. In that way we are able to validate and extend the trust given to us. Of particular importance to us is the equal treatment of all recipients. To insure that all market recipients receive the same information at the same time, we post all important publications on our website www.fresenius.com/ Investor Relations. These publications include financial reports and director's dealings in accordance with § 15a of the German Securities Trading Act (Wertpapierhandelsgesetz).

RISK MANAGEMENT

In our view the responsible handling of risks is an element of good corporate governance. Fresenius practices systematic risk management that allows the Management Board to react promptly to relevant changes in our risk profile and to make early identifications of market trends. The risk management system is reviewed as part of the annual audit. Further information can be found on pages 96 to 97 of the Management Report.

COMPLIANCE

Compliance with national and international legal and ethical principles is an integral part of Fresenius' corporate culture. These principles underlie our professionalism and include honesty and integrity in relations with our patients, customers, suppliers, governments, employees, shareholders and the general public.

FINANCIAL ACCOUNTING AND REPORTING

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

CONVERSION OF FRESENIUS AG INTO A EUROPEAN COMPANY (SOCIETAS EUROPAEA, SE)

The conversion of Fresenius AG into a European Company (Societas Europaea) became effective on July 13, 2007, with the entry of Fresenius SE in the Commercial Register at the municipal court of Bad Homburg. The procedure for the involvement of employees had been successfully completed previously. The employee representatives on the Supervisory Board of Fresenius SE were appointed by the relevant municipal court. The Supervisory Board still consists of twelve members with parity for the six shareholder and six employee representatives. For the first time, the employee representatives consist not only of German national but also include a member from Austria and one from Italy. The six shareholder representatives were elected at the Extraordinary General Meeting on December 4, 2006, where the resolution adopting the statutes of Fresenius SE was also approved. The holders of ordinary shares entitled to vote approved the conversion to an SE by an overwhelming majority of 99.99 percent. The conversion does not have any effect on the Company's corporate governance organization apart from the changed composition of the Supervisory Board.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE GUIDELINES

The Management and Supervisory Boards of Fresenius SE have made a Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz), in accordance with the German Corporate Governance Code as of June 14, 2007, and have made it available to the shareholders. In accordance with clause 3.10 of the Code, this declaration, as well as past declarations, is available in our website at www.fresenius.com/Investor Relations/Corporate Governance. On December 6, 2007, the Management Board and the Supervisory Board of Fresenius SE declared that the recommendations of the "German Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with and were complied with in the past. The Management Board and the Supervisory Board also intend to follow the recommendations of the German Corporate Governance Code in the future. Merely the following recommendations have not been or are not being adhered to:

- Code clause 4.2.3 recommends that stock options and similar instruments should be linked to demanding and relevant parameters of comparison. Such a performance target was not common practice internationally in 2003 when the resolution on the currently valid Fresenius Stock Option Plan was adopted by the Annual General Meeting. As a global company, Fresenius competes on a worldwide basis for highly qualified staff. Therefore, under the current stock option plan it is possible to refrain from setting a performance target. In May 2008, the Annual General Meeting of Fresenius SE will pass a resolution on a new plan against the background of the changed underlying circumstances. Clause 4.2.3 further recommends that the Supervisory Board should agree to a cap for stock options and comparable instruments in the event of extraordinary, unforeseen developments. The currently valid stock option plan does not contain any regulation.
- Pursuant to clause 5.4.1 of the Code, an age limit is to be specified for the members of the Supervisory Board. According to clause 5.1.2, the same shall apply to the members of the Management Board. As in the past, Fresenius will refrain from introducing an age limit for members of the Management and Supervisory Boards as this would limit the selection of qualified candidates.
- Under clause 5.4.3 of the Code, elections to the Supervisory Board are to be made on an individual basis. As part of the conversion into an SE, Fresenius decided to appoint the six shareholder representatives of the first Supervisory Board of Fresenius SE by the Articles of Association. This corresponds to the option provided by law for appointing members of the first Supervisory Board of an SE (Art. 40, paragraph 2 sentence 2 of the SE Regulation). Therefore this deviation only applies to the appointment of the first Supervisory Board of Fresenius SE. No further statement regarding the future is linked to this decision.

FRESENIUS MEDICAL CARE

- EXCELLENT OPERATING PERFORMANCE ACHIEVED.
- MARKET LEADERSHIP FURTHER STRENGTHENED.
- FOCUS ON RENAL PHARMACEUTICALS CONTINUED.

Fresenius Medical Care achieved an excellent performance in 2007. Sales increased by 14 %. Net income rose by impressive 34 %. Operating performance in dialysis care was strong. Dialysis product sales grew substantially.

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for patients with chronic kidney failure. In 2007, we treated 173,863 patients at 2,238 dialysis clinics worldwide. The number of treatments increased by 11 % to 26.4 million. We market our comprehensive range of products in more than 100 countries. A global production network ensures reliable patient care at any time. Fresenius Medical Care's largest plants are in the United States, Germany and Japan.

BUSINESS DEVELOPMENT

In 2007, sales rose by 14 % to US$ 9,720 million (2006: US$ 8,499 million). Organic growth contributed 6 % to sales and acquisitions 7 %. Divestitures had a negative impact of 1 %. In constant currency, sales increased by 12 %. North America contributed 69 %, Europe 22 % and the rest of the world 9 % to sales. Dialysis care accounted for 74 % of sales and dialysis products for 26 %.

EBIT increased by 20 % to US$ 1,580 million (2006: US$ 1,318 million; adjusted for the gain from the divestiture of US dialysis clinics and one-time expenses related to the Renal Care Group acquisition US$ 1,315 million). The EBIT margin was 16.3 % (2006: 15.5 %).

Net income rose by 34 % to US$ 717 million (2006: US$ 537 million, including one-time expenses of US$ 37 million).

DIALYSIS CARE

Fresenius Medical Care is the market leader in dialysis care in North America. We treated 34 % of all dialysis patients in the United States in 2007.

The growth in dialysis care in North America was driven by the good operating performance from our existing activities. The consolidation of Renal Care Group for the full year has been a further contributing factor. Major growth drivers were an increased number of treatments and a higher average

FRESENIUS MEDICAL CARE BY REGIONS

	North America	Europe	Latin America	Asia-Pacific	Total
Sales (in million US$)	6,663	2,116	400	541	9,720
Dialysis patients (December 31)	121,431	26,902	17,741	7,789	173,863
Dialysis clinics (December 31)	1,602	362	169	105	2,238
Treatments (in million)	18.5	4.1	2.7	1.2	26.4

DIALYSIS CARE IN NORTH AMERICA

	2007	2006	Change
Sales (in million US$)	**6,002**	5,464	10 %
Dialysis patients (December 31)	**121,431**	117,855	3 %
Dialysis clinics (December 31)	**1,602**	1,560	3 %
Treatments (in million)	**18.5**	16.9	9 %

reimbursement per dialysis treatment. In 2007, the average revenue per dialysis treatment in the United States was US$ 327, US$ 6 more per treatment than in 2006. The improvement in revenue per treatment is mainly due to increases in the reimbursement rates we receive from private payors and the legislated 1.6 % increase from public health insurance plans (composite rate).

Outside North America – in the International segment – dialysis care is a highly fragmented market. Here, Fresenius Medical Care is also the largest provider and market leader. Sales in the International segment rose by 33 % (23 % in constant currency). In particular our operating performance in the Asia-Pacific region and in Latin America was successful in 2007.

Reimbursement policies and market access differ considerably from country to country. In some countries private companies are not permitted to operate dialysis clinics. However, clinics privatizations, especially in Eastern Europe and Asia, offer additional growth opportunities.

DIALYSIS CARE INTERNATIONAL

	2007	2006	Change
Sales (in million US$)	**1,211**	913	33 %
Dialysis patients (December 31)	**52,432**	45,662	15 %
Dialysis clinics (December 31)	**636**	548	16 %
Treatments (in million)	**8.0**	6.9	16 %

DIALYSIS PRODUCTS

Fresenius Medical Care achieved strong growth with dialysis products in 2007. The company is the world market leader for dialysis products, with a market share of about 31 %.

Sales of dialysis products increased by 18 % to US$ 2,507 million. The growth in North America as well as outside North America (International segment) was 18 %.

SALES DIALYSIS PRODUCTS

in million US$	2007	2006	Change
Sales	**2,507**	2,122	18 %
Sales North America	**661**	561	18 %
Sales International	**1,846**	1,561	18 %

The main dialysis products are dialyzers, hemodialysis machines and dialysis solutions, as well as products for peritoneal dialysis. Dialyzers and dialysis machines are our top-selling products. Out of appproximately 165 million dialyzers sold worldwide, Fresenius Medical Care produced about 75 million, or approximately 45 %. In the United States alone, we achieved a new record with the sale of over 30 million Optiflux dialyzers. At the end of 2007, more than three-quarters of all hemodialysis patients in the United States were being treated with single-use dialyzers made by Fresenius Medical Care. Of the approximately 55,000 dialysis machines sold worldwide in 2007, over 50 % were produced by Fresenius Medical Care. The international marketing of our 5008 therapy system, as well as the ongoing demand for the 4008 therapy system, contributed significantly towards this success. In the US market our 2008K-series dialysis machines continued to be in strong demand. Our market share in these two product groups – dialyzers and dialysis machines – exceeded 70 % of the independent market. We define the independent market as all dialysis clinics that do not belong to a major US wide dialysis care provider, such as Fresenius Medical Care or DaVita.

Business involving peritoneal dialysis products fell slightly short of our expectations. While the number of patients worldwide rose by about 6 %, the number of patients treated with our products remained unchanged at approximately 32,500. Our world market share for peritoneal dialysis is 18 %. Our share of the US market was 29 % in 2007.

EXPANSION OF OUR INTERNATIONAL BUSINESS

At the beginning of 2007 we acquired a majority stake in the Taiwanese dialysis provider Jiate Excelsior Co. Ltd. The company contributed approximately US$ 85 million to sales in 2007. Through the acquisition, Fresenius Medical Care became the leading provider of dialysis care in the Asia-Pacific region, treating about 7,800 patients in 2007.

Taiwan has a prevalence rate of over 2,000 patients per one million population – the second-highest worldwide after Japan. At the end of 2006, there were about 48,000 patients with chronic kidney failure. The number of patients is rising at a rate of about 6 % per year in Taiwan.

RENAL PHARMACEUTICALS

Broadening the product portfolio with renal pharmaceuticals is an integral part of Fresenius Medical Care's growth strategy. Here, we combine renal pharmaceuticals with our dialysis products and patient care. It is our goal to offer holistic therapy concepts which lead to even better treatment results for dialysis patients in the future.

We estimate that the global market for renal pharmaceuticals excluding erythropoiesis-stimulating agents (ESAs) is worth over US$ 2.2 billion. Fresenius Medical Care aims to generate sales of about US$ 400 million in this market by the year 2010.

Following the acquisition of the phosphate binder PhosLo in 2006, Fresenius Medical Care published the results of two medical studies in the past year which once again confirm the safety and efficacy of PhosLo for patients with chronic kidney failure. At the beginning of 2007, Fresenius Medical Care submitted an application with the U.S. Food & Drug Administration (FDA) to extend the PhosLo label indication to include chronic kidney disease pre-dialysis. In October 2007, the FDA's Cardiovascular and Renal Drugs Advisory Committee recommended that the FDA extend the use of phosphate binders to pre-dialysis patients with hyperphosphatemia.

Another focus of our renal pharmaceutical activities was the regulatory approval of PhosLo and OsvaRen in European countries apart from Germany. In 2007, we applied for the approval of OsvaRen in almost all EU members states. Subject to its authorization by the mutual recognition process we intend to introduce the drug in all EU markets in 2008. We also applied for approval of PhosLo in selected countries and intend to start market introduction in 2008.

Setting up an effective global sales and marketing organization for renal pharmaceuticals was another key task in 2007. With that, we further strengthen this business field and support the development of new products.

In 2007 we entered into an agreement with the pharmaceutical and biotech company Amgen for marketing the drug Aranesp (darbepoetin alfa) in Europe. Aranesp belongs to the group of ESAs and is prescribed to patients with chronic kidney disease for treating blood deficiency (anemia). Under the agreement Fresenius Medical Care will support Amgen in providing nephrologists and other dialysis specialists with scientific information about treating anemia. Amgen will remain solely responsible for the product. The new agreement runs for three years.

More information on renal pharmaceuticals can be found on pages 4 to 7.

HOME DIALYSIS

With our "Continuum" program initiated several years ago we aim to further expand our global market share in home dialysis. For patients with chronic kidney failure, home dialysis is a safe, low-cost treatment option that can easily be integrated into their day-to-day life. It requires more responsibility from the patient, but increases flexibility. Under the Continuum program, patients not only choose the form of treatment – hemodialysis or peritoneal dialysis – but also decide whether they want the dialysis to be done in a clinic or at home. Home dialysis is still not as common as clinic dialysis, but we expect the need to increase in the long term. Rising patient numbers and further cost pressure will lead to growing demand for home dialysis. We estimate that more than 200,000 patients worldwide could undergo a home hemodialysis or peritoneal dialysis by 2010. At the end of 2007, we cared for about 32,500 peritoneal dialysis patients and more than 3,500 home hemodialysis patients, making us the world's largest provider in the area of home hemodialysis. Around half of all home hemodialysis patients use our dialysis machines and dialyzers.

To expand our position in this growing field Fresenius Medical Care acquired the US company Renal Solutions, Inc. (RSI) in 2007. For more information please refer to the Research & Development chapter on page 58.

LABORATORY SERVICES

Nephrologists rely on extensive laboratory tests to be able to determine dialysis therapy for each patient individually. The quality of the test results is important for the quality of the treatment and thus for the patient's quality of life. In 2007, our subsidiary Spectra Laboratories performed laboratory services for about 150,000 dialysis patients. That was 3 % more patients than in 2006. Spectra Laboratories is the largest clinical laboratory for dialysis-related services in North America, with a market share of about 46 % and over 49 million laboratory tests in the past year.

In 2007, we concentrated several laboratory facilities at a central laboratory in California to respond to customer requests faster and more effectively. We also opened an environmental laboratory in New Jersey that specializes in the analysis of ultra-pure water. The high quality of the specially purified water is a key prerequisite for good treatment results in dialysis.

DISEASE MANAGEMENT

Under the name "Renaissance Health Care", Fresenius Medical Care operates the largest Disease Management program for privately insured kidney patients in the United States. Disease Management goes beyond conventional dialysis therapy. To avoid unnecessary hospital stays and save costs, it includes preventive measures, the coordination of health care services and an active treatment of other, so-called co-morbid diseases such as diabetes and cardiovascular disorders. As agreed with our client Health Management Corporation, we now also care for patients with chronic kidney disease in the US states of Georgia and Virginia. Health Management Corporation is a subsidiary of Anthem/Wellpoint, one of the largest private health insurers in the United States with 34 million members. Altogether, by the end of 2007 we cared for approximately 4,000 patients in the United States under our Renaissance Health Care program.

Our subsidiary Fresenius Medical Care Health Plan has been operating a demonstration project for patients with chronic kidney failure since 2006 on behalf of the Center for Medicare and Medicaid Services (CMS). CMS oversees the public US health insurance programs Medicare and Medicaid. Under the terms of this project, Fresenius Medical Care receives a monthly per-patient fee rather than billing for each individual service. The agreed fee covers all health care services for patients included in the program.

We presented the first interim results of the demonstration project in the past year. Among other things, these revealed that approximately one-third of the average costs per patient of 80,900 US$ were caused by hospital stays. This indicates the cost-saving potential of in-hospital care. Overall, the demonstration project's quality objectives were met and even exceeded in some cases. The number of hospitalizations dropped significantly: The average of 1.7 hospitalizations per patient achieved in the first year of the project corresponds to an improvement of 15 % compared with other data available for the whole United States. Altogether, about 1,000 patients took part in this project by the end of 2007.

Despite the good interim results, the project's final outcome remains open: CMS will be considering further action only at the end of the project's four-year duration. We are convinced that with this comprehensive care program we can achieve even better treatment results for our patients and also reduce costs. As a vertically integrated provider of dialysis care and products we consider ourselves well positioned to profit from the trend towards Disease Management programs.

For further information, please see Fresenius Medical Care's Annual Report 2007 or www.fmc-ag.com.

FRESENIUS KABI

- STRONG ORGANIC SALES GROWTH ACHIEVED.
- EXCELLENT EARNINGS PERFORMANCE, PROFITABILITY INCREASED.
- MARKET POSITION STRENGTHENED THROUGH TARGETED ACQUISITIONS.

2007 was an excellent year for Fresenius Kabi. We strengthened our market leadership in Europe in clinical nutrition and in infusion therapy. We further expanded our strong market position in the Asia-Pacific region and in Latin America. Acquisitions in the fields of clinical nutrition and intravenously administered drugs have opened up new growth opportunities.

Fresenius Kabi is focused on the therapy and care of chronically and critically ill patients, providing clinical nutrition, infusion therapies and the related medical devices. Our products encompass the entire chain of patient care: for emergency cases, during operations, in intensive care, in hospital wards and in outpatient care.

For infusion therapy we provide infusion solutions, blood volume replacement products and intravenously administered drugs such as anesthetics, antibiotics and drugs for the treatment of oncological diseases. For the administration of these therapies we provide infusion technologies and disposables. For transfusion technology we offer a range of products used by blood banks and blood donation units to produce blood products.

For clinical nutrition we supply parenteral and enteral nutrition products. To administer these products, we offer a wide range of nutrition pumps and disposables.

BUSINESS DEVELOPMENT

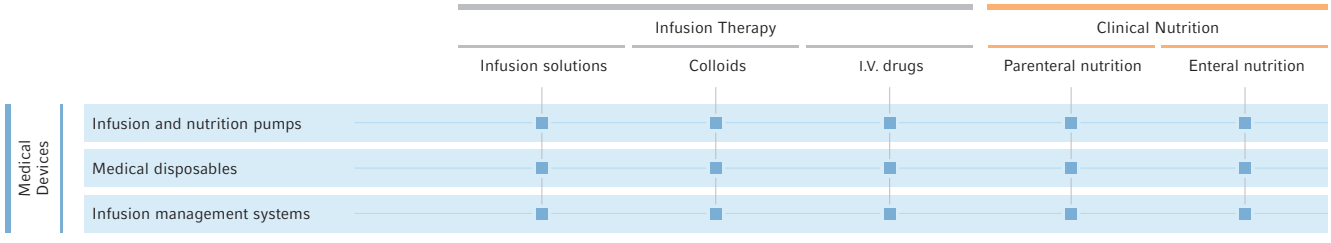
In 2007, Fresenius Kabi increased sales by 7 % to € 2,030 million (2006: € 1,893 million). Organic growth of 8 % was again at a high level. Currency translation had a negative impact of 2 %. This was mainly due to the depreciation of currencies in South Africa, China, Mexico and Canada. Acquisitions contributed 1 % to sales.

The table below shows the sales growth by region:

in million €	**2007**	2006	Change
Germany	**434**	427	2 %
Europe (ex Germany)	**930**	877	6 %
Asia-Pacific	**311**	258	21 %
Latin America	**143**	128	12 %
Other regions	**212**	203	4 %
Total	**2,030**	1,893	7 %

In Europe (excluding Germany), organic sales growth was 5 %. In Germany, we achieved an organic growth of 2 % despite the cost containment measures in the health care system.

FRESENIUS KABI – INTEGRATED PRODUCT PORTFOLIO



We again achieved record sales growth outside Europe. In our two growth regions of Asia-Pacific and Latin America we were able to sustain the high growth rates of the previous years. In the other regions we again maintained strong organic sales growth, especially in South Africa and Canada.

Sales by product segment were as follows:

in million €	**2007**	2006	Change
Infusion therapy	**1,076**	1,023	5 %
Clinical nutrition	**831**	753	10 %
Transfusion technology	**123**	117	5 %

Excellent sales growth of 10 % was again achieved in clinical nutrition. Both the infusion therapy and transfusion technology segments also did well, with sales increases of 5 %.

Fresenius Kabi continued its excellent earnings growth in 2007. EBIT increased by 14 % to € 332 million (2006: € 291 million). The EBIT margin improved by 100 basispoints to 16.4 % (2006: 15.4 %). This was a record achievement for Fresenius Kabi.

All regions contributed to this performance. In Europe we achieved an EBIT of € 294 million (2006: € 256 million). This corresponds to an increase of 15 % and an EBIT margin of 21.6 % (2006: 19.6 %). Outside Europe, in the international segment, EBIT rose by 13 % to € 113 million (2006: € 100 million). The EBIT margin was 17.0 % (2006: 17.0 %). Corporate costs and corporate research and development expenses were € 75 million (2006: € 65 million).

Fresenius Kabi's net income increased by 28 % to € 183 million (2006: € 143 million, including one-time expenses for early debt refinancing of € 11 million).

ACQUISITIONS

In 2007, the focus of Fresenius Kabi's activities was to achieve strong organic growth and to grow through acquisitions. The objective of the acquisitions was to strengthen our business in the areas of clinical nutrition and intravenously administered drugs and to extend our regional presence:

- April 2007: Acquisition of the blood volume substitution business of the Japanese pharmaceutical company Kyorin Pharmaceuticals. This is Fresenius Kabi's first entry into this market. Kyorin achieved sales of about € 5 million in 2006. In Japan, Kyorin is the only provider of hydroxyethyl starch (HES) products for blood volume substitution, a product line which Fresenius Kabi also offers. In 2007, we established a sales subsidiary in Tokyo, for the marketing and distribution of the acquired products as well as our own product portfolio.
- July 2007: An agreement was signed to acquire Cosco Pharm of China, a manufacturer of blood bags. The company is the third largest manufacturer in this market segment in China, and has a modern production facility in Guangzhou. Cosco achieved sales of about € 3 million in 2006. The rapid pace of economic development in China and the growing demand for high-quality, efficient medical care is boosting demand for products that are needed to manufacture blood products. The acquisition of Cosco will enable us to rapidly expand our transfusion technology business in the Asia-Pacific region.
- November 2007: Acquisition of Nestlé's enteral nutrition business in France (Novartis Nutrition S.A.S.) and in Spain (Nestlé España). With this acquisition Fresenius Kabi strengthened its market position in clinical nutrition. Together, the two companies achieved sales of about € 55 million in 2007. Novartis Nutrition holds a leading position on the French enteral nutrition market and offers a comprehensive range of sip and tube feed products as well as corresponding medical devices. This acquisition makes Fresenius Kabi the second largest provider of enteral nutrition products in the French market. Having successfully established itself as a renowned supplier of enteral nutrition products in the Spanish market, the acquisition of Nestlé España now provides Fresenius Kabi with access to the Spanish enteral nutrition market.
- December 2007: Acquisition of Laboratorio Sanderson and Ribbon. These two acquisitions take us another step forward in our growth strategy for intravenously administered generic drugs.

Sanderson of Chile has a top-quality portfolio of antibiotics, analgesics, anesthetics and infusion solutions, and is the market leader in Chile. The company distributes its products in Chile and in other markets in Latin America. It achieved sales of about € 19 million in 2007. Fresenius Kabi already offers products for blood volume substitutes, anesthesia and parenteral nutrition in Chile. With this acquisition, we have significantly expanded our existing product portfolio, becoming the leading infusion therapy provider in the Chilean hospital market. The state-of-the-art production unit in Santiago de Chile facilitates Fresenius Kabi's product program roll-out and its expansion into other Latin American countries.

The Italian company Ribbon is one of Europe's leading manufacturers of the antibiotic agent classes cephalosporines and penicillines and has two state-of-the-art production facilities in northern Italy. The company achieved sales of about € 54 million in 2007. Fresenius Kabi's portfolio of intravenously administered generic drugs also includes a comprehensive range of products with the antibiotic agents cephalosporines and penicillines. With the acquisition of Ribbon, we are one of the few global suppliers of intravenously administered drugs that have know-how and manufacturing expertise along the whole pharmaceutical value chain. At the same time, Fresenius Kabi is ensuring its own supply of high-quality active agents for its products long-term.

INFUSION THERAPY

Infusion solutions are administered to patients suffering fluid loss or electrolyte deficiencies. They also serve as carrier solutions for important drugs. Infusion solutions are used widely in everyday hospital routines. We offer a comprehensive range of products in infusion bags as well as infusion bottles for the various areas of application. In 2007, we successfully continued with the international roll-out of our new KabiPac® plastic bottle. This innovative container for infusion solutions assures a high level of safety in everyday hospital use. We have integrated two separate, easily distinguishable ports in the cap to ensure simple and safe use. The sterility of these ports is assured by an appropriately designed fastening. The unique design of the bottle enables the container to collapse and drain completely, ensuring that the patient receives all the fluid it contains. In 2007, we launched our infusion solutions in the new KabiPac® in Austria, Poland, the Czech Republic and Brazil.

Our blood volume substitutes are used primarily for emergency cases and in surgery. If a person loses blood as the result of an accident or during an operation, there is the risk of shock, circulatory collapse and an insufficient blood supply to vital organs. Hydroxyethyl starch (HES) products are so-called artificial colloids that can be used for any blood group. We are the world leader in the market for artificial colloids, currently distributing our product Voluven® in more than 80 countries. In 2007, it was introduced in Australia and Colombia.

Our portfolio of intravenously administered generic drugs includes anesthetics, antibiotics and products for oncology. Used with emergency cases, during operations and for intensive care, the drug is distributed throughout the body directly via the blood stream, taking effect within a few seconds.

Propofol Fresenius is our reference product for anesthesia, sold in more than 80 countries. We are the market leader in several countries in Europe. In 2007, we achieved high growth rates, especially in Asia-Pacific, where we are already one of the leading suppliers.

We continued the internationalization of our antibiotics, and launched for example Ciprofloxacin Kabi in a number of European markets. Ciprofloxacin Kabi is an antibiotic for severe and moderately severe infections. Clindamycin Kabi is an antibiotic that is also used for respiratory infections. In 2007, we launched Clindamycin Kabi in Germany, and plan

to introduce the product in other European markets in 2008. Ampicillin-Sulbactam, a broad-spectrum penicillin, was launched on the German market.

As a support therapy in oncology we offer a product that is used, especially in association with chemotherapy and radiotherapy, to prevent sickness, nausea and vomiting. We launched Ondansetron Kabi in other European markets in 2007.

In 2006, we acquired the Argentinean company Filaxis. This was an important step toward broadening our portfolio of intravenously administered drugs. We now produce and distribute a comprehensive range of products in Argentina. In 2007, we completed the integration of Filaxis and prepared for the registration of the product portfolio in other Latin American countries.

In the medical devices segment for infusion therapy we offer an extensive range of volumetric pumps and syringe pumps, infusion management systems and disposables for administering pharmaceutical solutions. We are one of the leading suppliers in this field, and are the market leader for syringe pumps in Europe. Our Agilia® product family offers a full line of infusion and syringe pumps as well as disposables for intravenous medication therapy. In 2007, at Medica, the world's largest trade fair for medical technology, we presented another innovative product of the Agilia® line. The Agilia® Volumat® MC volumetric infusion pump can be used both in classic mode (ml/h) and in mass calculation mode (e.g. µg/kg/h) and is therefore suitable for use in intensive care or during an operation. We also focused on the market introduction of the new Injectomat® TIVA Agilia®. This syringe pump is used for the intravenous administration of anesthetics and is specially tailored to the requirements in anesthesia. Other new products innovations include our Ambix® Noncor® Safe and K-Nect® products, which guarantee maximum safety. Ambix® Noncor® Safe is a port cannula which protects against needle injuries. During the final step, when the cannula is removed from the implanted port, the cannula locks into its casing. Accidental injury by the needle is therefore eliminated. K-Nect® is an injection port that enables injections to be performed without a needle. This increases safety in everyday hospital use since it rules out the risk of possible needle injuries and resulting infections.

In the transfusion technology segment we offer disposable systems and medical devices for collecting, processing and transporting blood products. We have strenthened our international distribution activities with own sales organizations. In addition, we have started registration procedures for our Compoflex blood bag systems in the Asia-Pacific region. In the apheresis product segment we launched our COM.TEC cell separator, including an extended software package that also allows among other things a statistical analysis of the process data.

CLINICAL NUTRITION

Fresenius Kabi is one of the few companies to offer parenteral as well as enteral nutritional therapies, including the related application technology, worldwide.

We are a leading provider of three-chamber bags for parenteral nutrition. Our new three-chamber bag design was already launched in selected markets in 2006. This bag provides a maximum of convenience and safety for everyday hospital use. We are now selling this newly designed three-chamber bag successfully in almost every country in Europe.

Very positive was the market launch of parenteral compounding products for pediatric care, which we developed specially for the French market. In the past, many of these individual medications were produced in-house by hospital

pharmacies. In response to the growing need for pediatric compounding products and the limited production capacities of the hospital pharmacies, our production of pediatric nutrition preparations was expanded. Our Pediaven® product family comprises parenteral compounding products designed specially for babies, premature births and infants.

As one of the leading suppliers of these products, we offer lipid emulsions both as an ingredient of our three-chamber bags and as separate products. In 2007, we introduced our SMOFlipid® lipid emulsion, used especially for the parenteral nutrition of intensive-care patients, in Austria, Greece, Chile and other countries.

In the field of enteral nutrition we continued the international marketing of our Fresubin® product family. In China, in only four years after our first products were launched, we are now one of the leading companies for enteral nutrition. To expand this business further we have introduced the EasyBag for our Fresubin® tube feed products. The EasyBag is lighter than rigid containers, such as glass bottles, and is safer and easier to use. These advantages have led to a strong market acceptance of this product. Other products from our line of enteral nutrition products launched in Australia and India were also very successful.

Finally, we introduced our Supportan® sip and tube feed products with a new formulation in 2007. These products are now matched even more specifically to the metabolic needs of oncology patients. The high omega-3 fatty acid eicosapentaen acid (EPA) content can combat the physical emaciation caused by cancer diseases and simultaneously strengthen the body's immune system. To guarantee the required daily dosage of two grams of EPA, this amount is already contained in one EasyBag of the tube feed Supportan® or in two Tetra-Pak containers of the sip feed Supportan®. Our high calorie, high protein and fat rich Supportan® products enable an optimal supply of energy and nutrients.

Patients with chronic inflammations and those who have undergone surgery have a special need for nutrients to combat oxidative stress and maintain intestinal functions. Glutamine, an amino acid and antioxidants are important active substances used for this purpose. In 2007, we successfully launched our Glutamine Plus product in Austria, Greece and a number of countries in Eastern Europe. Containing glutamine and antioxidants, Glutamine Plus serves to supplement enteral nutrition. It is an oral sip feed supplement in powder form that can be prepared simply by stirring it into water.

Ketosteril® is a product prescribed for the treatment of chronic kidney disease, primarily in association with predialysis treatment. We are marketing this product very successfully in a number of countries in Latin America, Eastern Europe and the Asia-Pacific region, where we further expanded our market leadership in 2007.

In the field of medical devices for the application of clinical nutrition, we are one of the market leaders in Europe. For the further expansion of our business in the Asia-Pacific region, we have received registrations for our medical devices in Australia, Taiwan, South Korea and China. With Ambix® activ, we have also developed an infusion pump for parenteral nutrition that is specially designed for outpatient care. The pump's unique features are its low weight, a battery capacity of up to 40 hours and a rate of delivery adjustable from 10 to 600 ml/h. We plan to bring Ambix® activ to the market in 2008.

FRESENIUS HELIOS

- MARKET POSITION IN GERMANY EXPANDED.
- EXCELLENT SALES AND EARNINGS DEVELOPMENT.
- GERMANY'S MOST MODERN NEW HOSPITAL BUILDING TAKEN INTO OPERATION.

In recent years Fresenius Helios has become a respected privatization partner in the German hospital market. We have successfully continued our growth strategy with further hospital acquisitions. In 2007, Fresenius Helios achieved sales of € 1.8 billion and improved its earnings and operating margin substantially.

Fresenius Helios operates 60 clinics of its own with around 17,200 beds, including five maximum care clinics in Berlin-Buch, Erfurt, Krefeld, Schwerin and Wuppertal. The HELIOS Group also includes postacute care clinics. At the end of 2007, the company had more than 30,000 employees.

BUSINESS DEVELOPMENT

In 2007, Fresenius Helios increased sales by 10 % to € 1,841 million (2006: € 1,673 million). Very good organic sales growth of 3 % was achieved. The increased number of inpatient and outpatient admissions had a positive impact on organic growth. Acquisitions contributed 9 % to sales growth. Divestitures had an effect of -2 %. Fresenius Helios grew earnings substantially and improved its profitability: EBITDA increased 16 % to € 220 million (2006: € 189 million). The EBITDA margin rose to 12.0 % (2006: 11.3 %). Fresenius Helios achieved an EBIT growth of 17 % to € 155 million (2006: € 133 million). This corresponds to an EBIT margin of 8.4 % (2006: 7.9 %). We achieved this excellent result despite a number of negative factors: the increase in value-added tax, salary increases, and the 0.5 % budget cut for the stabilization of public health costs all affected earnings. Net income rose 8 % to € 64 million (2006: € 59 million).

in million €	**2007**	2006	Change
Sales	**1,841**	1,673	10 %
EBITDA	**220**	189	16 %
EBITDA margin	12.0 %	11.3 %	
EBIT	**155**	133	17 %
EBIT margin	8.4 %	7.9 %	
Net income	**64**	59	8 %

GROWTH IN HOSPITAL ADMISSIONS AND TREATMENTS

With the introduction of Diagnosis Related Groups (DRGs), with standardized base rates in each federal state, hospitals in Germany face increasing competition for patients. The HELIOS clinics successfuly adjusted to the changed reimbursement and competitive conditions. We were once again able to increase the number of inpatients we treated in Germany. These rose in 2007 to a total of 476,477, an excellent growth of 11 % (2006: 428,360). Organic growth of hospital admissions, i. e. without the newly acquired clinics, was 3 %.

	2007	2006	Change
Inpatient admissions	**476,477**	428,360	11 %
Acute care clinics	442,383	396,301	12 %
Postacute care clinics	34,094	32,059	6 %
Outpatient admissions	**1,127,613**	n.a.	

Other performance indicators also improved over the year:

	2007	2006	Change
Acute care clinics	**40**	34	18 %
Beds	**13,333**	11,713	14 %
Length of stay (days)*	**7.1**	7.3	-3 %
Postacute care clinics	**20**	21	-5 %
Beds	**3,859**	3,972	-3 %
Length of stay (days)*	**31.9**	32.9	-3 %
Occupancy postacute care clinics*	**82 %**	78 %	5 %

* Germany only

At the acute care hospitals the average length of stay was 7.1 days (2006: 7.3 days). Occupancy at the postacute care clinics was 82 % (2006: 78 %).

INVESTMENTS IN HOSPITAL BUILDINGS

In 2007, Fresenius Helios invested € 401 million in structural improvements and renovation at its clinics (2006: € 263 million). The large increase in own investments to € 149 million (2006: € 100 million) is mainly due to the construction of the new Berlin-Buch hospital. In this project alone a total of about € 200 million of our own funds was invested, € 75 million in 2007. HELIOS has thereby fully met its contractual obligation to the State of Berlin to construct a new building by 2008. Moreover, these investments insure the high standard of medical quality long term and enhance the clinic's profitability. The Berlin-Buch hospital treats about 37,000 inpatients each year; the outpatient department treats about 150,000 patients.

GROUP WAGE TARIFF AGREEMENT CONCLUDED

In January 2007, HELIOS was the first private hospital group to conclude a group wage tariff agreement, valid throughout Germany, with the trade union ver.di. The agreement with ver.di means that the compensation of doctors is regulated on a standard basis regardless of trade union affiliation. A group wage tariff agreement for doctors was previously concluded with the Marburger Bund in December 2006. The group wage tariff agreements apply initially to 14,000 employees but will be rolled out successively to all acute clinics. Working conditions and compensation for employees at the postacute care clinics are regulated in a separate group wage tariff agreement, adapted to the specific requirements in postacute care. Negotiations on this agreement began in 2007 and are being continued in 2008.

in million €	2007	2006	Change
Investments	**401**	263	52 %
Own investments in property, plant and equipment	**149**	100	49 %
Subsidies*	**78**	50	56 %
Acquisitions	**174**	114	53 %

* Total of purpose-related public investment subsidies according to section 9 of the Hospital Funding Act (Krankenhausfinanzierungsgesetz)

FURTHER EXPANSION IN THE HOSPITAL MARKET

HELIOS' business model is based on growth through acquisitions. One element in the acquisition strategy is regional proximity of the hospitals – sufficiently close to one another to form networks (clusters). Regional clustering enables cost-saving potential to be tapped, especially by concentrating non-medical services (for example, laundry or catering) in one hospital. Our focus is on high standards of medical quality and patient care. In the postacquisition phase, the reorganization of processes and the implementation of HELIOS' proven quality management system lead to a focused, profitability-oriented management of the hospital. The aim is to increase a hospital's EBITDA margin to 15 % within five years of its first-time consolidation.

In 2007, HELIOS continued to expand successfully in the German hospital market. With the acquisition of 74.9 % of the Krefeld Municipal Hospitals we are integrating the fifth maximum care hospital into the group starting in 2008. Together, the two clinics have 1,205 beds and treated about

	2006 Sales	Beds
Überlingen Hospital, Lake Constance	~€ 22 million	191
St. Elisabeth Hospital, Oberhausen	~€ 20 million	203
Lengerich Hospital	~€ 12 million	130
Krefeld Clinic/ Cäcilien Hospital Hüls	~€ 175 million	1,205

40,000 patients in 2006. With 3,300 employees, the two clinics achieved sales of around € 175 million in 2006. First consolidation in the Fresenius Group's balance sheet was on December 31, 2007.

In addition, HELIOS acquired another three hospitals in Germany: the Überlingen Hospital on Lake Constance, the St. Elisabeth Hospital in Oberhausen and the Lengerich Hospital. These hospitals achieved sales of € 54 million in 2006. Together, they have more than 520 beds.

In the German hospital market, the privatization of hospitals owned by the public sector or independent nonprofit organizations slightly slowed down in 2007. The improved macroeconomic climate in Germany helped in some cases to ease the pressure on municipal government and local authority budgets to some extent. This short-term relief, however, circumvents the still urgent need for new investment in public hospitals and ignores their continued poor economic situation. Experts expect the privatization of hospitals in Germany to pick up again in 2008. As an experienced partner in the German hospital market, HELIOS is excellently positioned for making further acquisitions.

GOAL: BEST-IN-CLASS MEDICAL RESULTS

In 2007, HELIOS continued with its successful program for improving the quality of its medical results. A unique quality management system, developed in-house, assures continuous improvement in the standards of patient care. For more information on quality management, please see the Management Report, page 93.

HELIOS has been working with the National AOK Association, the AOK research institute (WIdo) and the State of Sachsen-Anhalt Welfare and Health Department (FEISA) research institute to develop a methodology for quality measurement, building on HELIOS processes, that would also be suitable for health insurers. Since health insurers have very extensive databases containing considerable data on long-term medical histories, this prospect opens up much wider-reaching possibilities for quality measurement than can be obtained from the hospitals. Using the data available to the public health insurers, the methodology can examine the long-term results of inpatient care far beyond the individual hospital stay. The project partners completed the necessary technical developments at the beginning of 2007. It is expected that in the first half of 2008 the National AOK Association will introduce reports based on this method that will be made available to all hospitals.

We are therefore not only meeting the challenge of quality competition but also exposing ourselves to external scrutiny by the health insurers. This places high demands on our employees, but, in an increasingly competitive environment, will assure the long-term viability of our clinics.

Obviously, continuous quality improvement at HELIOS also requires an optimal cost-effective organization of the processes and the treatment procedures at our clinics. In 2008, we will continue to work toward our goal of achieving levels of treatment quality in all major areas that are higher than the German average and even generally accepted international standards.

For information on advances achieved in the treatment of stroke patients please see pages 12 ff. of this Annual Report.

You will find more information on the German hospital market on pages 78 and 79 and in the Outlook section of the Management Report on pages 106 and 107.

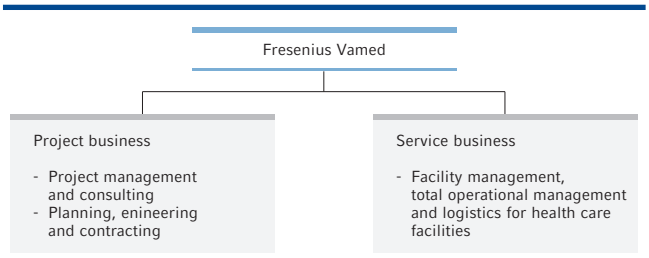
FRESENIUS VAMED

- FURTHER INCREASE IN SALES AND EARNINGS.
- STRONG GROWTH RATES IN ORDER INTAKE AND ORDER BACKLOG.
- WELL POSITIONED FOR FURTHER GROWTH.

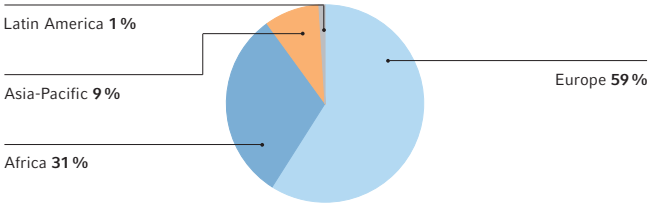
Fresenius Vamed had a successful year in 2007 – with sales growth of 4 % and EBIT growth of 13 %. Order intake and order backlog also developed strongly. This is a good basis for further growth.

Fresenius VAMED specializes in international projects for hospitals and other health care facilities. In 2007, the company celebrated its 25th anniversary. Founded in 1982, VAMED has grown from a small project company to become one of the world's leading providers of a full line of services for the health care industry. VAMED was originally established to construct the Vienna General Hospital and University Clinic (AKH) and equip it for operation. To assure the proper functioning of the technical installations, VAMED was also commissioned with the technical management of AKH in 1986. We still perform this function today. Meanwhile, we are well positioned with a comprehensive portfolio of services. We have completed approximately 450 projects in 47 countries. Our portfolio ranges from project development, planning and turnkey construction, via facility management, through to the total operational management of hospitals and other health care facilities. VAMED is also a pioneer in public-private partnership (PPP) models for hospitals in Central Europe.

Fresenius Vamed has the following structure:



SALES BY REGION



2007: € 408 million

BUSINESS DEVELOPMENT

In 2007, Fresenius Vamed increased sales by 4 % to € 408 million (2006: € 392 million).

The table shows the sales development by activity:

in million €	2007	2006	Change
Project business	**259**	249	4 %
Service business	**149**	143	4 %

Sales in the project business and in the service business increased by 4 % each. Sales in the project business rose to € 259 million and sales in the service business to € 149 million.

In 2007, Fresenius Vamed's strongest sales regions were Europe (59 %) and Africa (31 %), followed by Asia-Pacific and Latin America (9 % and 1 %, respectively).

Order intake and order backlog for projects improved as follows:

in million €	2007	2006	Change
Order intake	**395**	337	17 %
Order backlog	**510**	387	32 %

In addition, VAMED is reponsible for revenues of approximately € 350 million from management contracts. The related fees are included in VAMED's financial statements.

Earnings performance at Fresenius Vamed was very positive. In 2007, EBIT rose by 13 % to € 26 million (2006: € 23 million), with a very good EBIT margin of 6.4 %.

Since the individual areas of activity are not capital intensive, Fresenius Vamed's return on equity (ROE) before taxes is very strong. In 2007, ROE improved to 22.9 % (2006: 22.5 %).

Fresenius Vamed's net income was € 23 million, an increase of 15 % (2006: € 20 million).

PROJECT BUSINESS

This part of our business comprises project management and consulting. This includes the planning, turnkey construction and financing management of projects. VAMED responds flexibly to clients' local needs, providing custom-tailored solutions, all from one source. In some instances, we also carry out projects in cooperation with partners. Often, this cooperation takes the form of public private partnerships (PPPs) with the public sector.

Our project business was very successful in 2007. In Gabon, one of our key markets in Africa, VAMED received further follow-on contracts from the local government, including contracts for the turnkey construction of three regional hospitals. In Nigeria, the government approved contracts for the extension of six university clinics. The project was started in the first quarter of 2007. In Malaysia, the Prince Court Medical Center in Kuala Lumpur, which was built and equipped by VAMED, was opened. At the same time, VAMED was commissioned, jointly with the Vienna University of Medicine, with the overall operational management of the hospital. The PETRONAS' Prince Court Medical Center is one of the most modern hospitals in Southeast Asia.

In Indonesia, together with several Austrian and Hungarian aid organizations, VAMED has built a 100-bed hospital with an integrated pediatric clinic in the Banda Aceh region, one of the areas hardest hit by the recent tsunami. When it opened in November 2007, the new Meuraxa hospital was celebrated as the single most important project in the whole post-tsunami reconstruction process. As the project's chief initiator – providing our entire service package free of charge – we made an important contribution toward the project's realization.

In China, a market where VAMED has already been operating successfully for many years, we completed another three medical equipment projects in 2007. We are also working on various joint venture projects in order to extend our business in turnkey projects.

In 2007, VAMED opened a branch office in Russia. This will now enable us to participate in the dynamic development of Russia's health care sector directly from Moscow. With the 300-bed general hospital in Krasnodar, VAMED has won a large trend-setting turnkey project in Russia. The project was started in the second quarter of 2007.

In VAMED'S home market, Austria, the focus was on the development of further PPP projects. We also won additional project assignments within the framework of existing private public partnerships. More PPP projects are currently being developed in Central Europe. In partnership with the City of Vienna, we are working on an extremely large project in the

area of thermal centers, resorts and health tourism that is due for completion by 2011. The Wien-Oberlaa thermal center is currently being expanded into a unique health and wellness center. Family and relaxation areas including 4,000 sqm of pools, a 3,000 sqm sauna area and extended health care areas will offer much greater variety than previously, making the Wien-Oberlaa thermal center the only facility of this size in a European city. The contract for this project is worth over € 100 million.

SERVICE BUSINESS

VAMED offers a full range of facility management services for health care facilities from consulting, planning and execution to total operational management. With this integrated portfolio of services we guarantee optimal operation of a facility over its entire life cycle, from the construction of the buildings to the end of primary use, modernization, or renewal. Modular in design, our service offering encompasses every aspect of technical, commercial and infrastructural facility management, ranging from building and equipment maintenance, medical technology management, waste management, energy management, cleaning of buildings and outdoor facilities, security services, up to technical management. In addition to facility management, VAMED also specializes in logistics for the health care industry. Our goal is to minimize logistics costs while assuring the required quality of care. We do this by optimizing the logistics processes within the individual functional areas – for example hospitals or medical centers – and by planning and structuring the project financing and, finally, by constructing and operating regional logistics centers.

In the field of hospital services, the partnership with AKH in Vienna has been successfully continued. AKH comprises 35 clinics and institutes with a total of 2,200 beds. As well as our ongoing technical management role, this partnership also included a number of structural building projects. After AKH, VAMED's largest service contract at present is with the Charité University Hospital in Berlin. The consortium headed by VAMED is responsible for the service area at Charité. The approximately 2,000 employees of the State of Berlin and the private partners within the Charité Facility Management GmbH joint venture established for this purpose, carried out their services to the customer's complete satisfaction and achieved all agreed targets. Innovative partnership models of this type are getting of greater importance in our service portfolio. We have concluded extensive new service contracts, for example with VIVANTES clinics, seven church-administered hospitals in Berlin, as well as with eleven clinics with a total of about 3,000 beds in the Hannover region. All long-term service contracts in Austria were continued.

In Gabon, VAMED continued to be responsible for the total operational management of three regional hospitals and for the technical management of a hospital in Libreville. In Libya, the Medical Center Tripoli, whose service contract was renewed in 2007, and a number of hospitals in Benghazi are important technical management reference projects. In the Middle East, we commissioned an important five-year project for the total operational management of the 450-bed Al Ain hospital in Abu Dhabi. Together with the PETRONAS hospital in Kuala Lumpur, Malaysia, this is the second international total operational management project for which VAMED is responsible jointly with the Vienna University of Medicine.

FRESENIUS

ADDITIONAL INFORMATION ON THE FISCAL YEAR

- DEMANDING JOBS MAKE FRESENIUS AN ATTRACTIVE EMPLOYER.
- THE QUALITY OF OUR PRODUCTS AND THERAPIES IS ESSENTIAL FOR BEST-IN-CLASS MEDICAL CARE FOR THE SEVERELY AND CHRONICALLY ILL.
- WE ARE CONSTANTLY STRIVING TO IMPROVE OUR ENVIRONMENTAL MANAGEMENT.

EMPLOYEES

Our employees' skills and commitment, motivation and willingness to assume responsibility are the foundations of our performance and the future success of Fresenius. The Company's growth over the last years creates new tasks and challenges, offering wide-ranging career opportunities in a global health care group. Systematic and individualized employee development and training is therefore a core focus of our human resources activities.

EMPLOYEE DEVELOPMENT AND PERSONNEL MARKETING

Continuity of personnel development is of highest importance at Fresenius. For this reason in 2007 we concentrated primarily on broadening and deepening the existing personnel development programs. These were rolled out to additional divisions of the Company. More employees in Germany and abroad had the opportunity to take part in training schemes to develop their professional, management or personal skills individually or as members of a team or a project group. They were also able to learn from feedback processes – procedures for identifying development potential and training needs – and to put skills acquired from intercultural training courses into practice in the workplace.

Our trainee program is designed to meet our ongoing requirements for qualified specialists and managerial staff and, equally, to give these employees the opportunity to develop their own career paths. The program combines challenging "on-the-job" tasks with training modules at a business school.

To promote recognition of Fresenius as a preferred employer for the long term, the Company is represented at trade fairs and congresses and participates in studies. We took part in the "Top Employers Germany 2007" survey for instance, conducted by CRF* in collaboration with independent business journalists, the magazine karriere and the geva-institut. Key criteria in the study were employment security, compensation, corporate climate and working hours. Fresenius was ranked as one of Germany's top 85 employees.

In 2007, HELIOS launched a personnel marketing campaign in various newspapers. The aim is to attract qualified doctors. The campaign shows doctors in all phases of their professional life and illustrates additional benefits that HELIOS offers as an employer. Medical students for instance already receive an allowance during their one-year practical internship, and can also take part in the "Med-Trainee" program. Under the "AIW Extra" program, resident physicians not only receive appropriate compensation but also receive structured and practice-oriented training. With the slogan "Attending physicians stay all attending physicians", the tariff agreement for attending physicians guarantees that medical staff in this position are grouped in the correct tariff scale and thus receive a basic salary corresponding to their position of responsibility. Under a scholarship program attending physicians can also pursue further selective training and prepare themselves for other management functions at HELIOS. Finally, chief medical officers can draw on a network full of opportunities. Involved in decisions regarding the specialist teams, they can therefore shape and continuously improve the treatment process and the quality of the medical results, both within their specific discipline and at HELIOS as a whole.

For its nursing staff HELIOS not only provides basic training but also offers opportunities for further qualifications, for instance as a medical assistant. Through staff training HELIOS improves the standard of medical quality and also assures a closer integration of medical and nursing care. Medical assistant activities reduce the work load of physicians, offer a broader spectrum of activities, and guarantee better patient care. For further information on HELIOS' training opportunities visit the website at www.helios-akademie.de (German language only).

VOCATIONAL TRAINING

With its training initiatives, Fresenius is helping to improve the prospects for young people in the job market. To find suitable candidates we have stepped up our marketing activies at schools. Our employees conduct intensive discussions with students about the training opportunities we offer

* CRF is an independent company that initiates and coordinates international research projects for business and industry and publishes them in exclusive publications.

and we also invite them to visit us and provide job application guidance. At the same time, teachers can attend training courses within the Arbeitskreis SchuleWirtschaft (School & Industry Working Group). At the end of November 2007, with the title "Training Live", we held the first Open Day for vocational training at our corporate headquarters.

In Germany, at the end of 2007, Fresenius employed about 1,300 young people in apprenticeships in 34 different job specifications, as well as over 20 students pursuing courses of study at vocational training academies. With this commitment, we are providing training well above our own requirements and fulfilling our responsibility to society at large.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Providing value-based performance incentives for our employees is standard at Fresenius. We have been offering a stock option plan, linked directly to the performance of the Fresenius shares, to executives and members of the Management Board since 1998. In 2007, 913,420 convertible bonds were issued under the 2003 stock option plan.

A profit-sharing scheme has been in place for non-executive employees for ten years. They receive a bonus in the form of shares based on Group EBIT. Approximately 1.1 million shares have been issued to employees since this scheme was introduced. The bonus for 2007, which will be paid in 2008, is € 1,526 gross for full-time employees. Employees can receive either the full amount in shares or two-thirds of the amount in shares and the rest in cash.

It is a reflection of our employees' confidence in Fresenius' successful future development that, in 2007, more than half opted to receive their full entitlement in shares.

TEAM@WORK – THE FRESENIUS EMPLOYEE AWARD

In light of the excellent response in the first two years, we again invited entries for the third team@work Award in 2007, with a reward of € 50,000. This award was, of course, created to foster team spirit and strengthen cooperation, but the aim is also to optimize work processes and to identify opportunities for cost savings.

In 2007, we were able to honor two teams: the HELIOS Klinikum Berlin-Buch, Fresenius Kabi and Fresenius Netcare team and the HELIOS Kliniken Schwerin and Fresenius Medical Care Germany team. The first team demonstrated their cooperation in providing post-hospital patient care involving clinical nutrition at HELIOS Klinikum Berlin-Buch. To be able to provide patients with seamless care after they are discharged from the hospital, the clinic, in collaboration with Fresenius Kabi, developed a standardized process for the transition from inpatient to outpatient care. In outpatient care, the patient manager, following the Fresu-Care concept, sees that the patient is supplied with special tube feed nutrition and a suitable application system immediately after they are discharged. The patients and the members of the family are also instructed on how to cope with the special nutritional situation. Novel software developed by Fresenius Netcare transmits the all the patient's data regularly to the patient manager, reducing time and frictional losses. Since June 2007, this routine has been extended to other clinics in Germany.

The second team carried out a trend-setting pilot project in the area of dialysis. An ultra-modern nephrology unit was set up at HELIOS Kliniken in Schwerin – the first in Germany to provide both inpatient and outpatient care for people with kidney disease. In future, this unit will also be focusing on the prevention of kidney disease.

SE CONVERSION AND EMPLOYEE PARTICIPATION

Fresenius AG was converted into a European Company – Fresenius SE – on July 13, 2007. This was preceded by the successful conclusion of the procedure for the involvement of employees in the conversion process. All the employees and their representative bodies from the Fresenius companies in the EU Member States and in the signatory states of the European Economic Area (EEA) had to delegate one member*

* Seven members were delegated from Germany because of the large number of employees in this country.

per country to the so-called Special Negotiating Body (SNB). The SNB's constitutive meeting, attended by 22 employees and trade union representatives from 16 countries, took place on January 16 and 17, 2007. In the following months, the Company's management team, with the representatives of the SNB, negotiated the framework for the involvement of employees. In particular, this concerned determining the composition of the employee representatives on the Supervisory Board of Fresenius SE, their election and the activities of the new SE-works council. The employee participation procedure was completed with the conclusion of a joint agreement on the involvement of employees in Fresenius SE on July 13, 2007.

Information on employee numbers can be found in our Management Report on pages 90 and 91.

RESEARCH AND DEVELOPMENT

We place great importance on research and development at Fresenius, where we develop products and therapies for severely and chronically ill patients. High quality is crucial for providing patients with optimal care, improving their quality of life, and thus increasing their life expectancy. As an integral part of our corporate strategy, research and development also serves to secure the Company's economic development and success.

DIALYSIS

Research and development at Fresenius Medical Care is focused on products and therapies for dialysis and other extracorporeal blood therapies. Fresenius Medical Care benefits from its unique position as a vertically integrated company, covering both dialysis products and dialysis care. The experience we gain daily from treating around 174,000 patients provides important insights for the development of new products and therapies, and is therefore of enormous value. It also fosters the development of holistic therapies.

Hemodialysis

In 2007, the Body Composition Monitor (BCM) was introduced to the market. The BCM is a device that can be used to determine the dialysis patient's body composition, i.e. body water, fat-free body mass and fat. Exact knowledge of this data, especially the percentage of body water, is important for assessing the patient's condition and deciding on the therapy. In the treatment of dialysis patients it is equally crucial to prevent hyperhydration as well as dehydration. Hyperhydration burdens and damages the cardiovascular system, while dehydration frequently leads to complications during the dialysis treatment that further impair the patient's already restricted quality of life. Studies of current practice all indicate that a sufficiently accurate knowledge of this important patient data is generally not provided. With the BCM, we have developed a suitable, easy-to-use and low-cost state-of-the-art measuring device. And even more important – for the first time the user is provided with a comprehensive, clinically validated evaluation program for the data obtained.

In 2007, much of our development work was again linked to the launch of the 5008 hemodialysis machine. We are continuing to monitor its reliability and performance in practice in the clinic and under different operating conditions internationally. The feedback from our own dialysis clinics and from clients is taken into account in the process of continuous product improvement.

With the development of the 5008, we have upgraded online hemodiafiltration (Online HDF) from an exclusive process for a few users into a standard feature included in the basic version of the machine. In online HDF the machine produces the required amount of sterile and pyrogen-free dialysis solution from standard bicarbonate dialysate, without changing bags of liquid. Our conceptual decision has proven to be correct. A growing number of clinical studies on the advantages of hemodiafiltration indicate that this application can lead to a reduction of more than 30 - 35 % in the mortality rate for patients. Few other individual measures in kidney replacement therapy have had such a significant influence

on patients' rate of survival. Fresenius Medical Care, as one of the first providers of commercially available Online HDF devices, sees this as confirmation of its long-term innovation and product development policy.

Membrane technology was another focus of our development work in 2007. All the activities in the area of hemodialysis depend on the availability of dialyzers or membrane types required for a given treatment procedure or for a given patient group. With our various types of Fresenius Polysulfone membrane we have been global market leaders for many years. Today, modern hollow fiber dialyzers have achieved a level of efficacy and technical reliability that only recently was undreamt of. Despite this already advanced stage of development, it is still possible to adapt membranes and complete dialyzers to special new therapy variants, further improving their effectiveness. Today, there are still gaps in medical science's knowledge of the biochemical causes of acute and chronic uremia as a result of kidney failure. However, the recent advances that have been achieved in research into so-called uremic toxins suggest that membranes with specific properties can be developed, able to filter targeted substances from the patient's blood.

The acquisition of the US company Renal Solutions, Inc. (RSI) in 2007 also promises synergies between development departments in this field. RSI is active in the area of dialysate regeneration using enzyme-based sorbent systems. RSI's SORB technology enables ordinary tap water to be prepared for dialysis and for the dialysis solution to be reused. The SORB filter has proved successful in the hemodialysis market, and six million have already been sold. Only six liters of tap water are required per dialysis treatment, instead of the approximately 120 liters of ultra-pure water from reverse osmosis systems previously. This space and water-saving technology is therefore particularly suitable for home hemodialysis. These features – in addition to ecological and financial considerations – allow a substantial reduction in the size of the hemodialysis machine. An aspect of this technology of particular long-term interest to us is that it points to still further-reaching possibilities for selective toxin removal from the patient's blood in addition to the selective properties of future hemodialysis membranes.

We are also working on membranes that can release pharmaceutical agents into the patient's blood. The membranes take on special characteristics by attaching appropriate ligands – special molecules – to the surface of the membranes. This research is still at an early stage, and its general medical application has still to be investigated. However, we are confident that future membranes will incorporate such functional properties.

Peritoneal dialysis

In peritoneal dialysis, our portfolio of individually tailored, biocompatible dialysis solutions in toxicologically and ecologically compatible packaging systems traditionally covers a broad spectrum of products for all applications. We are therefore excellently positioned in the market. We also have high-performance machines for automated peritoneal dialysis (APD) – so-called cyclers. Currently working on a global cycler, the R&D department's goal is to offer high-quality APDs worldwide at optimized cost. Developing a common technical platform for this cycler is an important step along this path.

Extracorporeal blood treatment is one of Fresenius Medical Care's core competencies. In addition to its widespread application in the area of chronic hemodialysis, this technology is of essential importance for the treatment of acute kidney failure, liver failure, sepsis and multiple organ failure. Fresenius Medical Care has been developing methods, devices and disposable products for the treatment of such diseases for many years. We see our primary mission

as developing equipment and processes that help to reduce the still dramatically high mortality rates of these diseases.

There are already promising approaches for treating liver failure which reconstruct the complex functions of the liver using living cells in an extracorporeal system. The challenge here is the availability of living cells of suitable quality and in appropriate volumes rather than development of the extracorporeal systems. We are therefore currently focusing our development activities on cell production with the aid of appropriate stem cell technologies; we only use adult stem cells. This work is being conducted in close cooperation with internationally recognized academic institutions.

INFUSION THERAPY AND CLINICAL NUTRITION

Fresenius Kabi's research and development efforts are focused on infusion therapy and clinical nutrition. Our development competence spans all product-relevant components: the primary packaging, pharmaceutical solutions for infusion therapy and clinical nutrition, medical devices for application and the manufacturing technology for their production.

The research and development strategy is built on two pillars:

- The development of innovative products in product areas where we hold a leading position, such as blood volume substitution and clinical nutrition.
- Continuous improvement of our pharmaceutical products and medical devices.

In this way we are making an important contribution toward achieving medical advancements in the therapy of critically and chronically ill patients and for improving their quality of life.

Infusion therapy

The use of blood volume substitution products in emergency and intensive care medicine has been a focus of research and development at Fresenius Kabi for decades. Our blood volume substitution products contain hydroxyethyl starch (HES) based on waxy maize starch. The HES molecules adhere to the fluid in a blood vessel, thus insuring that the fluid remains in the vessel and does not pass rapidly into the surrounding cells and tissue.

In 2007, we successfully completed the development of a new blood volume substitution solution and have already launched the product in Switzerland, the first market. During operations or in an intensive care unit, large quantities of blood volume substitution products may be required. The electrolyte composition of the new product is matched to blood plasma. This reduces chloride stress and thus prevents hyperacidity.

In 2007, in our clinical research activities in blood volume therapy, we also started a controlled, double-blind, multicentric study involving our Voluven® 6 % product for sepsis patients. In December 2007, we received regulatory approval for Voluven® 6 % from the U.S. Food and Drug Administration (FDA).

HESylation technology is another focus of our research and development work. This technology platform enables an active pharmaceutical substance to be coupled to specific hydroxyethyl starch molecules, decisively modifying a drug's profile. Such coupled products usually have a longer half life and a better safety profile than unmodified drugs. We are working in partnership with pharmaceutical companies to further develop the potential of this technology.

In the field of intravenously administered generic drugs (I.V. drugs) we focus on antiinfectants, anesthetics, analgesics and drugs that are used in oncological diseases. In our development portfolio we have an extensive range of active substances which will be ready for market launch in the near future. We are working on the registration dossiers for their marketing authorization in Europe and outside Europe.

In 2007, we submitted the certification documents for six I.V. drugs to the responsible regulatory authorities and expect to launch these products on the market in 2008. We plan, for instance, to introduce antibiotics that can be used for particularly severe infections.

We also continued with preparations for an international roll-out of the I.V. drugs obtained with the Filaxis acquisition. These are cytostatic drugs used in oncological diseases. We submitted the documents for regulatory approval for the first product to the relevant authorities in 2007.

The level of technology and manufacturing capacity at our production site in Campo de Besteiros in Portugal makes it our center of competence for the production of I.V. drugs. To expand production capacity at this site, we have brought into operation an additional sterile unit for the manufacture of antibiotics.

Clinical nutrition

In parenteral nutrition our focus is on the development of innovative pharmaceuticals that have a high therapeutic effect in the care of critically and chronically ill patients. Sufficient energy and an appropriate combination of nutrients are crucial for maintaining body mass and are also important for a patient's immune system, for maintaining and improving organ functions and for rapid wound healing. For parenteral nutrition we offer single component nutrients and nutrient combinations in two and three-chamber bags.

Our product SMOFlipid® is used specifically for the parenteral nutrition therapy of intensive care patients. We believe the high therapeutic relevance of SMOFlipid® can also play an important role in the parenteral nutrition of critically ill children. In 2007, we successfully completed a further clinical study of this product in pediatric care, and will be submitting the registration files for approval of its use in this medical field.

So far we have been offering SMOFlipid® as an individual product. In 2007, we received regulatory approval for SMOFlipid® as the lipid component in our three-chamber bag for the Swedish market. Market launches in other countries are planned.

Extensive data from studies document the positive effect of the amino acid glutamine on metabolism and immune competence. Our product Dipeptiven® is a concentrate of the dipeptide alanyl glutamine that can be added to all parenteral nutrition regimes according to compatibility. The amino acid glutamine is conditionally essential – not vital for healthy people but necessary for severely ill patients in a catabolic metabolic condition, for instance following trauma, surgery, or with sepsis. Glutamine is required in large amounts as a source of energy and nitrogen by the intestinal and immune cells of these patients, serving to maintain the structure and functioning of the intestine. If these patients are not supplied with glutamine, they can suffer a glutamine deficiency and associated functional disorders. In 2007, we continued to support a clinical study with Dipeptiven®. The aim of this study is to demonstrate the clinical therapeutic benefit of high doses of glutamine dipeptide.

In the development of enteral nutrition products we apply a comprehensive catalogue of criteria: We consider the patients' illness, their nutritional condition, the probable length of the illness and the patients' age. From this we determine the composition, the optimal quantity and the preferred form of administration – sip feed or tube feed nutrition. With enteral sip feed nutrition products we consider not only a formulation matched to the patient's needs but also the flavor of the product. To prevent so-called taste fatigue in patients who take enteral sip feed nutrition products over a long period of time, a wide range of varieties and flavors is important.

In 2007, we therefore continued to work intensively on the further development of our sip feed nutrition products. Our product lines Fresubin® energy DRINK and Fresubin® energy fibre DRINK are suitable for use as supplemental or total nutrition. With 1.5 kilocalories per milliliter they are especially rich in calories. The products are characterized by their high nutrient-density and just three 200 ml Tetras-Brik packs are sufficient to supply patients with all vitamins and trace elements they require each day. To offer tasty sip feed nutrition products and at the same time more variety in the choice of products, especially for chronically ill patients, we have further improved the flavor of Fresubin® energy DRINK and Fresubin® energy fibre DRINK and have added new flavors to the range.

In 2007, we worked on a further variant in the sip feed nutrition line Fresubin® for patients in convalescence with indications of nutritional deficiencies who require a higher intake of energy and protein, or whose fluid intake is restricted. Fresubin® 2kcal Drink is a sip feed nutrition product with a high energy density (400 kcal per Tetra-Brik), high in protein (10 g/100 ml) and excellent flavor. We will be launching this product internationally in 2008. Fresubin® 2kcal Drink is available with prebiotic fiber or without fiber. For many patients the high nutrient density is very important since even a small drink volume of only 200 - 400 ml can assure a balanced supply of nutrients. Moreover, with small volumes, patients tend to ingest the required intake of nutrients far more reliably.

We have successfully completed our multi-centric clinical research study on Diben. Diben is a tube feed nutrition which improves the blood sugar level of diabetes patients in long-term enteral nutrition. The results of the study have confirmed the high therapeutic benefits of this product for patients with diabetes who require long-term tube feed nutrition, for instance after a stroke resulting in a permanent inability to swallow. The study revealed a significantly better blood sugar level with a decreased demand for insulin. This suggests that Diben can reduce the risk of fatal sugar deficiencies.

In 2007, we started working on the development of a new line of enteral products for patients who have difficulty swallowing. For healthy people swallowing is a natural, unconscious process. We only become conscious of this swallowing process when it is impaired due to a restriction or lack of coordination between the mouth and throat muscles. Dysphagia is the term used to refer to difficulties in controlling the swallowing process, which can have a wide range of causes, for instance stroke, cancer diseases, neurological ailments and Morbus Parkinson. In patients with dysphagia the swallowing reflex is delayed or does not function at all. This can cause aspiration if, as a result of the lack of muscle coordination, solid or liquid matter enters the respiratory tract. If an aspiration goes undetected, there is a heightened risk of pneumonia. Often quite unconsciously, dysphagia patients tend to avoid eating and drinking for fear of swallowing and choking. Resulting nutritional deficiencies and dehydration can be effectively remedied with a product line specially tailored for this group of patients.

At our center of competence for packaging technology in Friedberg, Germany, we worked on the development of a new container for enteral sip feed nutrition products in 2007. Employing a new packaging concept, the aim is make extraction of the fluid easier, and thus improve the convenience for the user.

ANTIBODY THERAPIES

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer. For many years Fresenius Biotech has been successfully marketing ATG-Fresenius S, a polyclonal antibody. This is an immunosuppressive agent used to suppress graft rejection following organ transplantation.

Trifunctional antibodies

The results of the phase II/III pivotal trial using the trifunctional antibody Removab® (INN: catumaxomab) for malignant ascites were published in 2007. They show a clear advantage of Removab® over the standard therapy in primary as well as secondary endpoints. In the study 258 patients who had developed malignant ascites as a result of different epithelial tumors, such as ovarian cancer or gastric cancer, were treated either with Removab® or, in the control group, only employing peritoneal puncture. The primary endpoint of the study was the median puncture-free survival period, in other words the time until the first puncture was required or death. With Removab®, this period of time was prolonged more than fourfold compared to the standard therapy (46 as compared to 11 days). In the secondary endpoint – median time to the first therapeutic puncture –, the treatment with Removab® was also found to be clearly superior, with 77 days as compared to 13 days in the control group.

Further results in the secondary endpoints of the study indicate that the trifunctional antibody has a direct influence on the underlying tumor. The median time until the tumor disease progressed again was 111 days with Removab® as compared to 35 days in the control group. This is further significant indication of its efficacy. A positive trend was also observed for overall survival. The safety profile of Removab® in the study was good.

The results of this study were presented in 2007 at the American Society of Clinical Oncology (ASCO) Annual Meeting in Chicago and at the European CanCer Organisation (ECCO) Congress in Barcelona. In light of the statistically significant results of the phase II/III study, Fresenius Biotech dispatched an application to the European Medicines Agency (EMEA) at the end of 2007 for approval of Removab® for the intraperitoneal treatment of malignant ascites following epithelial tumors in cases where standard therapies are not available or are no longer feasible. The application documents contain not only the results of the clinical study but also data from preclinical studies as well as information about production and product quality.

Parallel with the authorization process, Fresenius Biotech began preparations for marketing Removab® in Europe. Fresenius Biotech is currently also offering Removab® to potential development and marketing partners for the United States and Japan.

The effectiveness and safety of Removab® in the indication of malignant ascites are currently also being tested in a US phase II study. This study is largely pursuing the same aims as the successful European authorization study.

Two phase II studies have been initiated on the effectiveness and safety of Removab® for advanced ovarian cancer. One has since been completed. In the European study, the safety, tolerance and effectiveness of the intraperitoneal administration of the trifunctional antibody during and after removal of the tumor by surgery were compared with treatment by surgery alone.

Other phase II studies – in the United States and in Europe – are testing the effectiveness and safety of Removab® on patients with ovarian cancer. In the US study, patients who no longer reacted to a platinum-based standard chemotherapy, and who therefore had no further therapy options, were treated with Removab®. The European study is examining whether early therapy with Removab® is compatible and whether it has an effect on the recurrence of the tumor.

The development program for the antibody Rexomun® (INN: ertumaxomab) is continuing as planned with phase II studies on patients with advanced breast cancer. Two European studies are investigating the effectiveness of Rexomun® on patients who, following the failure of a hormone therapy, are not suitable for other antibody therapies and for whom there is no standard therapy.

Further information on the clinical studies can be found on our website at http://www.fresenius.com/Fresenius Biotech.

Immunosuppressive agent ATG-Fresenius S

In the field of polyclonal antibodies, we generated sales of ATG-Fresenius S of around € 19 million (2006: € 19 million). The clinical development of ATG-Fresenius S for other applications and distribution in new markets was continued.
An important project is the clinical trial for the use of ATG-Fresenius S in stem cell transplantation. The study examines the effect of ATG-Fresenius S on the prophylaxis of acute Graft-versus-Host Disease. The standard therapy (Cyclosporin A and methotrexate) is being compared with the standard therapy plus the additional administration of ATG-Fresenius S. The recruitment of patients was completed in the first quarter of 2007. Two intermediate analyses have confirmed that ATG-Fresenius S is safe at the selected dosage. A final report will be published in 2009, at the end of the two-year observation period.

In our development program for the United States, we took over a study from our former cooperation partner Nabi Biopharmaceuticals at the end of 2007. This study, currently in progress, uses ATG-Fresenius S in lung transplantation. The study compares the effects of two different ATG dosage

regimes and a placebo (double-blind and placebo controlled) on organ rejection and mortality rates on patients six months after transplantation.

R&D financial figures can be found on page 73 of the Management Report.

ENVIRONMENTAL MANAGEMENT

As a health care company, Fresenius is committed to guarding nature as the basis of life and to use its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, product responsibility and logistics, and to comply with legal requirements.

The international ISO Standard 14001:2004 provides the benchmark for environmental protection in the corporate sector. Among other things, it highlights the need for continuous assessment of a production site's impact on the environment, for instance with regard to emissions and waste. These international standards are implemented at our various production plants and dialysis clinics.

FRESENIUS MEDICAL CARE

Fresenius Medical Care has established its first Europe-wide environmental management program, defining specific goals to be achieved by the year 2010. These include:

- Definition of environment-relevant performance indicators for all participating production facilities
- Further improvement of energy efficiency and the avoidance of emissions
- Implementation of a feasibility study on the use of alternative energy generation methods at a sample production site
- Improvement of the recycling rate from currently just over 70 % to 85 %
- Training and raising the awareness of our employees to environmental protection and environmental management issues
- Optimization of the Eco Controlling system for our fast-growing number of dialysis clinics in Europe.

At our plant in St. Wendel, Germany, we have been systematically implementing measures for energy and resource conservation for many years. In 2007, we continued to improve the environmental impact of our processes. In most cases this led to cost savings, too. We are using new gas burners for generating steam for instance. This has not only led to a substantial reduction in the consumption of heating gas but has also lowered nitrogen oxide emissions by 40 %. Fresenius Medical Care has also introduced environment-friendly processes in production at other locations in Europe. At our plant in Italy, a change in the design of the blood bag systems produced there not only led to savings in the packaging but also reduced material consumption in the production process by about 7 %.

In North America, too, we are using modern, environment-friendly technologies to continuously save energy. As in 2006, we further extended the use of heat exchangers. These extract the residual heat from industrial water to heat fresh water for dialysis treatment. By using heat exchangers we can recover about three-fourths of the heat that was previously wasted, substantially lowering energy consumption and costs at our clinics.

At our production plant in Ogden, Utah, we have reduced fresh water consumption overall by 40 %, particularly through improved processes in dialyzer production. In addition, 90 % of the polycarbonate waste produced in the manufacturing process is being recycled. This makes an important contribution toward waste avoidance since Ogden is our biggest dialyzer plant.

The potential for resource conservation is particularly high at our over 1,602 dialysis clinics in the United States. Nearly 900 clinics employ re-useable containers for collecting medical waste. This enabled us to avoid landfilling more than 600,000 cardboard boxes in 2007. Waste sorting also has an important impact: More than 2,500 tons of cardboard packaging and paper were recycled.

FRESENIUS KABI

Fresenius Kabi also assumes active responsibility for environmental protection. The continuous improvement of product quality to the patient's benefit goes hand in hand with selective environmental measures that take local regulations into account. In 2007, a matrix certification to environment standard 14001:2004 was introduced. Initially, five plants in Europe and Asia will take part in this cross-location certification process. The first phase is due to be completed in early 2008.

The materials recycling system at our plant in Friedberg, Germany, was further optimized in 2007. The sort-clean separation of plastics enabled a substantial increase in the volume recycled by regranulation. The other plastics are used to produce refuse derived fuel. The volume of recycled waste increased from approximately 5,800 tons in 2006 to over 7,000 tons in 2007. The higher volume of waste is the result of substantial growth in production volumes at the Friedberg plant. The recycling rate improved to over 94 % (2006: just under 94 %).

A project group had already been set up at the Friedberg plant in 2006 to implement energy-saving measures. In 2007, frequency-controlled blower ventilators were installed for instance. The motors on the ventilators automatically regulate output according to the given power requirement, thereby optimizing running times and the volume of waste water. This measure reduces $C0_2$ emissions by about 3,300 tons a year. In addition to the primary aim of environmental protection, the measures have also reduced energy costs.

At our plant in Graz, Austria, the focus in 2007 was on implementing the ISO 14001:2004 environmental management system. The certification is due to take place in January 2008. Here, too, waste collection and sorting was improved. In close collaboration with suppliers Fresenius Kabi also modified processes to initiate direct and indirect environmental protection measures. Resources have been saved and waste volumes substantially reduced for instance through a change in the processing of clean-room clothing, including a reduction in the packaging.

At the Linz site in Austria, Fresenius Kabi only employs qualified waste management companies who are committed to sound waste disposal in compliance with the regulations. Recovery and recycling take precedence over disposal. The use of press containers, for instance, reduces the volume of waste as well as transport costs for disposal. We do not use organic solvents in the production of active substances, thus reducing the impact on the environment.

At our plant in Uppsala, Sweden, we have continued to focus on reducing emissions of greenhouse gases. In 2007, a project was also started for reducing the volume of waste by up to 30 % and increasing the recycling rate. This project is accompanied by training measures for employees. Purchasing, Production and Logistics are also involved in the project, as well as the management. In production alone, the volume of waste has already been reduced by about 25 %.

FRESENIUS HELIOS

HELIOS had already organized waste disposal at its clinics according to the standards set by law earlier. The goal is cost-efficient and environmentally compatible waste disposal. We see waste management as a process that begins with purchasing, employing all the instruments of the German Packaging Code and ends with systematic recycling, for example recycling solvents or resale of infusion glass bottles. All waste materials are recorded using a standardized system and classified in corresponding waste categories. We use this data, for instance, as a basis for deciding whether to conclude contracts with regional waste management companies or to have a group-wide contract with one company.

FRESENIUS VAMED

The health care system will also have to pay greater heed to sustainability in the future. This has to be taken into account especially in the hospital sector. As an active contribution toward environmental protection, VAMED already integrates national environmental standards and regulations in the planning and construction of a hospital or other health care facility.

FRESENIUS CONTENT MANAGEMENT REPORT

FRESENIUS MANAGEMENT REPORT

- SALES UP 5 %, NET INCOME UP 24 %.
- EBIT OF € 1,609 MILLION ACHIEVED, EBIT MARGIN 14.2 %.
- OPERATING CASH FLOW INCREASED TO € 1,296 MILLION.
- OUTLOOK 2008: STRONG SALES AND EARNINGS GROWTH EXPECTED.

The Fresenius Group had an excellent year 2007. We again achieved record levels in sales and earnings, and improved profitability in all business segments. Capital expenditure on property, plant, and equipment was at a high level and assures further growth.

OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

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

Fresenius AG was converted into a European Company (Societas Europaea) following the shareholder resolution of December 4, 2006. The change of legal form came into effect as from July 13, 2007, with its entry in the Commercial Register. Since then, Fresenius AG has been operating under the name Fresenius SE. After the successful expansion of the Group's international business and the strong growth in recent years, the conversion into a European Company was a consistent step in the Company's development. The SE is a modern legal form based on European law which will underline the Group's international focus and facilitate an open and international corporate culture at Fresenius. The conversion did not lead to a liquidation of the Company or to the formation of a new legal entity. Since there was no change in its legal identity, the Company's corporate structure and governance, and all shareholders' stakes in the Company remained unchanged.

As of December 31, 2007, the operating business comprised the business segments Fresenius Medical Care, Fresenius Kabi, and Fresenius ProServe, all legally independent entities managed by the operating parent company, Fresenius SE. The corporate structure remained unchanged in 2007. As from January 1, 2008, the former Fresenius ProServe business segment has been replaced by two new business segments – Fresenius Helios and Fresenius Vamed which so far have formed Fresenius ProServe. This step underlines the growing importance of the hospital operations business (HELIOS) and the engineering and service business for hospitals (VAMED). The two business segments will now be run independently and be directly represented in Fresenius SE's Management Board. The Fresenius Group is therefore now organized into four business segments: Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed.

- Fresenius Medical Care mainly focuses on dialysis care and manufactures and markets products for the treatment of patients with end stage renal disease (ESRD).
- Fresenius Kabi specializes in the production and sale of products for infusion therapy, clinical nutrition and transfusion technology.
- Fresenius Helios operates hospitals and had a network of 60 clinics, mainly in Germany, as of December 31, 2007.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities on an international basis.

- The segment Corporate/Other comprises the holding activities of Fresenius SE, the IT service provider Fresenius Netcare and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate/Other also includes the consolidation measures conducted between the business segments.

Fresenius operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings orientated and target-linked compensation system.

Fresenius has an international marketing and production network of about 70 production sites worldwide. Key production sites are located in the United States, China, Japan, Germany and Sweden. Production plants are also located in other European countries, Latin America, Asia and South Africa. This international production network allows us to implement our business model while meeting the most exacting logistics and regulatory requirements. The decentralized structure of the production sites also substantially reduces transportation costs and currency exposure.

Management and control

Fresenius AG's conversion into an SE has had no effect on the governance structure, apart from the change in the composition of the Supervisory Board.

The corporate organs of the Group are the Management Board, the Supervisory Board and the Annual General Meeting. Fresenius SE has a two-tier management and control system consisting of the Management Board and the Supervisory Board. This is in accordance with Regulation No. 2157/2001 on the Statute for a European Company (SE). The two boards work independently of each other. No one is allowed to be a member of both organs simultaneously.

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

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

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

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

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

For information on compensation, please see pages 209 to 213 of the Notes.

Key products, services and business processes

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis and provides dialysis care in its own dialysis clinics in over 25 countries. Dialysis products are sold to Group clinics as well as to external dialysis care providers in more than 100 countries. Fresenius Kabi is one of the few companies to offer a

comprehensive portfolio of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume substitution as well as a range of intravenously administered (IV) generic drugs. Fresenius Kabi sells its products mainly to hospitals in approximately 100 countries. Fresenius Helios operates hospitals mainly in Germany. Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

Important markets and competitive position

Fresenius operates in more than 60 countries through its subsidiaries. The main markets are North America and Europe, where Fresenius generates 43 % of its sales in each region.

Fresenius Medical Care is the largest dialysis company in the world. Fresenius Kabi holds leading positions in Europe and in the growth markets of Asia-Pacific, Latin America, and South Africa. Fresenius Helios is a leading private hospital operator in Germany. Fresenius Vamed is one of the internationally leading companies in the field of health care engineering.

Legal and economic factors

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate of the US dollar to the euro. This factor had a pronounced effect, both on the statement of income due to the changed average annual exchange rate between these currencies of 1.3705 in 2007 compared to 1.2558 in 2006 and on the balance sheet due to the changed closing rate of exchange of 1.4721 as of December 31, 2007 compared to 1.3170 as of December 31, 2006.

There were no legal aspects that significantly impacted the business performance in 2007.

Capital, shareholders, articles of association

The summary below shows the subscribed capital of Fresenius SE. On December 4, 2006, the Extraordinary General Meeting approved a share split with capital increase from the Company's funds. These resolutions were entered in the Commercial Register on January 24, 2007. As a result, the Company's subscribed capital increased by approximately € 22.6 million and the number of shares outstanding tripled. The share split did not affect the preference dividend or the minimum dividend payable on the preference shares. Three preference shares now represent the preference that one preference share previously denoted. The change became effective as of February 2, 2007.

	December 31, 2007			December 31, 2006	
	Number of shares	Subscribed capital in €	% of subscribed capital	Number of shares	Subscribed capital in €
Ordinary shares/capital	77,582,385	77,582,385.00	50 %	25,725,646	65,857,653.76
Preference shares/capital	77,582,385	77,582,385.00	50 %	25,725,646	65,857,653.76
Total	155,164,770	155,164,770.00	100 %	51,451,292	131,715,307.52

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

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

The Management Board is authorized, with the consent of the Supervisory Board, to increase the subscribed capital of Fresenius SE in accordance with the Annual General Meeting's resolutions on approved capital. This involves two authorizations:

- Authorization to increase the subscribed capital by a maximum nominal amount of € 12,800,000 by May 9, 2011, through one or more issues of bearer ordinary shares and/or nonvoting bearer preference shares against cash contribution and/or assets in kind (Approved Capital I).
- Authorization to increase the subscribed capital by a maximum nominal amount of € 5,496,115.20 by May 9, 2011, through one or more issues of bearer ordinary shares and/or nonvoting bearer preference shares against cash contribution and/or assets in kind (Approved Capital II). Shareholders' preemptive rights of subscription can be excluded.

In addition, there is the following conditional capital:

- The subscribed capital is increased conditionally by a maximum nominal amount of € 1,536,612.00 by the issuance of new bearer ordinary shares and nonvoting bearer preference shares (Conditional Capital I). The conditional capital increase will be executed only to the extent that subscription rights to ordinary and preference shares are issued under the 1998 Stock Option Plan and the holders of these rights exercise these rights.
- The subscribed capital is increased conditionally by a maximum nominal amount of € 4,729,422.00 by the issuance of new bearer ordinary shares and nonvoting bearer preference shares (Conditional Capital II). The conditional capital increase will be executed only to the extent that bonds convertible into ordinary and preference shares are issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.

Fresenius SE does not have a share buyback program.

Direct and indirect ownership interests in Fresenius SE are listed on pages 179 and 180 of the Notes. The Else Kröner-Fresenius-Stiftung notified the Company on December 28, 2007 that they have an ownership interest in Fresenius SE of 46,582,692 ordinary shares representing 60.04 % of the voting rights.

Changes to the articles of association are made in accordance with Article 59 of the SE Regulation in accordance with Section 18 (3) of the articles of association. Unless mandatory legal provisions require otherwise, amendments of the statutes require a majority of two-thirds of the votes cast or, if at least half of the subscribed capital is represented, the simple majority of votes cast. If, for the effectiveness of the passing of resolutions, mandatory legal provisions require that, in addition, a majority of the subscribed capital be represented when the resolution is passed, the simple majority of the subscribed capital represented shall be sufficient, to the extent that this is permitted by law. If the voting results in a tie a motion shall be deemed rejected. The articles of association of Fresenius SE authorize the Supervisory Board

to make changes to these that relate to their wording in its respective relevant version without a resolution by the General Meeting.

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

CORPORATE PERFORMANCE CRITERIA, GOALS AND STRATEGY

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

The Management Board believes that, in addition to operating income, EBITDA (earnings before interest and taxes, depreciation, and amortization) is a good indicator of the business segments' ability to achieve positive financial results and to service their financial commitments. The operating cash flow contributions of our business segments are controlled on the basis of days sales outstanding (DSO) and inventory turnover (SOI).

A key performance indicator at the Group level is the net debt/EBITDA ratio.

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

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to the value of the Group. The Group's ROIC improved from 7.4 % in 2006 to 8.4 %. The same improvement applies to ROOA, which was 11.4 % in 2007 (2006: 10.4 %). The substantial improvement in these ratios compared to 2006 was mainly driven by the good earnings growth in all business segments. For the future we expect to achieve a continuing improvement in ROIC and ROOA.

The summary below shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2007**	2006	**2007**	2006
Fresenius Medical Care	**8.4**	7.4	**12.5**	11.3
Fresenius Kabi	**14.0**	13.3	**17.7**	17.3
Fresenius Helios	**5.0**	5.0	**5.6**	5.4
Fresenius Vamed*	**-**	-	**22.8**	22.0
Group	**8.4**	7.4	**11.4**	10.4

* ROIC: Invested capital is negative due to prepayments and cash and cash equivalents.

Strategy and goals

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

- To expand our market position: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and grow its market share. Fresenius Medical Care is the largest dialysis company in the world with an especially strong market position in the United States. Future opportunities in dialysis will arise from international expansion in dialysis care and in renal pharmaceuticals. Fresenius Kabi is the European market leader in infusion therapy and clinical nutrition. To strengthen this position, more products in its portfolio will be rolled out to growth markets. Further market share is also anticipated from the launch of new products in the field of intravenously administered generic drugs and new medical devices for infusion therapy and clinical nutrition. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Fresenius Vamed will be further strengthening its position as a specialist provider of engineering and services to hospitals and other health care facilities.

- To extend our global presence: In addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in Asia-Pacific and Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Fresenius plans to make further selective acquisitions to improve the Company's market position and to diversify its business geographically.
- To strengthen innovation in the development of new products and technologies: Fresenius' strategy is to continue building on its strong position in technology, its competence and quality in patient care and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development to develop products and systems that can be tailored to individual patient needs but also provide a high level of safety and user-friendliness. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies.
- To enhance profitability: Our goal is to continue to improve Group profitability. To contain costs, we are concentrating particularly on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively and practicing strict cost control. By focusing on our operating cash flow and with efficient working capital management, we will increase our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding.

We report on our goals in detail in the Outlook section of the Management Report on pages 102 to 111.

RESEARCH AND DEVELOPMENT

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

- Dialysis and other extracorporeal therapies
- Infusion and nutrition therapies as well as related medical devices
- Antibody therapies.

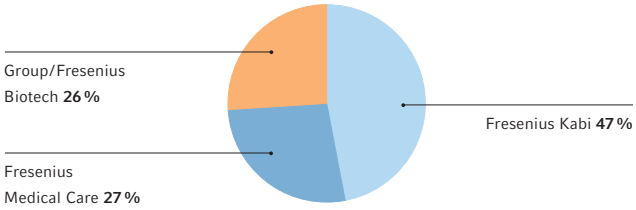
Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2007, we successfully continued numerous projects, and several new products were launched.

Fresenius Medical Care continued to work hard to improve dialysis therapies. Our projects' main focus was on the further development of dialyzers and on market-specific adaptations for our new 5008 hemodialysis machine. Other R&D efforts were directed toward development of a global cycler for peritoneal dialysis and extracorporeal liver support.

Fresenius Kabi concentrated on developing new products and product enhancements in its core areas of infusion therapy, clinical nutrition, and medical devices. Main developments included a new product variant for blood volume substitution and advances in intravenously administered drugs. There was also a further enhancement of three-chamber bags for parenteral nutrition and patient-specific developments for enteral nutrition.

Important projects at Fresenius Biotech involved trifunctional antibody therapies: phase II clinical studies to treat patients with breast and gastric cancer were continued. A phase II study in the indication of ovarian cancer was started. Following the successful completion of the phase II/III pivotal study in the indication of malignant ascites, the marketing authorization application was dispatched to the EMEA, the European Medicines Agency, at the end of December 2007.

R&D EXPENSES BY SEGMENT



2007: € 184 million

Expenditure on research and development was € 184 million in 2007, 10 % more than the € 167 million spent the previous year. As in 2006, we invested about 5 % of our product sales in R&D. The pie chart shows the R&D expenses by business segment. In 2007, Fresenius Medical Care increased R&D spending by 20 % and Fresenius Kabi by 12 %. In the segment Corporate/Others R&D expenses were on previous year's level, and were mainly attributable to the clinical development of trifunctional antibodies at Fresenius Biotech. Detailed figures are included in the segment reporting on pages 122 and 123.

As of December 31, 2007, 999 people were employed in research and development in the Group (December 31, 2006: 911). Of that number, 357 were employed at Fresenius Medical Care (2006: 356), 550 at Fresenius Kabi (2006: 467), and 92 at Fresenius Biotech (2006: 88).

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

	2007	2006	2005	2004	2003
R&D expenses (in million €)	**184**	167	149	133	121
R&D employees	**999**	911	856	819	790

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

OVERALL BUSINESS DEVELOPMENT

Economic environment

The strong upward trend in the global economy since 2004 subsided slightly during 2007. The trigger was the financial market crisis that emerged in the second half of the year, sparked by defaults on subprime mortgage loans in the United States. This led to a liquidity squeeze in the international financial markets and temporary sharp falls in share prices in the stock markets.

The growth in global gross domestic product (GDP) was slightly weaker than in 2006 at 5.2 % (2006: 5.4 %). The emerging economies, such as China, India and Russia, gained weight over the past years, while the importance of the two largest economies, the United States and Japan, has declined. World economic growth was mainly driven by the continued strong demand from the emerging markets.

The oil price rose steeply in 2007, reaching new record levels of almost US$ 100 per barrel. The euro firmed against the US dollar, driven by the good economic development in

SHARE OF LEADING ECONOMIES IN GLOBAL GDP GROWTH

	2007	2000	2007	2000
	in billion US$		Share in %	
United States	**13,794**	9,817	25.8	30.9
Japan	**4,346**	4,669	8.1	14.7
Germany	**3,259**	1,906	6.1	6.0
China	**3,249**	1,199	6.1	3.8
India	**1,090**	462	2.0	1.5
Russia	**1,224**	260	2.3	0.8

the Eurozone and the expectation of further interest rate hikes by the European Central Bank.

- Europe

  In 2007, economic development in the Eurozone was again robust, with GDP growth of 2.6 % (2006: 2.8 %). Strong growth rates of over 3.0 % were achieved in Ireland (4.5 %), Finland (4.3 %), Greece (4.0 %), Spain (3.8 %), and Austria (3.3 %). Good economic growth in Germany contributed significantly to the economic upturn in the Eurozone. In France (1.9 %), Italy (1.8 %) and Portugal (1.8 %) growth was more modest. Driven by the dynamic momentum of expansion of the world's economy, exports rose strongly in almost all member states despite the strength of the euro. Corporate investment also was an important support for economic enterprise in the Eurozone. Private consumption was buoyant, bolstered by an impressive decline in unemployment in 2007 and the two previous years. Thanks to the encouraging economic development, the European budget scenario improved, prompting the European Union's Economic and Financial Affairs Council to drop the excessive deficit procedure pending against Germany, Greece, and Malta.

  Economic development in Germany was again positive, with GDP growth of 2.6 % (2006: 2.9 %), despite the fact that the country had to assimilate its biggest ever increase in value-added tax since it was first introduced in 1968. Nonetheless, thanks to increasing incomes and the improving situation in the labor market, private consumption was only marginally below the previous year's level. Exports were again the main growth driver in 2007. Weaker demand from the United States in the wake of the US subprime crisis was more than offset by strong export sales to Asian and Central and Eastern European markets. Business confidence among German companies remained positive in 2007, reflecting their strong profitability and healthy financial situation.

  The EU member states in Eastern Europe again witnessed strong growth. The highest GDP growth was in Latvia with 10.5 % (2006: 11.9 %), followed by Estonia with 8.5 % (2006: 11.2 %), and Slovakia with 9.0 % (2006: 8.5 %).

- United States

  The economic situation in the United States cooled in 2007. After a modest start to the year sentiment remained optimistic, anticipating that the crisis in the private housing market would be overcome. Instead, rising interest rates and falling property prices led to the subprime mortgage market crisis later in the year. High energy prices also dampened the economy. GDP grew by 2.2 %, well below the IMF's forecast of almost 3.0 %. Private consumption continued to provide the greatest support for the economy despite increased restraint in consumer spending. Overall, domestic demand was moderate. Exports grew, buoyed by the weakness of the US dollar. In the second half of the year monetary policy focused on stabilizing the financial system. However, as a result of the uncertainties, the Federal Reserve rate was lowered from 5.25 % to 4.25 %. In 2008, the Federal Reserve rate was lowered further to currently 3.0 %.

- Asia

  Asia (excluding Japan) was once again the world's fastest growing region, with GDP growth of 9.5 % (2006: 9.3 %). The vigorous economic development in China was reflected in its GDP growth of 11.4 % – above 10 % for the fifth year running. The main drivers were investment in machinery and equipment and private consumption. Exports once again played an important role. India's GDP grew by 9.0 %, the main drivers being the capital goods industry as well as information technology and processing. Japan's economy lost momentum in 2007. Despite a weaker yen and a strong world economy, the Japanese economy failed to extricate itself from a near deflationary situation. Its GDP growth decreased to 1.6 % (2006: 2.2 %). The emerging economies of Southeast Asia took advan-

tage of the favorable export conditions and continued to expand, proving relatively robust to the crisis in the international financial markets.

- Latin America

  The economic upswing in Latin America continued in 2007. GDP growth remained robust at an average rate of 5.0 % (2006: 5.2 %). The growth was dampened, however, especially in Mexico, by the downturn in the US economy. The region's resource and food exporting countries continued to profit from undiminished strong demand in 2007, despite high price levels. GDP growth was 8.1 % in Argentina (2006: 8.5 %), 5.3 % in Brazil (2006: 3.8 %), and 3.1 % in Mexico (2006: 4.8 %). Exports were the main growth driver. In Brazil, investments made a substantial contribution to the positive economic development. In the year of presidential elections, public consumption was high in Argentina. Private consumption remained buoyant in both countries.

Health care industry

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

At the same time, the cost of health care is rising and is claiming an ever increasing share of national income. Average per capita health care spending in the OECD countries increased more than 80 % between 1990 and 2005, heavily outpacing the 37 % growth in GDP. Today, one in four OECD countries spends over 10 % of its GDP on health care. In 2005, relative to GDP, the United States spent the highest percentage on health care, followed by Switzerland, France, and Germany.

Reforms and cost-containment measures are the main reactions to the steadily rising expenditures. In the past, the focus was mostly on short-term changes in the financing of medical services. Increasingly, outdated health care structures are being reviewed and market-driven elements introduced into health care systems. The goal is to create new incentives for cost-conscious as well as quality-conscious performance. The quality of treatment is a crucial factor in optimizing medical results and reducing overall treatment costs. Against this background, ever greater emphasis is being placed on disease prevention and innovative reimbursement models where the quality of treatment is the key parameter.

HEALTH CARE SPENDING AS % OF GDP

in %	1970	1980	1990	2000	2005
United States	7.0	8.8	11.9	13.2	15.3
Switzerland	5.5	7.4	8.3	10.4	11.6
France	5.4	7.0	8.4	9.6	11.1
Germany	6.0	8.4	8.3	10.3	10.7

Source: German Council of Economic Exports Annual Report 2007/2008, bank research, OECD Health Data 2007

Our most important markets developed as follows:

- The dialysis market

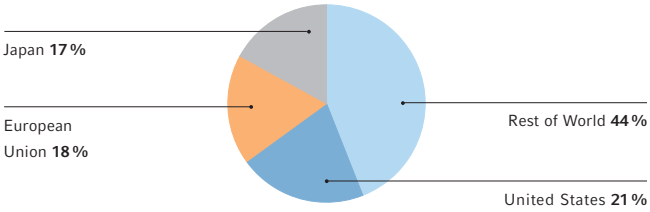
In 2007, the global dialysis market grew by approximately 5 % to a volume of about US$ 58 billion, with the market for dialysis care accounting for approximately US$ 45 billion and the market for dialysis products for about US$ 9.5 billion. Diabetes and high blood pressure are the leading causes of terminal kidney failure. Aging populations, improved treatments and higher living standards in the industrialized countries are additional reasons for the increase in patient numbers.

In more than 140 countries, patients with terminal kidney failure receive kidney replacement therapy in the form of dialysis or a transplant. The prevalence differs widely from region to region. The overwhelming majority of the patients (95 %) are treated in just 60 countries. If these 60 countries are grouped according to their economic strength in terms of per capita gross domestic product, they can be divided into three categories: the 20 strongest economies, which include the two largest dialysis markets the United States and Japan, have an average prevalence of well over 1,000 patients per million population. In countries with lower economic success, the prevalence is about 500 patients per million population, and in countries with weak economies it is approximately 100 patients per million population. These figures show that the economic situation of a country has a significant influence on access to life-saving dialysis treatment.

The number of dialysis patients worldwide increased by about 6 % in 2007. At the end of the year there were approximately 1.64 million patients receiving regular dialysis treatment. More than 89 % of these are treated with hemodialysis, while about 11 % choose peritoneal dialysis.

The majority of hemodialysis patients are treated in dialysis clinics. There are about 26,500 dialysis centers worldwide with an average of 55 hemodialysis patients per clinic. In the United States, most of the approximately 5,000 clinics are run privately, with about 1 % publicly operated. By contrast, some 60 % of the approximately 5,000 dialysis clinics in the European Union are publicly owned. In Japan, about 80 % of the dialysis clinics are run by private nephrologists.

DIALYSIS PATIENTS BY REGION



In the dialysis products market, the most important products are dialyzers, hemodialysis machines, dialysis solutions and products for peritoneal dialysis. Dialyzers are by far the biggest product segment in the dialysis market. Approximately 165 million units were sold in 2007, of which about 75 million were produced by Fresenius Medical Care. Dialysis machines are another important segment in the products business. Of the approximately 55,000 new dialysis machines that were brought onto the market in 2007, over 50 % were from Fresenius Medical Care. The top three manufacturers have a share of almost 70 % of the global market for dialysis products. Fresenius Medical Care is the market leader with a share of about 30 %.

Fresenius Medical Care is also the world leader in dialysis care. The company has further expanded its leadership in dialysis care in the United States to a market share of about 34 %. Together, Fresenius Medical Care and the second largest dialysis care provider DaVita operate about two-thirds of all the dialysis clinics in the United States. Outside the United States, the markets for dialysis care are much more fragmented.

Because treatment costs in the United States are covered primarily by public health insurers, providers mainly compete on quality and availability. In most countries outside the United States, Fresenius Medical Care competes mainly with independent clinics and clinics that are affiliated to hospitals. Terminal kidney failure is one of the few chronic diseases whose treatment is covered by the public health insurers in the United States. The two public health care programs Medicare und Medicaid cover the medical services for more than 80 % of all dialysis patients in the United States. Changes in the reimbursement rates or in the method of reimbursement therefore have special relevance for our North America business.

The following changes in the reimbursement system came into force in the United States in 2007:

- As from April 1, 2007, the Medicare reimbursement rate per dialysis treatment (Composite Rate) was increased by 1.6 % over the previous year.
- The level of reimbursement for renal pharmaceuticals such as erythropoietin (EPO) that have to be billed separately, decreased in 2007. The average sale price (ASP) plus 6 % serves as the basis for reimbursement. A fall in the ASP for this drug resulted in a decrease in the reimbursement for EPO in 2007.

In 2007, there was an extensive discussion in the United States about the treatment of anemia in dialysis patients. Hemoglobin levels are measured frequently to ensure adequate medical treatment with erythropoiesis stimulating agents (ESA) like EPO. For dialysis patients the recommended hemoglobin level is in the range 10 to 12 g/dl of blood; this was also assessed as adequate by several US authorities in 2007.

There were also intensive discussions about a possible extension of a so-called Medicare Secondary Payor extension (MSP). The key issue is whether private health insurers will have to bear the costs of their dialysis patients for longer than the present period of 30 months. After this, the public health programs take over the costs. Since no decision had yet been reached by the end of 2007, there have been no changes in this regard.

- The market for infusion therapy and clinical nutrition

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

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

In Central and Western Europe, cost-containment measures and health care reforms are the key factors affecting the public health systems. Therapies that lead to better clinical outcomes while reducing the length of hospital stays are increasingly gaining importance in these countries. Patients with nutritional deficiencies have poorer chances of recovery than patients with a normal nutritional status. These deficiencies can lead to higher treatment costs and longer hospital stays. Nutritional therapy measures are therefore becoming increasingly important, not only on health grounds but also for economic reasons. At the same time, cost pressures in hospitals, budget caps, and health care cost-containment schemes are continuing the shift away from inpatient care to more outpatient care. Outpatient clinical nutrition therapies should therefore gain in importance.

In Central and Western Europe, the total market for infusion therapy and clinical nutrition is currently growing at a low single-digit rate. The market for intravenously administered generic drugs for hospitals is growing at a mid single-digit rate. More and more generic drugs are being used as a result of the cost pressure. The expiration of patents for many original drugs will further accelerate this growth. Proven off-patent substances will then be used in generic products.

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

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

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

▶ The German hospital market

The total volume for hospital treatment (excluding research and teaching) in Germany was about € 65 billion in 2006. Personnel costs accounted for about 63 % and material costs for about 37 %. Cost increases were largely driven by 5.9 % higher material costs. Personnel costs only rose 0.6 %.

For over 15 years the number of hospitals, the number of available beds, and the length of stay have been steadily declining in Germany due to overcapacity. Nonetheless, with 6.4 beds per 1,000 population in 2005, Germany is still well above the OECD average of 3.9.

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2006	2005	Change
Hospitals	**2,104**	2,139	-1.6 %
Available beds	**510,767**	523,824	-2.5 %
Number of admissions (in million)	**16.83**	16.54	1.8 %
Beds per 1,000 population	**6.2**	6.4	-0.2
Average costs per admission (€)*	**3,932**	3,813	3.1 %
Length of stay (days)	**8.5**	8.7	-0.2

* total costs, gross

The average stay of a patient in an acute care clinic (excluding specialized psychiatric clinics) in Germany was 8.5 days at the end of 2006. The average length of stay at the HELIOS acute care clinics in 2006 was 7.1 days, a result of their efficient processes.

After reaching a peak of 17.4 million in 2002, the number of inpatient admissions in Germany declined in the following three years. Among other things, this was due to the introduction of DRG-based (Diagnosis Related Groups) reimbursement which led to an increased reduction in unnecessary referrals and to a growing number of outpatient treatments. In 2006, the number of hospital admissions rose slightly. While the number of admissions in the area of advanced medicine is expected to rise as a result of demographic changes, the shift toward outpatient treatment for less acute cases is likely to continue. Germany registered 204 inpatient hospital admissions per 1,000 population in 2006, a much higher figure in comparison to other countries. In the United States, for instance, it was 117 admissions in 2005. Other countries, rank well below the German level with figures in the range of 150 admissions per 1,000 population. The pressure on inpatient hospital capacities in Germany is therefore likely to persist. The HELIOS Kliniken nonetheless managed to increase their number of admissions.

HELIOS plans to strengthen inpatient care by widening its range of medically complex treatments that have to be provided on an inpatient basis and by enhancing the quality of the care provided, especially in the area of advanced medicine.

The rising number of hospital admissions at the HELIOS Kliniken and patient surveys show that patients also regard the selective, medically justified reduction of length of stay through optimized processes as positive.

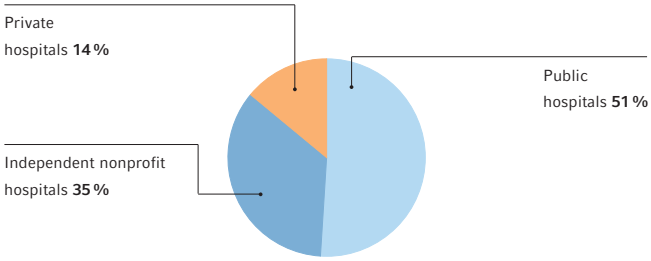
The necessary structural adjustments in Germany in terms of the number of hospitals and available beds are aggravated by the difficult financial and economic situation found at many hospitals. The main factors here are rising investment needs in response to higher quality requirements and technological advances, and an increasingly competitive environment as reimbursement is standardized. It is estimated that the current annual investment backlog is approximately € 5 billion. Hospital competitiveness is therefore also dependent on their ability to self-finance these investments. In 2007, HELIOS Kliniken added € 149 million from their own funds to the grant-financed investments received from the federal states, thereby further improving its competitive position.

The German hospital market faced considerable burdens in 2007 including: the need to deduct 0.5 % from bills issued to public health insurers to implement the hospitals' contribution toward improving the finances of the public health insurance system; an increase in VAT; a wage tariff increase for hospital doctors; and additional costs resulting from EU legislation on working hours. It is expected that only about 40 % of hospitals will make a net profit in 2007.

The privatization trend in the German hospital market continued in 2007. However, the process slightly slowed down.

Hospital beds by operator was as follows in 2006:

HOSPITAL BEDS BY OPERATOR 2006



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

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

On the whole, the global economy and the health care sector – in the mature and the growth markets – developed positively for Fresenius in 2007. While these factors were responsible for much of the Group's growth, strong demand for its products and services enabled Fresenius to outpace the growth of the health care industry as a whole.

Significant factors affecting operating performance

In 2007, the positive development was driven to a large extent by the excellent performance of the business segments, where significant increases in sales and in earnings were achieved. Currency changes, especially in the US dollar/euro exchange rate, had an important impact. The Group statement of income was also affected by a number of acquisitions and divestitures, partly from 2006. The principal acquisitions were: Renal Care Group, the Taiwanese dialysis provider Jiate Excelsior, Renal Solutions in the United States, and HUMAINE Kliniken,

Sources: German Federal Statistics Office, OECD Indicators – 2007 edition; German Medical Association, "Growing Trend towards Hospital Privatizations in Germany"; Krankenhaus-Barometer survey 2007

as well as two hospitals in the state of North Rhine-Westphalia and one near Lake Constance. Städtische Kliniken Krefeld was consolidated in the balance sheet as of December 31, 2007. Fresenius Kabi acquired Nestlé's enteral nutrition business in France (Novartis Nutrition S.A.S.) and Spain (Nestlé España) in 2007. The perfusion business of the subsidiary Fresenius Medical Care Extracorporeal Alliance and the engineering companies Pharmaplan and Pharmatec were divested. However, the impact of these acquisitions and divestitures in the Group balance sheet as of December 31, 2007, was not significant.

The Management Board's assessment of the business results

The Management Board is of the opinion that the economic development of the Fresenius Group in 2007 was again excellent – with sales, earnings and margin improvements in all business segments. The two business segments Fresenius Medical Care and Fresenius Kabi profited from the continued strong demand for their products and services and generally outperformed the market. This was reflected in sustained strong organic growth and higher profitability. Fresenius Helios also achieved very good organic growth and further improved its operating margin. As expected, Fresenius Vamed, was able to report good sales and earnings growth in 2007.

Comparison of the actual business results with the forecasts

As the summary below shows, all the targets set by Fresenius for 2007 were achieved or exceeded.

Based on the excellent operating performance in the first three quarters, at the end of October 2007 Fresenius again raised its forecasts for sales and net income. With sales growth of 10 % in constant currency, Fresenius fully achieved its forecast of a 9 to 10 % increase. The target of over 25 % for net income in constant currency was also fully achieved with growth of 28 %. This was mainly attributable to the even better than expected performance of Fresenius Medical Care and Fresenius Helios. The net debt/EBITDA ratio was below the target range of 2.8 to 3.0, and was 2.6 as of December 31, 2007. Fresenius invested € 705 million in property, plant and equipment and in intangibles in 2007. That is slightly above the projected € 600 to 700 million.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

Fresenius' acquisitions in 2007 were in the area of dialysis, infusion and clinical nutrition therapy and in hospital operations. They included Fresenius Medical Care's acquisition of Jiate Excelsior, Taiwan's leading dialysis provider, as of January 1. The company achieved sales of approximately

Group	Targets for 2007 announced in February 2007	Raised target announced in August 2007	Raised target announced in October 2007	**Achieved in 2007**
Sales (growth, in constant currency)	8 to 10 %		9 to 10 %	**10 %**
Net income (growth, in constant currency)	20 to 25 %	~25 %	more than 25 %	**28 %**
Capital expenditure	€ 600 to 700 million			**€ 705 million**
Net debt/EBITDA	2.8 to 3.0			**2.6**

US$ 85 million in 2007. Fresenius Medical Care also acquired Renal Solutions in the United States, adding an important technology for expanding its home hemodialysis business.

Fresenius Kabi completed various acquisitions in 2007, including Nestlé's enteral nutrition business in France and Spain with annual sales of € 55 million.

Expansion in the German hospital market was also continued. In 2007, Fresenius Helios acquired a total of three hospitals in Germany with annual sales of about € 54 million. The acquisition of two hospitals in Krefeld and Hüls with sales of € 175 million was completed as of December 31, 2007.

The two companies Pharmaplan and Pharmatec, which provide engineering services for the pharmaceutical industry, were sold as of January 1, 2007 and June 30, 2007, respectively. The Extracorporeal Alliance perfusion business with sales of US$ 110 million in 2006 was also sold. The business was no longer consolidated at Fresenius Medical Care as from May 9, 2007.

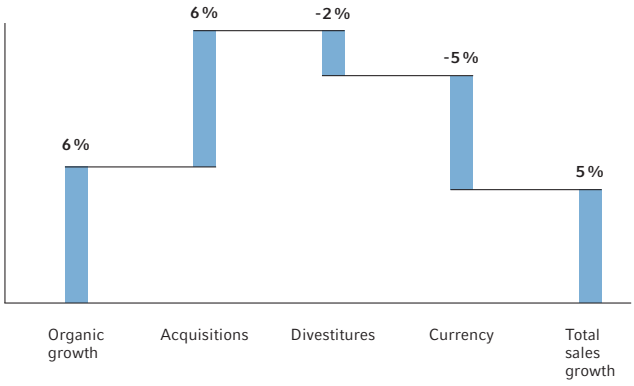
RESULTS OF OPERATIONS

Sales

In 2007, we increased Group sales by 5 % to € 11,358 million (2006: € 10,777 million). Organic growth reached 6 % and acquisitions contributed 6 % to the growth in sales. Divestitures had an impact of -2 %. Currency translation had an effect of -5 %. The table shows the various influences on Fresenius' Group sales. There were no significant consequences from the changes in product mix. Price effects in the dialysis care business contributed positively. In the foreseeable future no significant changes in these items are anticipated.

The largest regions in the Group were North America and Europe, which contributed 43 % each to total sales. These were followed by Asia-Pacific with 7 % and Latin America and Africa with 4 % and 3 %, respectively. Germany contributed 22 % to Group sales.

SALES GROWTH ANALYSIS



We increased sales significantly in all regions of the world. In North America, sales rose 10 % in constant currency. This was driven by organic growth of 5 % and the full-year consolidation of Renal Care Group. In Europe, organic growth of 5 % was the main driver. We again achieved strong organic growth in Asia-Pacific with 9 %, in Latin America with 10 %, and in Africa with 26 %. The sales split by region is shown on the following page.

Sales performance by business segment was as follows:

- Fresenius Medical Care achieved a sales increase of 5 % to € 7,093 million in 2007 (2006: € 6,768 million). This was mainly driven by very good organic growth of 6 %, as well as by acquisitions (7 %). Currency translation had an effect of -7 %. Divestitures had an impact of -1 %. Fresenius Medical Care achieved strong growth both in dialysis care and in dialysis products.
- Fresenius Kabi increased sales by 7 % to € 2,030 million (2006: € 1,893 million). The company achieved strong organic growth of 8 %. Currency translation had an effect

of -2 %. This was mainly attributable to the weaker currencies in South Africa, China, Mexico and Canada. Performance in Asia-Pacific was excellent. Here, Fresenius Kabi achieved strong organic growth of 22 %.

- Fresenius ProServe achieved sales of € 2,268 million in 2007 (2006: € 2,155 million). Organic growth was 3 %. Acquisitions contributed 7 % to the growth in sales, while among others the divestiture of Pharmaplan and Pharmatec had a negative effect of 5 %. € 1,841 million of Fresenius ProServe's sales were generated by Fresenius Helios (2006: € 1,673 million). The company achieved very good growth of 10 %, with organic growth contributing 3 % and acquisitions 9 %. Divestitures had an impact of -2 %. Fresenius Vamed contributed € 408 million to Fresenius ProServe's sales (2006: € 392 million), an increase of 4 %. Order intake in Fresenus ProServe's engineering business was € 418 million (2006: € 407 million). The deconsolidation of Pharmaplan and Pharmatec was largely responsible for the only moderate increase. Order backlog rose 19 % to € 510 million (December 31, 2006: € 428 million). Order intake attributable to Fresenius Vamed was € 395 million, an increase of 17 % (2006: € 337 million). Order backlog at Fresenius Vamed rose 32 % to € 510 million (December 31, 2006: € 387 million).

Earnings structure

We achieved excellent growth rates in net income in 2007: Group net income rose 24 % to € 410 million. Currency translation had an effect of -4 %. Growth in constant currency was 28 %. All business segments contributed to this success. Net income in 2006 had included one-time expenses of € 22 million mainly associated with the acquisition of Renal Care Group and the early refinancing of Group debt. Adjusted by

SALES BY REGION

in million €	2007	2006	Change	Organic growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Europe	**4,852**	4,536	7 %	5 %	0 %	2 %	43 %
North America	**4,932**	4,862	1 %	5 %	-9 %	5 %	43 %
Asia-Pacific	**802**	696	15 %	9 %	-5 %	11 %	7 %
Latin America	**488**	452	8 %	10 %	-3 %	1 %	4 %
Africa	**284**	231	23 %	26 %	-4 %	1 %	3 %
Total	**11,358**	10,777	5 %	6 %	-5 %	4 %	100 %

SALES BY BUSINESS SEGMENT

in million €	2007	2006	Change	Organic growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Fresenius Medical Care	**7,093**	6,768	5 %	6 %	-7 %	6 %	62 %
Fresenius Kabi	**2,030**	1,893	7 %	8 %	-2 %	1 %	18 %
Fresenius ProServe	**2,268**	2,155	5 %	3 %	0 %	2 %	20 %
- thereof Fresenius Helios	**1,841**	1,673	10 %	3 %	0 %	7 %	16 %
- thereof Fresenius Vamed	**408**	392	4 %	4 %	0 %	0 %	4 %

STATEMENT OF INCOME (SUMMARY)

in million €	2007	2006	Change	Change in constant currency
Sales	**11,358**	10,777	5 %	10 %
Cost of sales	**-7,680**	-7,351	-4 %	-9 %
Gross profit	**3,678**	3,426	7 %	12 %
Operating expenses	**-2,069**	-1,982	-4 %	-9 %
EBIT	**1,609**	1,444	11 %	17 %
Net interest	**-368**	-395	7 %	2 %
Income taxes	**-448**	-414	-8 %	-14 %
Minority interest	**-383**	-305	-26 %	-32 %
Net income	**410**	330	24 %	28 %
Earnings per ordinary share (in €)	**2.64**	2.15	23 %	27 %
Earnings per preference share (in €)	**2.65**	2.16	23 %	27 %
EBITDA	**2,030**	1,843	10 %	15 %
Depreciation and amortization	**421**	399	6 %	10 %

this amount, net income would have increased 16 % in 2007. Inflation had no significant effect on results of operations in 2007.

Group EBITDA increased 15 % in constant currency and 10 % at actual rates to € 2,030 million (2006: € 1,843 million). Group EBIT increased 17 % in constant currency and 11 % at actual rates to € 1,609 million (2006: € 1,444 million, or € 1,448 million adjusted for the gain from the divestitures of dialysis clinics in the United States and one-time expenses associated with the acquisition of Renal Care Group).

EBIT of the individual business segments developed as follows:

in million €	2007	2006	Change
Fresenius Medical Care	**1,153**	1,050	10 %
Fresenius Kabi	**332**	291	14 %
Fresenius ProServe	**181**	154	18 %
- thereof Fresenius Helios	**155**	133	17 %
- thereof Fresenius Vamed	**26**	23	13 %

- Fresenius Medical Care increased EBIT by 10 % to € 1,153 million (2006: € 1,050 million, or € 1,054 million adjusted for the gain from the divestitures of dialysis clinics in the United States and netted with one-time expenses mainly for the integration of Renal Care Group). The very good increase in operating profit was driven by the performance of the dialysis care business as well as by significant improvements in the international business. In addition, currency translation had a negative effect of 7 %.
- In 2007, Fresenius Kabi sustained the excellent earnings performance achieved in 2006. EBIT increased by 14 % to € 332 million (2006: € 291 million). The EBIT margin increased to 16.4 % (2006: 15.4 %). This growth was driven by a good operating performance in all regions, by cost optimization and efficiency improvement measures, and by changes in the product mix.
- Fresenius ProServe achieved a very good EBIT performance. In 2007, this business segment had an EBIT of € 181 million (2006: € 154 million), an increase of 18 %. Fresenius Helios contributed € 155 million (2006: € 133 million) and Fresenius Vamed € 26 million (2006: € 23 million) to Fresenius ProServe's EBIT.

VALUE ADDED STATEMENT

in million €	2007	%	2006	%
Creation				
Company output	**11,489**	**100**	10,799	100
- Materials and services purchased	**5,314**	**46**	5,064	47
Gross value added	**6,175**	**54**	5,735	53
- Depreciation and amortization	**421**	**4**	399	4
Net value added	**5,754**	**50**	5,336	49
Distribution				
Employees	**4,052**	**71**	3,804	72
Governments	**541**	**9**	502	9
Lenders	**368**	**6**	395	7
Shareholders	**103**	**2**	89	2
Company and minority interest	**690**	**12**	546	10
Net value added	**5,754**	**100**	5,336	100

Development of other major items in the statement of income

Group gross profit increased to € 3,678 million, exceeding the € 3,426 million in 2006 by 7 % (12 % in constant currency). We improved the gross profit margin to 32.4 % (2006: 31.8 %). The cost of goods sold rose 4 % to € 7,680 million (2006: € 7,351 million). This is 67.6 % of Group sales, compared to 68.2 % in 2006. Sales, general, and administrative expenses consisted primarily of personnel costs, marketing and distribution costs as well as depreciation and amortization. These expenses rose by 4 % to € 1,885 million in 2007 (2006: € 1,815 million) and, as a percentage of Group sales, were improved slightly to 16.6 % (2006: 16.8 %). Depreciation and amortization were € 421 million (2006: € 399 million). As a percentage of sales, depreciation and amortization was unchanged at 3.7 % compared to 2006.

Group net interest expenditure was € -368 million, € 27 million below the figure of € -395 million in 2006. In 2006, one-time expenses of € 30 million associated with the early refinancing of Group debt were included in net interest expenditure. Exchange rate changes also had a positive effect on net interest expense since about 53 % of the financial liabilities are in US dollars. The currency effect was € 21 million.

The tax rate was 36.1 % in 2007 (2006: 39.5 %, or 37.2 % adjusted for the tax expenses associated with the divestiture of dialysis clinics in the United States since the goodwill attributable to the clinics was not considered for tax purposes).

Minority interest increased to € 383 million in 2007 from € 305 million in 2006, mainly due to the good earnings performance at Fresenius Medical Care. Of this, 92 % was attributable to the minority interest in Fresenius Medical Care.

Earnings per ordinary share were € 2.64 (2006: € 2.15) and earnings per preference share were € 2.65 (2006: € 2.16). This is an increase of 23 % for both share classes.

Profitability also improved significantly in 2007, as the table below shows:

in %	2007	2006
EBITDA margin	**17.9**	17.1
EBIT margin	**14.2**	13.4
Return on sales (before taxes and minority interest)	**10.9**	9.7

Value added

The value added statement shows Fresenius' total output in 2007 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group was € 5,754 million in 2007 (2006: € 5,336 million). This is an increase of 8 %. The distribution statement shows that, at € 4,052 million or 71 %, the largest portion of our value added went to our employees. Governments and lenders came next with € 541 million and € 368 million, or 9 % and 6 %, respectively. Shareholders received € 103 million and minority interest € 383 million. The Company retained € 307 million for reinvestment.

FINANCIAL POSITION

Financial management policies and goals

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

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

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

Financing

Fresenius meets its financing needs through a combination of operating cash flows generated in the business segments and short-, mid-, and long-term debt. In addition to traditional bank financing, important financing instruments include the issuance of senior notes, Euro notes, trust preferred securities, a commercial paper program, and an accounts receivable securitization program.

In 2007, Group financing activities were confined to refinancing operations. The manner in which the refinancing operations were structured widened our financing scope and increased our financial flexibility.

Two capital market transactions were undertaken and were successfully completed before the conditions on the debt markets deteriorated sharply in the third quarter of 2007 in the wake of the subprime mortgage crisis in the United States and the difficulties experienced in the syndication of banks' extensive loan commitments for financing large debt-leveraged takeover deals:

- On July 2, 2007, a € 200 million private placement with European investors was completed. A syndicated senior unsecured Euro note was offered in four tranches. The placement was divided into tranches of € 100 million, with maturities of five and seven years respectively, with a fixed-rate tranche and floating rate tranche. The Euro note was issued by Fresenius Finance B.V. and guaranteed by Fresenius SE. The proceeds were used, among other things, to refinance a € 126 million Euro note issued in 2004. The very positive response in the capital market and strong interest among investors led to the originally planned volume being several times oversubscribed. Therefore, we were able to place a slightly higher volume on very attractive terms.
- Fresenius Medical Care issued US$ 500 million of senior notes on July 2, 2007, mostly placed with institutional investors in the United States. These were senior unsecured bonds with a maturity of ten years and a coupon of 6 $^{7}/_{8}$ %. The senior note was issued by Fresenius Medical Care Finance III S.A. (Luxembourg) with guarantees from

Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Holdings, Inc., and Fresenius Medical Care Deutschland GmbH. The net proceeds from the issue were used to reduce the loans (Term Loan A and Term Loan B) drawn under the US$ 4.6 billion credit agreement of March 31, 2006 by US$ 150 million each and for a temporary reduction of the Fresenius Medical Care accounts receivable securitization program. The financial cushion provided by the receivables program has been used to redeem the subordinated trust preferred securities with a coupon of $7^{7}/_{8}$ % due in February 2008. At Fresenius Group further refinancing on a big scale is only due from 2011 on.

Fresenius SE has a commercial paper program under which up to € 250 million in short-term notes can be issued. No commercial papers were outstanding as of December 31, 2007 and as of December 31, 2006.

The Fresenius Group has drawn about € 2.7 billion of bilateral and syndicated credit lines. In addition, the Group had more than € 1.5 billion in unused credit lines as of December 31, 2007 (including committed credit lines of € 1.1 billion) at its disposal. These credit facilities are generally used for general corporate purposes and are – except for the Fresenius Medical Care credit agreement – usually unsecured.

As of December 31, 2007, both Fresenius SE and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under all credit agreements.

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

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

Liquidity analysis

In 2007, key sources of liquidity were operating cash flows and short-, medium-, and long-term debt. Cash flow from operations is influenced by the profitability of Fresenius' business and by working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program and by drawing on bilateral bank credit agreements. Medium and long-term funding is provided by the revolving credit facilities of Fresenius Medical Care and Fresenius SE, and by senior notes as well as by various other financing instruments.

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

FINANCIAL POSITION – 5-YEARS OVERVIEW

in million €	**2007**	2006	2005	2004	2003
Operating Cash flow	**1,296**	1,052	780	851	776
in % of sales	**11.4**	9.8	9.9	11.7	11.0
Investments in property, plan and equipment, net	**666**	571	331	286	322
Cash flow before acquisitions and dividends	**630**	481	449	565	454
in % of sales	**5.5**	4.5	5.7	7.8	6.4

Dividend

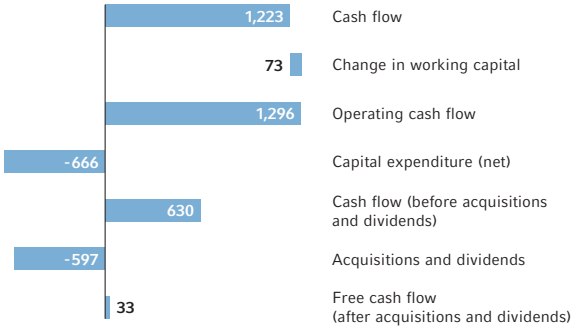
The Management and Supervisory Boards will propose a dividend increase to the Annual General Meeting. For 2007, a dividend of € 0.66 per ordinary share and € 0.67 per preference share is proposed. This is an increase of about 15 %. The total dividend distribution will be € 103.2 million (2006: € 88.8 million).

Cash flow analysis

The Group cash flow statement shows a positive development: Cash flow increased by 17 % to € 1,223 million in 2007 (2006: € 1,045 million). This was mainly due to the excellent growth in earnings. In 2006, cash flow was influenced by tax payments and other payments related to the divestiture of dialysis clinics and the acquisition of Renal Care Group, as well as by a US tax liability for the years 2000 and 2001. The change in working capital was € 73 million (2006: € 7 million).

Operating cash flow was € 1,296 million in 2007 (2006: € 1,052 million), more than sufficient to meet all the financing needs for investing activities, excluding acquisitions. Cash used for capital expenditure was € 704 million, while proceeds from the sale of property, plant, and equipment amounted to € 38 million (2006: € 589 million and € 18 million, respectively). Cash flow before acquisitions and dividends increased by 31 % to € 630 million (2006: € 481 million), sufficient to finance all Group dividends and net acquisitions in 2007. Cash from financing activities (excluding dividend payments) was € 83 million (2006: € 2,931 million). In addition to the acquisition expenditure, Group dividend payments led to a cash outflow of € 205 million in 2007 (2006: € 171 million).

CASH FLOW STATEMENT IN MILLION €



CASH FLOW STATEMENT (SUMMARY)

in million €	2007	2006
Net income before minority interest	**793**	635
Depreciation and amortization	**421**	399
Change in pension provisions	**9**	11
Cash flow	**1,223**	1,045
Change in working capital	**73**	7
Operating cash flow	**1,296**	1,052
Property, plant and equipment	**-704**	-589
Proceeds from the sale of property, plant and equipment	**38**	18
Cash flow before acquisitions and dividends	**630**	481
Cash used for acquisitions/proceeds from disposals	**-392**	-3,219
Dividends	**-205**	-171
Cash flow after acquisitions and dividends	**33**	-2,909
Cash provided by/used for financing activities (without dividends paid)	**83**	2,931
Effect of exchange rate changes on cash and cash equivalents	**-16**	-13
Change in cash and cash equivalents	**100**	9

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

The Fresenius SE dividend accounted for € 89 million (2006: € 76 million). Cash and cash equivalents amounted to € 361 million as of December 31, 2007 (December 31, 2006: € 261 million).

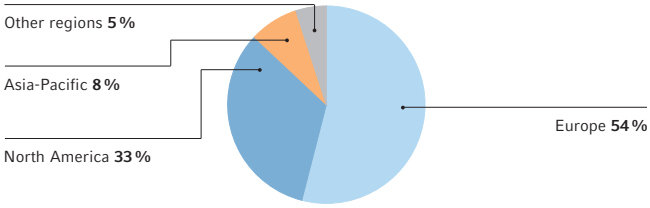
Investments and acquisitions

The Fresenius Group invested € 1,318 million in 2007 (2006: € 4,314 million). Investment in property, plant and equipment, and in intangible assets was € 705 million (2006: € 600 million). This was well above the level of depreciation of € 421 million, constituting the basis for preserving the Company's value over the long term and for expansion. Of the total investment volume in 2007, about 53 % was spent on maintenance investments and about 47 % on expansion investments. € 613 million was invested in acquisitions (2006: € 3,714 million, mainly for the acquisition of Renal Care Group). Of the total investment volume, 53 % was invested in property, plant and equipment, and in intangible assets. 47 % was spent on acquisitions.

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

The cash outflow for acquisitions related mainly to the expansion of our global dialysis care business and to renal pharmaceuticals at Fresenius Medical Care. At Fresenius Kabi, acquisitions were made both to increase its international presence and to extend the market position and product portfolio. At Fresenius Helios, the expenditure was primarily for the acquisition of hospitals.

INVESTMENTS BY REGION



2007: € 1,318 million

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

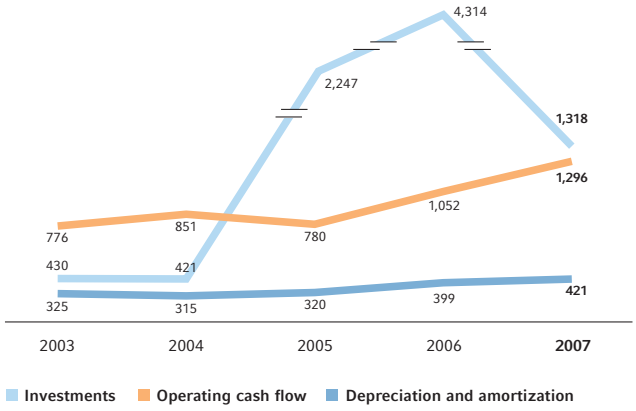
- Start-up of new dialysis clinics, primarily in the United States, and expansion and modernization of existing clinics
- Expansion and optimization of production sites at Fresenius Medical Care and Fresenius Kabi
- Hospital modernization at Fresenius Helios. The largest single investment was the construction of the new clinic in Berlin-Buch which was finalized in 2007.

Investments in property, plant and equipment of € 89 million will be made in 2008 to continue with the major investment projects already underway on the reporting date. These are chiefly investment obligations for hospitals at Fresenius Helios as well as investments to expand and optimize production plants. These projects will be financed from operating cash flow.

INVESTMENTS BY BUSINESS SEGMENT

in million €	2007	2006	Thereof property, plant and equipment and intangible assets	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**680**	3,933	423	257	-83 %	52 %
Fresenius Kabi	**294**	127	116	178	131 %	22 %
Fresenius ProServe	**328**	245	153	175	34 %	25 %
- thereof Fresenius Helios	**323**	214	149	174	51 %	–
- thereof Fresenius Vamed	**10**	5	4	6	100 %	–
Corporate/Other	**16**	9	13	3	78 %	1 %
Total	**1,318**	4,314	705	613	-69 %	100 %

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



ASSETS AND LIABILITIES

Asset and liability structure

The total assets of the Group rose by € 300 million (2 %) to € 15,324 million (December 31, 2006: € 15,024 million). In constant currency, this was an increase of 8 %. Of this growth, 4 % is attributable to the acquisitions in 2007. The expansion of existing business activities accounted for 4 % of the increase in total assets. Inflation had no significant impact on the assets of Fresenius in 2007.

Non-current assets were € 11,033 million (2006: € 10,918 million). Based on the exchange rates as of December 31, 2006, this was an increase of 8 %, and was driven mainly by additions to property, plant, and equipment. Goodwill from acquisitions was € 495 million as of December 31, 2007.

Current assets rose by 5 % to € 4,291 million (2006: € 4,106 million). In constant currency, this is an increase of 9 %. Within current assets, trade accounts receivable rose by 3 % to € 2,159 million, primarily due to business expansion (2006: € 2,088 million). Adjusted for currency effects, receivables grew by 8 %. This increase was well below the currency-adjusted growth of 10 % in Group sales. Benefits resulted from a sustainable receivables management: Average days sales outstanding were 71 days (2006: 71 days). Inventories rose by 15 % to € 875 million (2006: € 761 million). The scope of inventory was 42 days in 2007 (2006: 38 days). This was affected by a build-up of inventories at Fresenius Kabi, mainly associated with the relocation of production and the accumulation of sufficient buffer stocks to guarantee continuing supplies. The ratio of inventories to total assets increased slightly to 5.7 % as of December 31, 2007 (December 31, 2006: 5.1 %).

Shareholders' equity, including minority interest, rose by 6 %, or € 331 million, to € 6,059 million (2006: € 5,728 million). Adjusted for currency effects, this is an increase of 13 %. Group net income increased shareholders' equity by € 410 million. The equity ratio, including minority interest, was 39.5 % as of December 31, 2007 (December 31, 2006: 38.1 %).

The liabilities and equity side of the balance sheet shows a very solid financing structure. Shareholders' equity of the Group, including minority interest, covers 55 % of non-current assets (2006: 52 %). Shareholders' equity, minority interest, and long-term liabilities cover all non-current assets and nearly all inventories.

ASSETS AND LIABILITIES – 5-YEARS OVERVIEW

in million €	**2007**	2006	2005	2004	2003
Total assets	**15,324**	15,024	11,594	8,188	8,347
Shareholders' equity*	**6,059**	5,728	5,130	3,347	3,214
As % of total assets	**40**	38	44	41	39
Shareholders' equity*/non-current assets (%)	**55**	52	64	62	57
Debt	**5,699**	5,872	3,502	2,735	3,023
As % of total assets	**37**	39	30	33	36
Gearing (%)	**88**	98	63	78	90

* including minority interest

Long-term liabilities were € 5,762 million as of December 31, 2007, a decrease of € 476 million or 8 % compared to the previous year's figure of € 6,238 million (in constant currency: -2 %). Short-term liabilities were € 3,503 million, an increase of 15 % versus the previous year's figure of € 3,058 million (in constant currency 20 %).

The Group has no significant accruals. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the National Medical Care transaction in 1996 that resulted from the bankruptcy of W.R. Grace. This accrual amounts to US$ 115 million (€ 78 million). Please see page 184 of the Notes for details.

Group debt was € 5,699 million, which was 3 % lower than the previous year's figure (2006: € 5,872 million) – in constant currency: € 6,041 million. Their relative weight in the balance sheet decreased to 37.2 % (2006: 39.1 %). Approximately 53 % of the Group's financial liabilities is in US dollars. Liabilities due in less than one year were € 932 million (€ 596 million), while liabilities with a remaining tenor of one to five years and over five years were € 4,767 million (2006: € 5,276 million).

The net debt to equity ratio, including minority interest (gearing), has fallen to 88.1 % (2006: 98.0 %). The return on equity after taxes reached 12.0 % (2006: 10.4 %). The return on total assets after taxes and before minority interest was 5.2 % in 2007 (2006: 4.3 %).

The table below shows other key asset and capital ratios:

	Dec 31, 2007	Dec 31, 2006
Debt/EBITDA	**2.8**	3.1
Net debt/EBITDA	**2.6**	3.0
EBITDA/interest ratio	**5.5**	4.6

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was € 739 million as of December 31, 2007; these contracts had a market value of € 14 million. The nominal value of interest rate hedging contracts was € 2,880 million; these contracts had a market value of € -30 million. Please see the Risk Report on page 100 and the Notes on pages 189 to 194 for further details.

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

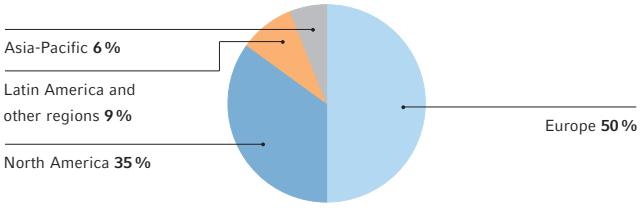
The Fresenius Group had 114,181 employees worldwide at the end of 2007 (December 31, 2006: 104,872), an increase of 9,309 or 9 %. This is mainly due to acquisitions.

The number of employees in the business segments were as follows:

Number of employees	**Dec 31, 2007**	Dec 31, 2006	Change
Fresenius Medical Care	**64,662**	59,996	8 %
Fresenius Kabi	**16,964**	15,591	9 %
Fresenius ProServe	**31,815**	28,615	11 %
- thereof Fresenius Helios	**30,043**	26,368	14 %
- thereof Fresenius Vamed	**1,767**	1,768	0 %
Corporate/Other	**740**	670	10 %
Total	**114,181**	104,872	9 %

The chart shows the distribution of our employees by region. These percentages roughly correspond to the sales contributions of the respective continents. With an increase of 39 %, the number of employees has risen fastest in the Asia-Pacific region, reflecting our fast-growing business in this region, where currency-adjusted sales growth was 20 %. In addition, acquisitions had an effect. 35,789 people are employed in Germany (2006: 31,955). The increase in Germany was mainly at Fresenius Helios as a result of the hospitals acquired.

EMPLOYEES BY REGION



2007: 114,181

Personnel expenses for the Fresenius Group was € 4,052 million in 2007 (2006: € 3,804 million). Personnel expenses per employee was € 37.4 thousand (2006: € 38.2 thousand).

There were no significant changes to compensation or employment agreements in 2007.

PROCUREMENT

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

Within the Fresenius Group global procurement is coordinated centrally by competence teams, enabling us to bundle similar requirements and negotiate global framework agreements. These central coordinating offices organize purchasing for the production sites and arrange comprehensive quality and safety checks of purchased materials and goods. Current market and price developments are analyzed on an ongoing basis. In 2007, the cost of raw materials and supplies and purchased components and services was € 3,769 million (2006: € 3,709 million).

in million €	**2007**	2006
Cost of raw materials and supplies	**3,266**	3,250
Cost of purchased components and services	**503**	459
Total	**3,769**	3,709

Fresenius Medical Care

In 2007, Fresenius Medical Care introduced standard procurement guidelines for Europe. Their aim is to further harmonize and increase the efficiency of the procurement processes.

As expected, the costs for oil and other raw materials rose further in 2007. In the United States alone, the costs for gasoline and diesel have more than doubled compared to the levels in 2004. Cost savings have been achieved through continuous improvements in distribution and warehouse logistics. In addition, a new management system was introduced in the United States in 2007 which analyzes and coordinates all the logistics operations. However, these measures were not sufficient to offset the high fuel costs.

No savings were achieved in 2007 in our sourcing of plastics – plastic granulate is used in the production of dialyzers – resulting in slightly higher material costs than in 2006 despite larger volumes and bundling effects.

Fresenius Kabi

At Fresenius Kabi sharply increased raw material prices were also a central focus of strategic purchasing negotiations in 2007. Fresenius Kabi had anticipated the price increases and extended the global bundling of requirements in coordination

with other Fresenius companies. This strategy helped optimize the supplier portfolio and further standardize product specifications. Long-range sourcing strategies were also formulated with a view to improving Fresenius Kabi's purchasing position in relevant markets. The strengthened demand power again led to good negotiating outcomes in individual areas in 2007 despite the difficult environment. Procurement logistics are to be further improved long-term through the successive introduction of online procurement processes (e-purchasing).

The rise in raw materials prices of agricultural origin witnessed in 2006 continued in 2007. This applied especially to corn and milk, which are used as a basic material for various processed products used in infusion therapies and enteral nutrition. For both materials there was increased global demand, while supply was unchanged or even lower in some cases.

The prices of energy and oil-based products as well as all products based on energy-intensive production processes, such as glass for packaging or aluminum for fastenings, were increased in 2007. The multiyear agreement concluded at the end of 2003 for cardboard boxes was not able to compensate for this market trend. In 2006, we had to accept moderate price rises for cardboard boxes; in 2007, prices developed in line with the market. However, the bundling of requirements and strategic sourcing of active substances used in our drugs produced good results in 2007.

Further regional synergy projects within the Fresenius network were initiated in 2007. In Germany, for instance, opportunities for cutting gas and electricity costs are currently under consideration and are being successively implemented.

Fresenius Helios

At HELIOS, high medical standards go hand in hand with an efficient, economically sound management of available resources. Its procurement management system combines the know-how of its doctors and nurses with the commercial competence gained in other areas from the various clinics and disciplines. This know-how and our standards of medical quality are channeled into all procurement decisions to the benefit of the patient. Today, 85 % of the medical supplies are standardized. A system of 280 product groups promotes transparency, planning efficiency, and competition. The electronic configuration of all purchasing processes (e-procurement) – from ordering to billing – results in even greater efficiency and transparency. The HELIOS clinic in Erfurt, for example, a maximum care clinic with over 1,200 beds, already conducts 75 % of its ordering in this way.

In 2007, HELIOS equipped all trauma surgery departments with fixed-angle-implants and implemented a company-wide concept for chronic wound management. Group standards were defined for surgical drapes on the basis of routine treatment data, the costs were calculated, and a budget drawn up. The surgical drapes include drapes while the patient is undergoing surgery, drapes for the interior of the operating rooms, and surgical gowns for the surgeons and the team. In 2006, the HELIOS clinics were purchasing 318 products from six suppliers. Today, 26 clinics already procure 54 products from one supplier. Product standards were also defined for surgery departments based on the various procedures. Only 21 product standards now cover 95 % of all surgeries at HELIOS.

The increase in value-added tax to 19 % had an appreciable impact on costs in 2007. The three percentage point increase impacted fully on expenses, with no compensation on the revenues side for the increase in VAT. It was, however, offset by cost savings through optimized product group management and the systematic bundling of volumes within the HELIOS Group.

QUALITY MANAGEMENT

Our ISO 9001:2000-based quality management has the following three objectives:

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

These objectives cover the quality of our products and all services and therapies that we provide. Our quality management system integrates all product groups, such as drugs, medical devices, and nutrition, as well as our clinics. The methodology is regularly evaluated through internal audits and external certification bodies.

Our products are already closely controlled at the development stage. Our drugs are subject to regulatory approval, so appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo a conformity assessment procedure that documents compliance with the appropriate norms. In enteral nutrition, we already follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process.

We have established quality assurance systems in all our production facilities. In addition to the controlled use of materials, validated production procedures as well as ambience and in-process controls, each batch produced also undergoes final controls and a formal release procedure. Our production facilities are regularly inspected by regulatory authorities or other independent institutions. All audits and inspections led to the renewal of the relevant manufacturing authorization or certification.

Sales and marketing are also an integral part of the quality management system. For example, at any given time we are able to trace which batch was supplied to which customer.

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

Fresenius Medical Care

Fresenius Medical Care's Integrated Management System (IMS) takes account not only of ISO Standard 9001:2000 but also the special standard for medical products ISO 13485:2003. IMS was already introduced at all production facilities in Europe in 2006. The production sites in the United States and in Mexico are also certified to ISO 13485:2003. In 2007, IMS was introduced at another approximately 40 dialysis clinics. Over 70 % of the Fresenius Medical Care clinics in Europe are now certified, compared to about 65 % in 2006. To proceed the large number of audits in future, about 20 additional employees underwent quality management training in 2007, qualifying them to carry out audits in accordance with IMS standards (2006: 50 employees). In each of the countries, Fresenius Medical Care paid special attention to integrating senior nursing staff into the audit process that also checks hygiene standards at our dialysis clinics. The concept of involving experts in the audit process was therefore systematically continued.

To assess quality in dialysis care, we use the generally accepted quality parameters customary in dialysis, such as the hemoglobin values. Hemoglobin mainly serves to transport oxygen from the respiratory organs to the body tissues

that use oxygen. Our patients should have a hemoglobin level of at least 11 grams per deciliter of blood. The average hemoglobin level for healthy people is slightly above that. Other indicators we use to assess treatment quality include the phosphate level and the so-called Kt/V value, which measures the effectiveness of the dialysis treatment by calculating the filtration rates for certain toxic molecules in relation to the length of treatment. Other quality indicators are albumin, which gives an idea of the patient's general nutritional condition, and the number of days which dialysis patients have to spend in the hospital. Measured on the basis of the above parameters, the quality of dialysis treatment at Fresenius Medical Care was further improved in 2007.

Fresenius Kabi

Quality management at Fresenius Kabi is subject to a great many national and international regulations such as Good Manufacturing Practice (GMP) and ISO Standard 13485:2003 as well as regulatory, product-specific requirements. All of these considerations have been integrated into a quality management system conforming to ISO Standard 9001:2000. Quality management at our production sites, in the sales organization, and at a cross-functional level is reviewed regularly by national and international regulatory authorities and by customers. The high standards and functionality of the systems were again confirmed.

Various harmonization projects, such as the harmonization of analytical methods and the regulatory approval documentation, were continued in 2007. International working groups pursued these projects with the aim of obtaining regulatory approvals faster and speeding up the relocation of the production of individual products, for example after an acquisition.

Filaxis, based in Buenos Aires, Argentina, which was acquired as of April 30, 2007, was integrated successively into the quality management system and due for completion at the beginning of 2008. With this acquisition, we have widened our manufacturing expertise to include generic chemotherapy drugs. Since chemotherapy drugs have to be handled with great care, employee protection will therefore play a greater role in our quality management system within this product group.

In addition, a pre-approval inspection of our production facility in Halden, Norway, by the US Food and Drug Administration (FDA) for an additional product was successfully completed. The FDA inspects whether the production plant and processes for a single product conforms with US regulations. Following the pre-approval inspection and after having received drug approval it is allowed to export the respective drug to the United States. The plant in Graz, Austria, which as the center of competence for aseptic manufacturing processes specializes in the production of parenteral nutrition and intravenously administered drugs, is FDA approved. The plant's GMP standard is of the highest international level as demanded for instance by U.S., E.U. and WHO GMP. The plant is ISO 9001:2000 and ISO 13485:2003 certified.

The roll-out of ISO-9001 certification to further Fresenius Kabi locations was continued. After all the European production and sales sites were integrated in the external certification to ISO 9001:2000 in 2006, the focus in 2007 was on the production facilities outside Europe.

Fresenius Helios

The unique quality management system at Fresenius Helios that was developed in-house is devoted to a continuous improvement in patient care. About 700 indicators cover all the main diseases so that the number of treatments, e.g. surgeries, performed and, where possible the quality of the outcomes, can be recorded. On the basis of over 142 indicators, the 30 most important diseases and surgeries are regularly published externally for the HELIOS Group in its own annual medical report and for the individual clinics in the respective hospital guidebooks. These publications assure an exemplary transparency of HELIOS' performance externally. Demanding group targets were defined for 33 indicators. In these areas

HELIOS Kliniken aims to be at least as good as the German average. Where benchmark data are available, HELIOS expects the clinics to match best-in-class international standards in surgical medicine. The Group met or significantly exceeded the targets for 25 of these indicators (clinics as of December 1, 2007). Mortality rates in the case of major diseases such as heart attack, heart failure, stroke, and pneumonia, and of many major surgeries Group-wide were well below the German average, by as much as 23 % in some cases. For instance, in the treatment of fractures of the neck of the femur, often caused by falls in elderly persons, the mortality rate was 5 % below the German average. Where the targets were not achieved, the deviation from the German average was so small that it is statistically not significant. The medical teams at HELIOS are also pursuing additional goals relating to care in the various specialist areas.

Fresenius Vamed

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

SALES, MARKETING AND LOGISTICS

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

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

The business segments have the following customer structure:

Dialysis clinics and hospitals are Fresenius Medical Care's main customers for its products business. In dialysis care, approximately 36 % of Fresenius Medical Care's rev-

enues are derived from the U.S. government's Medicare/ Medicaid programs, about 64 % from private and other health care payors and hospitals.

Fresenius Kabi has a broadly diversified customer base. This includes hospitals, wholesalers, purchasing associations, medical and similar institutions, hospital operators, and home care patients. There is no significant dependence on one source of revenue.

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

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

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Our products and services are in strong demand around the world. Operating performance in the first weeks of 2008 has been fully in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

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

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

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the Company's long-term success. In this way we can tap new potentials and consolidate and improve on what we have already achieved. Opportunities management is closely linked to the Fresenius Group's long-term strategy and medium-term planning. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends and requirements, and the opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and institutions, and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 102.

RISK MANAGEMENT

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

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

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

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

The Fresenius Group's currency and interest rate risk management activities are based on a policy approved by the Management Board that defines the targets, the organization and the handling of the risk management processes. In particular, the guidelines assign responsibilities for risk determination, the execution of hedging transactions, and for the regular reporting of risk management activities. These responsibilities are coordinated with the management structures in the other business areas of the Group. Thus, hedging transactions using derivatives are carried out solely by the Corporate Treasury Department of the Fresenius Group, apart from a few exceptions in order to adhere to foreign currency regulations, and are subject to stringent internal controls. This policy ensures that the Management Board is fully informed of all significant risks and current hedging activities. The functionality and effectiveness of the risk management system is reviewed as part of the audit of the annual financial statements. Conclusions arising from the audit are taken into account in the ongoing refinement of our risk management system.

RISK AREAS

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

- General economic risks
  From today's point of view, the development of the global economy presents no significant risk to the Fresenius Group. In 2008, on the whole we expect overall economic growth to continue. For the Fresenius Group, we therefore expect continued strong demand for our life-saving and life-sustaining products and services.
- Risks in the general operating framework
  The risk situation for each business segment depends on the development of its markets. Therefore, political, legal and financial conditions are monitored and evaluated carefully. In addition, the growing internationalization of our markets requires us to keep abreast of country-specific risks.

Risks in the health care sector

Risks related to changes in the health care market are of major importance to the Fresenius Group. The main risks are the development of new products and therapies by competitors, the financing of health care systems and reimbursement in the health care sector. The latter applies especially in the United States, where a large portion of our sales are generated, and where e.g. changes in the reimbursement system could have an impact on our business. The same is true for the hospital market in Germany. In 2008, hospitals will again have to contribute a lump sum toward improving the finances of the German public health insurance system. The introduction of the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing expenditure in the health care system. The Company constantly monitors further legislative developments of the DRG system. Discussions about an end to dual financing in the hospital sector are also being followed. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Company that the contracts between its hospitals and the insurers and health care institutions are maintained. For this reason, we not only continually monitor legislative changes but proactively work together with governmental health care institutions. Generally, the aim is to counter possible regulatory risks through cost reductions and enhanced performance. In addition, our close ties with the medical and scientific communities allow us to identify and support relevant technological innovations and keep abreast of current developments in alternative treatment methods. This enables us to evaluate and adjust our corporate strategy if necessary.

Operating risks

Production, products and services

We confront potential risks in production and services with the following measures: Compliance with product and manufacturing regulations is ensured by quality management systems in accordance with the internationally recognized quality standards ISO 9001 and ISO 9002 and the corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out by quality management officers at the Group's production sites and dialysis clinics.

These audits test compliance with all regulations in all areas – from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the international "Good Manufacturing Practice" (GMP) guidelines and other internationally and nationally recognized standards. In addition, the quality management and compliance programs document and insure that business is carried out in line with high ethical standards and in accordance with official procedures. Internal and external audits review the legality and efficiency of our operations and the effectiveness of our internal monitoring systems. Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis and continual progress reviews.

Performing medical procedures on patients in our hospitals and post acute care clinics presents inherent risks; at the same time operational risks, for example the need for strict hygiene and sterile conditions, can arise. We counteract these risks with strict operating procedures, continuous personnel training and patient-oriented working methods. Risks can also arise from increasing pressure on our product prices and from price increases

on the procurement side. For instance, changes in the United States in the regulations concerning the reimbursement for erythropoietin (EPO), or a change in the dosage, could have a significant impact on the revenues and earnings of Fresenius. EPO is a hormone used in dialysis that stimulates the production of red blood cells. An interruption in supply or worsening procurement conditions for EPO could also reduce revenues and significantly increase Fresenius' costs. To counter this risk, Fresenius Medical Care has entered into an agreement with Amgen for the supply of EPO in the United States and Puerto Rico. Amgen is the sole supplier of EPO in the United States. The agreement runs until December 31, 2011. Reimbursement and revenues from the administration of EPO accounted for approximately 8 % of total sales of the Fresenius Group in 2007.

On the procurement side, we counter risks, which mainly involve possible price increases, by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group.

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

- Research and development
  The development of new products and therapies always carries the risk that the development target is not achieved. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. We also strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development.

- Risks from the integration of acquisitions
  The integration of acquisitions or potential acquisitions carries risks that can adversely affect assets and liabilities, the financial position and results of operations of Fresenius. Following an acquisition, the infrastructure of the acquired company must be integrated while legal questions and contractual obligations are clarified. Marketing, patient services and logistics must also be unified. Ongoing business processes as well as relationships with customers can be harmed by losing key managers during integration. The integration process may prove to be more difficult and cost-intensive or last longer than expected. Risks can arise from the operations of the newly acquired companies that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected.

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

- Financial risks
  Potential financial risks can arise from exposure to foreign currencies and interest rates. Controlling and limiting these risks is an integral part of our risk management. We also use derivative financial instruments to hedge against interest rate and foreign currency risks.

  However, these instruments are used solely for hedging current operations and are not used for trading or speculative purposes. Please see pages 190 to 194 of the Notes for further details.

  The Fresenius Group is protected to a large extent against currency and interest rate risks. As of December 31, 2007, 82 % of the Fresenius Group's debt is protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 18 %, or € 1,046 million, is exposed to an interest rate risk.

  A rise of 0.5 % in the reference rates relevant for Fresenius would have a less than 1 % impact on Group net income. As a globally active company, Fresenius has production facilities in all the main currency areas. Consequently, the exposure to currency risks arising from our business activities does not rise to the same extent as sales.

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

  As a globally active company, Fresenius is widely exposed to translation effects due to foreign exchange rate fluctuations. The exchange rate of the US dollar to the euro is of particular importance due to our extensive operations in the United States.

  Fresenius' debt could limit its ability to pay dividends or to implement its corporate strategy.

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

- Legal risks
  Risks that arise from legal issues are continually identified, analyzed and communicated. In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connec-

tion with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the court, upon plan confirmation. The settlement agreement has now been approved by the pertinent court. Also, subject to the confirmation of the W.R. Grace & Co. settlement agreement, claims made out of court by certain private U.S. health insurers were also settled by agreement. Consequently, all legal issues resulting from the NMC transaction have been concluded subject to plan confirmation.

In October 2004, Fresenius Medical Care Holdings, Inc. and its subsidiaries, including Renal Care Group (RCG; before RCG was acquired) received subpoenas from the U.S. Department of Justice, Eastern District of New York. The subpoenas require production of a broad range of documents relating to the companies' operations, with specific attention to documents relating to a certain hormone test and vitamin D therapies.

Furthermore, FMCH and its subsidiaries, including RCG (before its acquisition by Fresenius Medical Care) received in April 2005 (RCG in August 2005) a subpoena from the U.S. Department of Justice in St. Louis (Missouri) in connection with civil and criminal investigations. Documentation must be provided on clinical quality programs, business development activities, compensation of clinic managers, contractual relationships with doctors, joint ventures, and anemia treatment therapies, RCG's suppliers, pharmaceutical and other services which RCG has provided for patients, RCG's relations to companies in the pharmaceutical industry and RCG's procurement of dialysis machines from FMCH. The Inspector General of the U.S. Department of Health and the Attorney General for the Eastern District of Texas confirmed their involvement in the review of the anemia management program.

In July 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH, in its capacity as RCG's current corporate parent, in the U.S. district court, Eastern District of Missouri. The complaint seeks monetary damages and penalties in respect of the business activities of the RCG Method II supply company in 2005, before RCG was acquired by FMCH.

In August 2007, the Sheet Metal Workers National Pensions Fund filed a complaint in the U.S. district court of California alleging that Amgen, Inc., Fresenius Medical Care, and DaVita, Inc. had marketed Amgen's products Epogen and Aranesp to hemodialysis patients for uses not approved by the FDA and thereby caused a putative class of commercial insurers to pay for unnecessary prescriptions of these products. Motions have been filed to consolidate this case with others against Amgen alone in a single case under the federal rules for multidistrict litigation.

Please see pages 186 to 188 of the Notes for further details.

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

- Other risks

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

ASSESSMENT OF OVERALL RISK

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

CORPORATE RATING

Fresenius' credit quality is assessed and regularly reviewed by the two leading rating agencies Moody's and Standard & Poor's. The Standard & Poor's overall rating for Fresenius SE is BB and the Moody's rating is Ba2.

In 2007, Standard & Poor's changed the rating outlook from "negative" to "stable". Moody's revised its outlook from "stable" to "positive". The agencies' ratings for Fresenius are as follows:

RATING OF FRESENIUS SE

	Rating	Outlook
Standard & Poor's	BB	stable
Moody's	Ba2	positive

The rating agencies justify the current ratings and the improved outlook as a result of, among other factors, improved financial ratios and the successful integration of the Renal Care Group and HELIOS Kliniken acquisitions. Further, the rating decisions are based on the expectation that Fresenius can sustain its positive earnings trend and will continue to generate stable cash flows in future.

SUBSEQUENT EVENTS

Fresenius has reorganized its hospital business as of January 1, 2008. The former business segment Fresenius ProServe has been replaced by two new business segments – Fresenius Helios and Fresenius Vamed. As part of the new organizational structure, Dr. Francesco De Meo and Dr. Ernst Wastler joined the Management Board of Fresenius SE as from January 1, 2008. Dr. De Meo is responsible for the Fresenius Helios business segment. Dr. Wastler is in charge of the Fresenius Vamed business segment.

Apart from that, there have been no significant changes in the Fresenius Group's corporate position or operating environment since the beginning of 2008. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration, or in the area of personnel. No other events of material importance have occurred following the end of the fiscal year.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses and investments, as well as potential changes in the health care sector, our competitive environment and our financial situation. These statements were based on the expectations and assessments of the Management Board regarding events that could affect the Company in the future. Such forward-looking

statements are, as a matter of course, subject to risks, uncertainties, assumptions and other factors. Consequently, the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Risk Report on pages 96 ff.

GENERAL AND MID-TERM OUTLOOK

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

- The sustained growth of the markets in which we operate: Here, Fresenius sees very good opportunities to profit from the considerable health care needs, primarily in the developing and emerging countries.
- The development of innovative products and therapies: This creates the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality and the reliability of our products and therapies is key to being able to exploit opportunities for expansion.
- The expansion of our regional presence: The fast-growing markets in Asia-Pacific and Latin America especially offer further potential to increase our market shares. Besides strengthening our business regionally through market entries by our own, we plan to roll-out products and therapies from our existing portfolio successively in countries where we do not yet offer a comprehensive range.
- The broadening of our service business: Here, Fresenius Helios has concrete opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities for instance for Fresenius Medical Care. Changes in the framework conditions for the operation of dialysis clinics for private commercial enterprises in Japan could open up new sales potential for Fresenius Medical Care, since Japan is one of the world's biggest dialysis markets.
- Selective acquisitions: We will continue to seize opportunities to grow via acquisitions that extend our product portfolio and strengthen our regional presence.

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

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

1. Group sales of € 15 billion. Based on the sales of € 11,358 million generated in 2007, this represents a compounded annual growth rate of 10 %. It is to be achieved through strong organic growth flanked by acquisitions.
2. An EBIT margin of 15 %. Earnings are therefore expected to grow at a significantly higher rate than sales.

Acquisitions have led to significant higher Group financial liabilities with a corresponding impact on net interest expense. The aim is therefore to further improve the Group's leverage ratios.

This forecast takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2008 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

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

ECONOMIC OUTLOOK

The forecasts for 2008 paint a favorable picture for the global economic outlook. Growth is expected to slow but not drastically. This scenario depends on the central banks and the big financial institutions keeping the negative spillover from the financial crisis involving banks' liquidity within limits. There is still the risk that the turbulence on the financial markets will grow again and that the risk premiums in all segments of the credit market will increase more than temporarily. Global GDP growth of 4.6 % is estimated for 2008. Growth will slow most of all in the developed countries. The emerging economies, especially in Asia, will increasingly assume the role of locomotive for the world economy. Commodity prices will remain at a high level in 2008. The US dollar's weakness against the euro is not expected to change significantly.

- Europe

  Economic growth in the Eurozone will probably slow from 2.6 % to 1.6 % in 2008 as a result of a weaker world economy and a firmer euro. Despite these burdens thanks to an upturn in private consumption growth is unlikely to halt. This growth hinges on a further fall in unemployment, rising incomes and tax cuts, for instance in France. If the euro continues to firm against the US dollar, this outcome would probably be an additional burden for the industry in the Eurozone and especially for Germany with its strong export bias.

  In Germany, GDP should grow by 1.7 %, driven mainly by exports and investment. However, private consumption, should pick up again. A positive development in the labor market and pay increases should boost households' real disposable incomes. Since there will not be the negative effect of a VAT increase in 2008, private consumption should be responsible for about half of the economic growth in 2008.

- United States

  GDP growth in the United States should be around 1.6 % in 2008, which is below the growth of 2.2 % in 2007. Observers expect the property crisis in the United States to continue in 2008. This will affect the property market insofar as there will be a wave of rate adjustments, especially in subprime mortgages. Property prices have

already fallen in response to the continued decline in demand for residential properties. Falling property prices will hurt consumption owing to their wealth effect. In this scenario, the Federal Reserve is likely to make further rate cuts.

- Asia

  Experts forecast GDP growth of 8.6 % for Asia (excluding Japan). In China, concerns about the economy overheating are gaining ground. It is expected that China's central bank will take further steps to counter this. China's economy could receive a slight dampener as a result of the downturn in the United States, which accounts for about 20 % of China's exports. However, the economy's dynamic will remain strong, with an expected growth rate of 10.4 %. GDP growth in Japan, which has profited less strongly from the global dynamic in recent years, should be modest at an estimated 1.6 % in 2008. Domestic demand is expanding only moderately; export demand continues to be the driver.

- Latin America

  Economic expansion in Latin America should continue at a slightly slower pace in 2008, mainly as a result of the slowdown in the US economy and to a lesser extent that in Europe. GDP is therefore likely to grow by 4.4 %. Mexico will be hardest hit because of its strong trade relations with the United States. Mexico's GDP should grow by 3.4 %. Argentina and Brazil are the region's two countries that are the least vulnerable to the risks that could arise from an economic slowdown in the United States and Europe and an easing in commodity prices. Their economies are more highly developed and more diversified, for instance, they are not dependent on just one export commodity. For 2008, GDP growth of 5.1 % is forecast for Argentina and 4.6 % for Brazil.

HEALTH CARE SECTOR AND MARKETS

- The dialysis market

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

  We expect the number of patients with terminal kidney failure to increase worldwide to approximately 2 million by the year 2010. The global dialysis market will probably grow to US$ 67 billion.

  Reimbursement schemes for dialysis treatment vary from country to country. The reimbursement structures may also differ within individual countries. They may depend for instance on regional factors, the method of treatment, regulatory aspects, or the status of the dialysis care provider. The reimbursement of dialysis treatment

Source: German Council of Economic Exports Annual Report 2007/2008, bank research

according to quality-based criteria also remains a central issue. In this reimbursement model, the quality of treatment should increase while the total cost of treating a dialysis patient should remain constant. Fresenius Medical Care has been active for many years in numerous countries with a variety of health care systems and reimbursement schemes. Thanks to our international experience we are able to bolster the activities of the national health care systems, to adjust our business to the local environment, and to generate profitable growth. In the United States, our largest market, patients covered by the public health insurers Medicare and Medicaid account for about 53 % of Fresenius Medical Care's dialysis care revenues.

- The market for infusion therapies and clinical nutrition

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

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

There continues to be high growth potential in Latin America and in Asia-Pacific. The rising demand for primary care in hospitals and thus for high-quality therapies will result in continued strong growth rates in many countries in these regions in the coming years. We expect the markets of Asia-Pacific and Latin America to continue growing at high single to double-digit rates. We also expect a rising demand for medical devices in the coming years.

- The German hospital market

Hospitals face further economic pressure in 2008. The German government has increased the hospital budget for 2008 by 0.64 %, while maintaining the 0.5 % contribution hospitals are required to make towards improving the finances of public health insurers. Consequently, there is little scope for absorbing cost increases. According to a recent survey conducted by the German Hospital Institute, 42 % of the clinics expect their situation to deteriorate compared to 2007.

The DRG system has entered the last year of the convergence phase in 2008. As the legal situation stands at present, the convergence phase will be over for the most part as from the beginning of 2009. This means that as from then all hospitals will have to bill on the basis of standardized base rates valid throughout the respective state. The new system introduces more market-driven principles and performance transparency in the area of acute care. It will also encourage further competition since it enables the budgets agreed with the health insurers to be increased if performance is enhanced because additional services will no longer have to be provided at a low marginal revenue rate.

A further reform of hospital financing is currently in preparation for the year 2009. Under discussion is the introduction of so-called selective contracting, i. e. the negotiation of volumes, prices and quality standards for certain services directly with the individual health insurers.

At present, the services are negotiated jointly and uniformly with all health insurers. HELIOS Kliniken would be very well positioned should the proposals be implemented.

The rationalization trend in the German hospital market will continue in 2008 and beyond. According to a study by management consultants Ernst & Young, by the year 2020 there will be only 1,500 hospitals operating in Germany. 2.9 beds will be available per 1,000 population, and the average length of stay will fall to 4.0 days (2006: 6.2 beds, 8.5 days).

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

Against this background, we expect the concentration and privatization process to accelerate further, especially among public hospitals. Overall, experts expect the market share of private operators in terms of beds to rise from approximately 14 % at present to about 35 to 40 % until 2015. Crucial factors for a clinic's survival will be excellent medical standards, well-trained staff, well-organized processes and a well-structured treatment spectrum with a focus on high-quality, complex medical services.

Difficult pay negotiations are likely again in 2008 in the public sector, i. e. at the level of local government employers (as operators of municipal hospitals) and the German federal states (as operators of university clinics). The trade unions ver.di and Marburger Bund have both announced high pay demands for the professions they represent considering the economic and financing situation of the hospitals. Even a settlement on a much lower basis than the present demands would further accentuate the strained financial situation of many public hospitals. This will lead to further job cuts and privatizations.

GROUP SALES AND GROUP EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is excellently positioned for continued growth in the coming years. The opportunities for profitable growth are indicated by the developments described in the chapter "Health Care Sector and Markets". In 2008, we therefore expect to increase Group sales by 8 to 10 % at 2007 exchange rates.

While our traditional markets in Europe and North America are growing at average low to mid single-digit rates, we see far stronger growth potential in the Asia-Pacific region and in Latin America. Here, the demand for our life-saving and life-sustaining products continues to be very high due to the still limited access to medical care. This will also be reflected in the development of sales: While we expect single-digit rates of growth in our major markets of the United States and Europe, sales in the growth regions should increase at double-digit rates.

We plan to increase Group net income significantly again in 2008. We aim to achieve this through sustained sales growth and ongoing measures to lower costs as a percentage of sales, especially in production. Despite a market environment which continues to be marked by cost-containment and price pressure, we expect to increase net income by 10 to 15 % in constant currency, i. e. more strongly than sales.

Source: Krankenhaus-Barometer survey 2007, Ernst & Young survey "Gesundheitsversorgung 2020", bank research

SALES AND EARNINGS BY BUSINESS SEGMENT

We expect good improvements in sales and earnings in 2008 in each of our business segments. The table gives an overview.

The number of dialysis patients worldwide should rise by about 6 % in 2008, leading to a continued growth in demand for dialysis products and a higher number of treatments. In 2008, Fresenius Medical Care expects revenues to grow to more than 10.4 billion in US dollars, its reporting currency. For net income, Fresenius Medical Care forecasts US$ 805 to 825 million.

Fresenius Kabi expects its positive operating performance to continue in 2008. The company estimates sales growth of 12 to 15 % in constant currency. Organic growth is expected to contribute about 7 % to this target. Good growth potential is expected again in the Asia-Pacific region and in Latin America. Based on the positive sales projection, further cost optimizations, especially in production, and an improved product mix, Fresenius Kabi expects to increase earnings significantly. Fresenius Kabi forecasts an EBIT margin of around 16.5 %. It is anticipated that the recent acquisitions will initially contribute to Fresenius Kabi's EBIT at a margin below par, also due to amortization of intangible assets. Adjusted for the recent acquisitions, Fresenius Kabi's EBIT margin is expected to progress into the range of 16.5 to 17.0 %.

Fresenius Helios expects a continued good performance in the hospital operations business. The company forecasts revenue to grow to more than € 2,050 million in 2008. Revenues will also be influenced to a large extent by the first-time consolidation of the newly acquired clinics, especially the Krefeld Municipal Hospitals. EBIT is expected to increase to € 160 to 170 million in 2008, despite the initially negative contribution of the Krefeld Municipal Hospitals. Growth potential is expected above all from further hospital privatizations in Germany.

Fresenius Vamed expects a good performance in 2008 given the excellent order situation. The company expects to achieve sales growth and increase in EBIT of 5 to 10 %.

Fresenius Biotech will continue its clinical study program. We expect that the expenditures for our biotechnology projects will lead to negative EBIT of about € -50 million in 2008.

FINANCING

In 2007, we generated an excellent operating cash flow of € 1,296 million. The key driver was our good earnings performance. The cash flow margin was 11.4 %. We estimate that this margin will be in the range of 10 % in 2008, especially through further earnings improvements.

A key financial target figure for the Fresenius Group is the net debt/EBITDA ratio. As of December 31, 2007, this ratio was 2.6. Our mid-term goal is to reach a ratio in the range of 2.5, primarily through earnings improvements and a continued positive cash flow development. This target is on the assumption that no major acquisition opportunities arise.

Overall, we have a sufficient financial cushion with substantial unused credit lines under syndicated or bilateral credit facilities from banks. As of December 31, 2007, Fresenius Medical Care's receivables securitization program

GROUP FINANCIAL TARGETS

	Targets 2008	Fiscal year 2007
Sales, growth (in constant currency)	8 - 10 %	€ 11,358 million
Net income, growth (in constant currency)	10 - 15 %	€ 410 million
Capital expenditure	~ € 750 million	€ 705 million
Dividend	Profit-driven dividend policy	Proposal: ~15 % per ordinary and preference share

of US$ 650 million were only partially and Fresenius SE's € 250 million commercial paper program was not utilized. Please see page 86 of the Management Report for details.

Our refinancing requirements in 2008 are already fully covered by the capital market transactions carried out in 2007. There are only limited refinancing requirements in 2009 and 2010. These can be met from cash flow and, if necessary, from existing credit facilities.

INVESTMENTS

Fresenius plans to invest in further growth and to increase capital expenditure in property, plant and equipment. In 2008, we expect to invest about € 750 million in property, plant and equipment and in intangible assets. This will again be significantly more than the € 705 million invested in 2007. The increase will mainly be in the Fresenius Medical Care business segment. Approximately two-thirds of the capital expenditure budgeted will be invested at Fresenius Medical Care, while Fresenius Kabi and Fresenius Helios will each account for about 15 %. Investments at Fresenius Medical Care will focus on the construction and expansion of dialysis clinics, and on the expansion and maintenance of production plants. Fresenius Kabi will invest in expanding and maintaining production facilities and in introducing new manufacturing technologies. These developments will enable further improvements in production efficiency. At Fresenius Helios we will be investing primarily in modernizing hospitals and in hospital equipment. The regional focus of the investments will be on Europe and North America, which will account for about 45 % and 40 %, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 25 % of the funds will be invested in Germany.

PROCUREMENT

As a result of the sharply increased prices for energy and raw materials, the ongoing optimization of our procurement management, including price and conditions as well as product quality, is a key factor for further earnings growth. We expect the procurement costs for oil-based intermediate products to rise. The prices of other finished goods such as cardboard

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2008	Fiscal year 2007
Fresenius Medical Care		
Sales	> US$ 10.4 billion	US$ 9,720 million
Net income	US$ 805 - 825 million	US$ 717 million
Fresenius Kabi		
Sales growth (in constant currency)	12 - 15 %	€ 2,030 million
EBIT margin	~ 16.5 %	16.4 %
Fresenius Helios		
Sales	> € 2,050 million	€ 1,841 million
EBIT	€ 160 - 170 million	€ 155 million
Fresenius Vamed		
Sales growth	5 - 10 %	€ 408 million
EBIT growth	5 - 10 %	€ 26 million
Fresenius Biotech		
EBIT	~ € - 50 million	€ - 50 million

boxes and packaging materials should remain relatively stable. We will continue bundling our procurement processes on a global, cross-company basis. Procurement alliances across various sectors allow us to increase purchasing volumes and secure better conditions from our suppliers. Individual processes will also be streamlined over the longer term through the introduction of electronic requisitioning procedures.

The further steep rise in the prices of energy and oil-based products seen in 2007 is likely to continue in 2008. The sustained strong demand from growth regions and geopolitical factors are the main but not the only drivers behind this development. We also expect the prices of processed corn products to remain at a high level. While the prices of processed milk products will probably ease a little from their present level, the underlying price trend will remain high.

Procurement management at HELIOS will face new challenges in the coming years but will be continuously improved. Clinics are treating more and more patients with greater needs in terms of medical supplies. In the combined efforts of the doctors and business economists, not only do responsible patient-oriented decisions have to be reached, but a balance has also to be maintained between quality and cost efficiency. This is a constant challenge. HELIOS has also developed a special concept for integrating newly acquired clinics into the group network and into the central procurement management system. The goal for 2008 is to integrate the newly acquired clinics and unlock cost-saving potential as swiftly as possible. HELIOS is also extending the requirements bundling, for example for drugs. Purchasing strategy at HELIOS includes a more widespread use of e-procurement at the individual clinics. Electronic procurement processes are to be introduced at all HELIOS clinics by the year 2010.

RESEARCH AND DEVELOPMENT

Our R&D activities will continue to play a key role in securing the Group's long-term growth through innovations and new therapies. We are concentrating our R&D on products for the treatment of patients with chronic kidney failure. The emphasis will be on dialysis membranes, dialysis machines and other products. We are also focusing on other extracorporeal therapies, such as those used in the treatment of patients with liver disease and research into alternative regional anticoagulants, as well as our main research areas of infusion and nutrition therapies. We are also concentrating on targeted development in the biotechnology sector, mainly in the field of antibody therapies. Biotechnology research opens up possibilities for treating diseases which cannot be cured today, and offers Fresenius potential for further growth with innovative cancer therapies. Based on the encouraging results of a phase II/III study, the filing dossier was dispatched to the EMEA (European Medicines Agency), the European drug approval agency, at the end of 2007 for the approval of the antibody Removab® for the indication of malignant ascites. Fresenius Biotech expects a possible market introduction of this product in the indication of malignant ascites – subject to approval – at beginning of 2009. Further clinical studies with the antibodies Removab® and Rexomun® for various indications are ongoing.

We are planning to invest more in research and development in 2008. The increase should be higher than the expected organic growth rate in sales. The number of employees in research and development will also be increased.

Market-oriented research and development with strict time-to-market management processes is crucial for the success of new products. Using clearly defined milestones, we continually review our R&D results.

Innovative ideas, product development and therapies with a high level of quality will continue to be the basis for market-leading products in the future.

CORPORATE LEGAL STRUCTURE AND ORGANIZATION

Fresenius completed its conversion from a public limited company incorporated under German law (Aktiengesellschaft) into a Societas Europaea (SE) in 2007. No further change in the Company's legal form is planned in the foreseeable future.

As of January 1, 2008, the Fresenius Group is divided into four business segments, each of which is a legally independent entity. The business segments are organized on a regional and decentralized basis to provide the greatest flexibility for meeting the demands of the respective markets. The "entrepreneur in the enterprise" principle, with its clearly defined responsibilities, has proven itself over many years. We will continue to follow this principle.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future as a result of strong organic expansion, but growth in employee numbers will be held below the expected rate of organic sales growth. The regional distribution of our employees will not change significantly – just under 50 % will be located in Europe, about 35 % in North America, and the remaining 15 % in Asia-Pacific, Latin America, and Africa.

DIVIDEND

Continuity in our dividend policy remains an important priority, clearly demonstrated by steady dividend increases over the last 14 years. We want to remain true to this policy in the 2008 fiscal year and offer our shareholders a dividend in line with our positive earnings forecasts.

KEY FIGURES OF MAJOR AFFILIATED COMPANIES

	Company	Held by Fresenius in %	Sales 2007 in million US$	Profit/Loss[1] 2007 in million US$	Equity Dec 31, 2007 in million US$	Employees Dec 31, 2007
Europe						
1	Fresenius Medical Care AG & Co. KGaA Hof an der Saale, Germany (sub-group/US GAAP)	36	9,720	717	5,575.2	64,662

	Company	Held by Fresenius in %	Sales 2007 in million €	Profit/Loss[1] 2007 in million €	Equity Dec 31, 2007 in million €	Employees Dec 31, 2007
Europe						
2	Fresenius Kabi Deutschland GmbH Bad Homburg v.d.H., Germany (with profit transfer agreement)	100	661.4	–	315.8	1,905
3	Fresenius HemoCare GmbH Bad Homburg v.d.H., Germany (with profit transfer agreement)	100	41.0	–	0.3	78
4	HELIOS Group Berlin, Germany	98	1,841.2	88.7	575.1[2]	30,043
5	Fresenius Kabi France S.A.S. Sèvres, France	100	133.9	1.6	28.1	563
6	Fresenius Vial S.A.S. Brézins, France	100	71.3	6.5	24.9	280
7	Fresenius Kabi Italia S.p.A. Verona, Italy	100	71.1	-1.0	44.9	276
8	Fresenius HemoCare Italia S.r.l. Modena, Italy	100	41.3	1.3	11.2	175
9	Fresenius Kabi España S.A. Barcelona, Spain	100	56.7	3.9	24.5	220
10	Labesfal – Laboratórios Almiro, S.A. Campo de Besteiros, Portugal	100	67.1	14.4	58.9	333
11	Fresenius Kabi Ltd. Runcorn/Cheshire, Great Britain	100	121.3	2.8	11.8	373
12	Fresenius Kabi Austria GmbH Graz, Austria	100	192.4	35.3	61.9	602
13	VAMED Group Vienna, Austria	77	408.2	23.6	108.3	1,767
14	Fresenius Kabi (Schweiz) AG Stans, Switzerland	100	21.3	0.6	4.4	44

	Company	Held by Fresenius in %	Sales 2007 in million €	Profit/Loss[1] 2007 in million €	Equity Dec 31, 2007 in million €	Employees Dec 31, 2007
Europe						
15	Fresenius HemoCare Netherlands B.V. Emmen, The Netherlands	100	112.4	12.4	39.6	976
16	Fresenius Kabi Nederland B.V. ´s-Hertogenbosch, The Netherlands	100	23.0	2.9	3.0	11
17	Fresenius Kabi N.V. Schelle, Belgium	100	27.9	0.6	3.6	44
18	Fresenius Kabi Norge A/S Halden, Norway	100	75.8	12.4	24.6	471
19	Fresenius Kabi AB Stockholm, Sweden	100	224.6	34.9	74.1	895
20	Fresenius Kabi Polska Sp. z o.o. Warsaw, Poland	100	27.7	1.8	18.0	271
21	Fresenius Kabi Ilac Sanayi ve Ticaret limited Sirketi Istanbul, Turkey	100	20.8	1.4	8.8	72
America						
22	Calea Ltd. Toronto/Ontario, Canada	100	86.6	6.8	12.4	315
23	Grupo Fresenius México S.A. de C.V. Guadalajara, Mexico	100	33.3	-0.5	21.1	493
24	Fresenius Kabi Brasil Ltda. Campinas/São Paulo, Brazil	100	53.2	-3.5	32.2	1,149
Asia						
25	Sino-Swed Pharmaceutical Corp. Ltd. Wuxi, China	51	99.5	23.6	55.7	1,190
26	Beijing Fresenius Pharmaceutical Co., Ltd. Beijing, China	100	70.0	7.7	27.3	554
27	Fresenius Kabi Korea Ltd. ChunAn, Korea	100	30.3	-1.0	4.4	76
28	Pharmatel Fresenius Kabi Pty Ltd. Sydney, Australia	100	45.2	-1.0	2.0	116
Africa						
29	Fresenius Kabi South Africa (Pty) Ltd. Midrand, South Africa	100	76.2	8.3	31.2	589

[1] net income (loss)
[2] after € 41.1 million according to profit and loss agreement

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

FRESENIUS

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CONSOLIDATED STATEMENT OF INCOME

January 1 to December 31, in million €	Note	2007	2006
Sales	3	**11,358**	10,777
Cost of sales	4	**-7,680**	-7,351
Gross profit		**3,678**	3,426
Selling, general and administrative expenses	7	**-1,885**	-1,815
Research and development expenses		**-184**	-167
Operating income (EBIT)		**1,609**	1,444
Interest income	8	**27**	23
Interest expenses	8	**-395**	-418
Earnings before income taxes and minority interest		**1,241**	1,049
Income taxes	9	**-448**	-414
Minority interest	23	**-383**	-305
Net income		**410**	330
Basic earnings per ordinary share in €	10	**2.64**	2.15
Fully diluted earnings per ordinary share in €	10	**2.61**	2.12
Basic earnings per preference share in €	10	**2.65**	2.16
Fully diluted earnings per preference share in €	10	**2.62**	2.13

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

CONSOLIDATED BALANCE SHEET

ASSETS

as of December 31, in million €	Note	2007	2006
Cash and cash equivalents	11	**361**	261
Trade accounts receivable, less allowance for doubtful accounts	12	**2,159**	2,088
Accounts receivable from and loans to related parties		**8**	8
Inventories	13	**875**	761
Prepaid expenses and other current assets	14	**603**	730
Deferred taxes	9	**285**	258
I. Total current assets		**4,291**	4,106
Property, plant and equipment	15	**2,971**	2,712
Goodwill	16	**7,094**	7,107
Other intangible assets	16	**546**	548
Other non-current assets	14	**290**	378
Deferred taxes	9	**132**	173
II. Total non-current assets		**11,033**	10,918
Total assets		**15,324**	15,024

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, in million €	Note	2007	2006
Trade accounts payable		**485**	464
Short-term accounts payable to related parties		**5**	2
Short-term accrued expenses and other short-term liabilities	17, 18	**1,897**	1,808
Short-term borrowings	19	**362**	330
Short-term loans from related parties		**–**	1
Current portion of long-term debt and liabilities from capital lease obligations	19	**115**	265
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	22	**455**	0
Short-term accruals for income taxes		**158**	159
Deferred taxes	9	**26**	29
A. Total short-term liabilities		**3,503**	3,058
Long-term debt and liabilities from capital lease obligations, less current portion	19	**2,887**	3,230
Senior Notes	20	**1,434**	1,100
Long-term liabilities and loans from related parties		**0**	–
Long-term accrued expenses and other long-term liabilities	17, 18	**326**	300
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	22	**446**	946
Pension liabilities	21	**270**	310
Long-term accruals for income taxes		**87**	0
Deferred taxes	9	**312**	352
B. Total long-term liabilities		**5,762**	6,238
I. Total liabilities		**9,265**	9,296
II. Minority interest	23	**2,644**	2,560
Subscribed capital	24	**155**	154
Capital reserve	24	**1,739**	1,702
Other reserves	24	**1,636**	1,315
Accumulated other comprehensive income (loss)	25	**-115**	-3
III. Total shareholders' equity		**3,415**	3,168
Total liabilities and shareholders' equity		**15,324**	15,024

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

CONSOLIDATED CASH FLOW STATEMENT

January 1 to December 31, in million €	Note	2007	2006
Cash provided by/used for operating activities			
Net income		**410**	330
Minority interest	23	**383**	305
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Cash inflow from hedging		**–**	9
Depreciation and amortization	14, 15, 16	**421**	399
Loss on sale of investments		**0**	2
Change in deferred taxes	9	**12**	77
Gain/Loss on sale of fixed assets		**-1**	14
Change in assets and liabilities, net of amounts from businesses acquired or disposed of			
Change in trade accounts receivable, net	12	**-112**	-86
Change in inventories	13	**-125**	-49
Change in prepaid expenses and other current and non-current assets	14	**76**	-101
Change in accounts receivable from/payable to related parties		**-1**	4
Change in trade accounts payable, accruals and other short-term and long-term liabilities		**152**	187
Change in accruals for income taxes		**81**	13
Tax payments related to divestitures and acquisitions		**0**	-52
Cash provided by operating activities		**1,296**	1,052
Cash provided by/used for investing activities			
Purchase of property, plant and equipment		**-704**	-589
Proceeds from the sale of property, plant and equipment		**38**	18
Acquisitions and investments, net of cash acquired	2, 29	**-444**	-3,657
Proceeds from divestitures	2	**52**	438
Cash used for investing activities		**-1,058**	-3,790

January 1 to December 31, in million €	Note	2007	2006
Cash provided by/used for financing activities			
Proceeds from short-term borrowings	19	**175**	54
Repayments of short-term borrowings	19	**-108**	-70
Repayments of borrowings from related parties		**0**	-1
Proceeds from long-term debt and liabilities from capital lease obligations	19	**224**	3,323
Repayments of long-term debt and liabilities from capital lease obligations	19	**-495**	-1,514
Proceeds from liabilities from Senior Notes	20	**353**	978
Repayments of liabilities from Senior Notes	20	**0**	-314
Changes of accounts receivable facility	19	**-132**	137
Proceeds from the exercise of stock options	31	**55**	75
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares		**0**	258
Dividends paid		**-205**	-171
Change in minority interest	23	**–**	1
Exchange rate effect due to corporate financing		**11**	4
Cash provided by/used for financing activities		**-122**	2,760
Effect of exchange rate changes on cash and cash equivalents		**-16**	-13
Net increase in cash and cash equivalents		**100**	9
Cash and cash equivalents at the beginning of the year	11	**261**	252
Cash and cash equivalents at the end of the year	11	**361**	261

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Note	Ordinary shares		Preference shares		Subscribed Capital	
		Number of shares (thousand)	Amount (thousand €)	Number of shares (thousand)	Amount (thousand €)	Amount (thousand €)	Amount (million €)
As of December 31, 2005		76,083	76,083	76,083	76,083	152,166	152
Issuance of bearer ordinary and bearer preference shares	24	530	530	530	530	1,060	1
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares							
Proceeds from the exercise of stock options	31	564	564	564	564	1,128	1
Compensation expense related to stock options	31						
Dividends paid	24						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss) related to							
Cash flow hedges	25, 27						
Foreign currency translation	25						
Adjustments relating to pension obligation	21, 25						
Comprehensive income (loss)							
As of December 31, 2006		77,177	77,177	77,177	77,177	154,354	154
Proceeds from the exercise of stock options	31	405	405	405	405	810	1
Compensation expense related to stock options	31						
Dividends paid	24						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss) related to							
Cash flow hedges	25, 27						
Foreign currency translation	25						
Adjustments relating to pension obligation	21, 25						
Comprehensive income (loss)							
As of December 31, 2007		77,582	77,582	77,582	77,582	155,164	155

	Note	Reserves		Other comprehensive income (loss)			
		Capital reserve (million €)	Other reserves (million €)	Foreign currrency translation (million €)	Cash flow hedges (million €)	Pensions (million €)	Total (million €)
As of December 31, 2005		1,524	1,061	161	14	-71	2,841
Issuance of bearer ordinary and bearer preference shares	24	41					42
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares		94					94
Proceeds from the exercise of stock options	31	31					32
Compensation expense related to stock options	31	12					12
Dividends paid	24		-76				-76
Comprehensive income (loss)							
Net income			330				330
Other comprehensive income (loss) related to							
Cash flow hedges	25, 27				16		16
Foreign currency translation	25			-127			-127
Adjustments relating to pension obligation	21, 25					4	4
Comprehensive income (loss)			330	-127	16	4	223
As of December 31, 2006		1,702	1,315	34	30	-67	3,168
Proceeds from the exercise of stock options	31	20					21
Compensation expense related to stock options	31	17					17
Dividends paid	24		-89				-89
Comprehensive income (loss)							
Net income			410				410
Other comprehensive income (loss) related to							
Cash flow hedges	25, 27				-39		-39
Foreign currency translation	25			-120			-120
Adjustments relating to pension obligation	21, 25					47	47
Comprehensive income (loss)			410	-120	-39	47	298
As of December 31, 2007		1,739	1,636	-86	-9	-20	3,415

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

SEGMENT REPORTING

by business segment

in million €	Fresenius Medical Care 2007	Fresenius Medical Care 2006	Fresenius Medical Care Change	Fresenius Kabi 2007	Fresenius Kabi 2006	Fresenius Kabi Change
Sales	**7,093**	6,768	5 %	**2,030**	1,893	7 %
thereof contribution to consolidated sales	**7,089**	6,763	5 %	**1,986**	1,853	7 %
thereof intercompany sales	**4**	5	-20 %	**44**	40	10 %
contribution to consolidated sales	**62 %**	63 %		**18 %**	17 %	
EBITDA	**1,418**	1,295	9 %	**408**	370	10 %
Depreciation and amortization	**265**	245	8 %	**76**	79	-4 %
EBIT	**1,153**	1,050	10 %	**332**	291	14 %
Net interest	**-271**	-280	3 %	**-49**	-70	30 %
Net income	**523**	427	22 %	**183**	143	28 %
Operating cash flow	**875**	723	21 %	**179**	202	-11 %
Cash flow before acquisitions and dividends	**475**	365	30 %	**67**	101	-34 %
Total assets	**9,626**	9,905	-3 %	**2,310**	1,965	18 %
Debt	**3,833**	4,236	-10 %	**1,121**	880	27 %
Capital expenditure	**423**	372	14 %	**116**	113	3 %
Acquisitions	**257**	3,561	-93 %	**178**	14	--
Research and development expenses	**49**	41	20 %	**86**	77	12 %
Employees (per capita on balance sheet date)	**64,662**	59,996	8 %	**16,964**	15,591	9 %
Key figures						
EBITDA margin	**20.0 %**	19.1 %		**20.1 %**	19.5 %	
EBIT margin	**16.3 %**	15.5 %		**16.4 %**	15.4 %	
Depreciation and amortization in % of sales	**3.7 %**	3.6 %		**3.7 %**	4.2 %	
Operating cash flow in % of sales	**12.3 %**	10.7 %		**8.8 %**	10.7 %	
ROOA	**12.5 %**	11.3 %[1)]		**17.7 %**	17.3 %	

[1)] Calculation is based on the pro forma EBIT excluding the gain on the sale of dialysis clinics of Fresenius Medical Care.

Fresenius ProServe			thereof Fresenius Helios	thereof Fresenius Vamed	Corporate/Other			Fresenius Group		
2007	2006	Change	**2007**	**2007**	**2007**	2006	Change	**2007**	2006	Change
2,268	2,155	5 %	**1,841**	**408**	**-33**	-39	15 %	**11,358**	10,777	5 %
2,264	2,145	6 %	**1,841**	**408**	**19**	16	19 %	**11,358**	10,777	5 %
4	10	-60 %	**0**	**0**	**-52**	-55	5 %	**0**	0	
20 %	20 %		**16 %**	**4 %**	**0 %**	0 %		**100 %**	100 %	
250	218	15 %	**220**	**31**	**-46**	-40	-15 %	**2,030**	1,843	10 %
69	64	8 %	**65**	**5**	**11**	11	0 %	**421**	399	6 %
181	154	18 %	**155**	**26**	**-57**	-51	-12 %	**1,609**	1,444	11 %
-47	-40	-18 %	**-53**	**6**	**-1**	-5	80 %	**-368**	-395	7 %
81	75	8 %	**64**	**23**	**-377**	-315	-20 %	**410**	330	24 %
274	176	56 %	**202**	**72**	**-32**	-49	35 %	**1,296**	1,052	23 %
133	73	82 %	**65**	**68**	**-45**	-58	22 %	**630**	481	31 %
3,329	3,108	7 %	**3,072**	**390**	**59**	46	28 %	**15,324**	15,024	2 %
1,045	932	12 %	**1,136**	**0**	**-300**	-176	-70 %	**5,699**	5,872	-3 %
153	106	44 %	**149**	**4**	**13**	9	44 %	**705**	600	18 %
175	139	26 %	**174**	**6**	**3**	0	--	**613**	3,714	-83 %
1	1	0 %	**1**	**0**	**48**	48	0 %	**184**	167	10 %
31,815	28,615	11 %	**30,043**	**1,767**	**740**	670	10 %	**114,181**	104,872	9 %
11.0 %	10.1 %		**12.0 %**	**7.6 %**				**17.9 %**	17.1 %	
8.0 %	7.1 %		**8.4 %**	**6.4 %**				**14.2 %**	13.4 %	
3.0 %	3.0 %		**3.5 %**	**1.2 %**				**3.7 %**	3.7 %	
12.1 %	8.2 %		**11.0 %**	**17.6 %**				**11.4 %**	9.8 %	
6.5 %	5.6 %		**5.6 %**	**22.8 %**				**11.4 %**	10.4 %[1)]	

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

SEGMENT REPORTING

by region

	Europe			North America		
in million €	**2007**	2006	Change	**2007**	2006	Change
Sales	**4,852**	4,536	7 %	**4,932**	4,862	1 %
contribution to consolidated sales	**43 %**	43 %		**43 %**	45 %	
EBIT	**557**	497	12 %	**843**	772	9 %
Depreciation and amortization	**219**	213	3 %	**162**	147	10 %
Total assets	**6,726**	6,256	8 %	**7,354**	7,691	-4 %
Capital expenditure	**381**	288	32 %	**245**	245	0 %
Acquisitions	**328**	150	119 %	**194**	3,544	-95 %
Employees (per capita on balance sheet date)	**56,830**	52,062	9 %	**40,076**	38,597	4 %

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2007	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change
	802	696	15 %	**488**	452	8 %	**284**	231	23 %	**11,358**	10,777	5 %
	7 %	6 %		**4 %**	4 %		**3 %**	2 %		**100 %**	100 %	
	119	103	16 %	**52**	48	8 %	**38**	24	58 %	**1,609**	1,444	11 %
	23	20	15 %	**14**	16	-13 %	**3**	3	0 %	**421**	399	6 %
	720	573	26 %	**450**	446	1 %	**74**	58	28 %	**15,324**	15,024	2 %
	34	25	36 %	**39**	38	3 %	**6**	4	50 %	**705**	600	18 %
	72	4	--	**17**	13	31 %	**2**	3	-33 %	**613**	3,714	-83 %
	6,917	4,968	39 %	**9,481**	8,499	12 %	**877**	746	18 %	**114,181**	104,872	9 %

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

FRESENIUS

CONTENTS

GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of Fresenius SE, the operating activities were split into the following legally-independent business segments (subgroups) in the fiscal year 2007:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius ProServe

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 173,863 patients in its 2,238 own dialysis clinics.

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

Fresenius ProServe is a leading German, private hospital operator with 60 facilities. Moreover, the company offers engineering and services for hospitals and other health care facilities. As of January 1, 2008, Fresenius ProServe was replaced by two new business segments – Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is focused on hospital operations. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

Fresenius SE owned 36.41 % of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 35.95 % of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2007. Fresenius Medical Care Management AG (FMC Management AG), the general partner of FMC-AG & Co. KGaA, is a wholly-owned subsidiary of Fresenius SE. Due to this structure, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group. Fresenius SE continued to hold 100 % of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) and Fresenius ProServe (Fresenius ProServe GmbH) on December 31, 2007. In addition, Fresenius SE holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology and in Fresenius Biotech Beteiligungs GmbH.

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

II. CONVERSION OF FRESENIUS AG INTO A EUROPEAN COMPANY (SE) AND NEW DIVISION OF THE SUBSCRIBED CAPITAL

On December 4, 2006, at the Extraordinary General Meeting, Fresenius AG's shareholders approved the proposal to convert the Company's legal form from a German stock corporation (Aktiengesellschaft) into a European Company (Societas Europaea – SE). The conversion became effective on July 13, 2007 upon the registration in the commercial register after the successful completion of the procedure for the involvement of the employees. Fresenius AG's name after the conversion is Fresenius SE. The conversion of Fresenius AG into a SE neither leads to a liquidation of the Company nor to the formation of a new legal entity. The Company's corporate structure and management organization as well as the interests of the shareholders in the Company continue to exist unchanged because of the identity of the legal entity. In the Articles of Association of Fresenius SE, the existing two-tier system consisting of Management Board and Supervisory Board will remain unchanged. The Supervisory Board of Fresenius SE continues to have twelve members.

Furthermore, Fresenius AG's shareholders approved at the Extraordinary General Meeting to conduct a new division of the subscribed capital of Fresenius AG (share split) in connection with a capital increase from the Company's funds without the issuance of new shares. As a result, the number of ordinary shares and preference shares issued tripled. The share split in connection with an increase of the subscribed capital became effective upon the registration in the commercial register on January 24, 2007. Before the registration in the commercial register, the subscribed capital of Fresenius AG amounted to € 131,715,307.52 and was divided in 25,725,646 ordinary shares and 25,725,646 preference shares. Through a conversion of capital reserves, the subscribed capital was first increased by € 22,638,568.48 to € 154,353,876.00 and then divided in 77,176,938 ordinary shares and 77,176,938 preference shares. The new proportionate amount of the subscribed capital is € 1.00 per share. Following the share split, every holder of an ordinary share holds three ordinary shares and every holder of a preference share holds three preference shares.

III. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles (US GAAP).

Since January 1, 2005, Fresenius SE as a stock exchange listed company with a domicile in a member state of the European Union fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with US GAAP.

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

The consolidated balance sheet is classified on the basis of the liquidity of assets and liabilities; the consolidated statement of income is classified using the cost-of-sales accounting format.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

Capital consolidation is performed according to FAS 141 (Business Combinations) and FAS 142 (Goodwill and Other Intangible Assets) by offsetting investments in subsidiaries against the underlying equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

The equity method is performed according to APB No. 18 (The Equity Method of Accounting for Investments in Common Stock).

All significant intercompany revenues, expenses, income, receivables and payables are eliminated.

Profits and losses on items of property, plant and equipment and inventory acquired from other group entities are also eliminated.

Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

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

b) Composition of the Group

The consolidated financial statements include all material companies in which Fresenius SE has legal or effective control. In addition, the Fresenius Group consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary. If material, the equity method of accounting is used for investments in associated companies (usually 20 % to 50 % owned). All other investments are recorded at acquisition costs.

Fresenius Medical Care enters into various arrangements with certain dialysis clinics to provide management services, financing and product supply. Clinics that are VIEs under FIN 46R (Consolidation of Variable Interest Entities (revised)) in which Fresenius Medical Care is determined to be the primary beneficiary generated approximately € 70 million (US$ 96 million) and € 61 million (US$ 77 million) in revenue in 2007 and 2006, respectively. The interest held by the other shareholders in these consolidated VIEs is reported as minority interest in the consolidated balance sheet at December 31, 2007.

Fresenius Vamed participates in long-term project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. Some of these project entities qualify as VIEs, in which Fresenius Vamed is not the primary beneficiary. The project entities generated approximately € 43 million in annual revenue in 2007. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these VIEs.

The consolidated financial statements of 2007 include, in addition to Fresenius SE, 133 (2006: 123) German and 854 (2006: 838) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2006	**123**	**838**	**961**
Additions	16	56	72
of which newly founded	2	8	10
of which acquired	9	38	47
Disposals	6	40	46
of which no longer consolidated	4	21	25
of which merged	2	19	21
December 31, 2007	**133**	**854**	**987**

18 companies (2006: 13) were accounted for under the equity method.

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

In 2007, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Section 264 (3) of the German Commercial Code (HGB).

Name of the company	Registered office
Fresenius Kabi	
Fresenius HemoCare GmbH	Bad Homburg v. d. H.
Fresenius HemoCare Beteiligungs GmbH	Frankfurt am Main
Fresenius HemoCare Deutschland GmbH	Bad Homburg v. d. H.
Fresenius Kabi AG	Frankfurt am Main
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
MC Medizintechnik GmbH	Alzenau
V. Krütten Medizinische Einmalgeräte GmbH	Idstein
Fresenius Helios	
HELIOS Agnes Karll Krankenhaus GmbH	Bad Schwartau
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Pflege Dresden GmbH	Dresden
HELIOS Privatkliniken GmbH	Berlin
HELIOS Schlossbergklinik Oberstaufen GmbH	Oberstaufen
HELIOS Service GmbH	Berlin
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum
Corporate/Other	
Fresenius Biotech GmbH	Gräfelfing
Fresenius Biotech Beteiligungs GmbH	Frankfurt am Main
Fresenius Netcare GmbH	Berlin
Fresenius ProServe GmbH	Bad Homburg v. d. H.
Fresenius ProServe Beteiligungs GmbH	Bad Homburg v. d. H.

c) Classifications

Certain items in the prior year's consolidated financial statements have been reclassified to conform with the current year's presentation. The calculation of earnings per share (see Note 10, Earnings per share) has been adjusted due to the share split of Fresenius SE (formerly: Fresenius AG) recorded in the commercial register on January 24, 2007 for the increased number of shares in the fiscal year 2006.

d) Sales recognition policy

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

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

In the business segment Fresenius Vamed, sales are recognized for long-term production contracts depending on the individual agreement and in accordance with the percentage of completion (PoC) method. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, milestones laid down in the contract or the percentage of completion. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably.

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

e) Government grants

Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a liability and as soon as the asset is acquired it is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings. Research and development costs are expensed as incurred.

g) Impairment

The Fresenius Group reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in accordance with FAS 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). Recoverability of these assets is measured by a comparison of the carrying amount of an asset to the future net cash flow directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset. The Fresenius Group uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. In accordance with FAS 144, long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell and depreciation is ceased.

h) Capitalized Interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if they are directly attributable to the acquisition, construction or manufacture of qualifying assets in accordance with FAS 34 (Capitalization of Interest Costs).

For the fiscal years 2007 and 2006, interest of € 6 million and € 5 million, based on an average interest rate of 5.60 % and 5.58 %, respectively, was recognized as a component of the cost of assets.

i) Deferred taxes

In accordance with FAS 109 (Accounting for Income Taxes), deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward where future recoverability is more likely than not.

Deferred taxes are computed using enacted or adopted tax rates in the relevant national jurisdictions when the amounts are recovered. Tax rates, which will be valid in the future, but are not adopted till the balance sheet date, are not considered.

The recoverability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. The reduction is reversed to the date and extent that it becomes probable that sufficient taxable profit will be available.

j) Earnings per ordinary share and preference share

Basic earnings per ordinary share and preference share for all years presented have been calculated in accordance with FAS 128 (Earnings per Share) using the two-class method based upon the weighted-average number of ordinary and preference shares outstanding. Basic earnings per ordinary 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 ordinary share. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that would have been outstanding during the fiscal year. The awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

k) Cash and cash equivalents

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

l) Trade accounts receivable

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

m) Inventories

Inventories comprise all assets which are held for sale in the normal course of business (finished products), in the process of production for such sale (work in progress) or consumed in the production process or in the rendering of services (raw materials and supplies).

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

n) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements are capitalized; repair and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 4 to 50 years for buildings and improvements (with a weighted-average life of 15 years) and 3 to 20 years for machinery and equipment (with a weighted-average life of 10 years).

o) Intangible assets with definite useful lives

In accordance with FAS 142 (Goodwill and Other Intangible Assets), intangible assets with definite useful lives, for example non-compete agreements and technology, are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment in accordance with FAS 144 (Accounting for Impairment or Disposal of Long-Lived Assets) (see Note 1.IV.g, Impairment). Non-compete agreements with definite useful lives have useful lives ranging from 7 to 25 years with an average useful life of 8 years. Technology has a useful live of 15 years. All other intangible assets are amortized over their individual estimated useful lives between 2 and 40 years.

Impairment losses are recognized in the event of losses in value of a lasting nature.

p) Goodwill and other intangible assets with indefinite useful lives

Intangible assets such as tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill, pursuant to the criteria specified by FAS 141 (Business Combinations). They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (Impairment Test).

To perform the annual impairment test of goodwill, the Fresenius Group identified several reporting units in accordance with FAS 142 and determined the carrying amount of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. At least once a year, the Fresenius Group compares the fair value of each reporting unit to the reporting unit's carrying amount. The fair value of a reporting unit is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the reporting unit. In case that the fair value of the reporting unit is less than its carrying amount the difference is at first recorded as an impairment of the fair value of the goodwill.

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated balance sheet was verified. As a result, the Fresenius Group did not record any impairment losses in 2007 and 2006.

q) Leases

Leased assets assigned to the Fresenius Group based on the risk and rewards approach (finance leases) are recognized as property, plant and equipment in accordance with FAS 13 (Accounting for Leases) and measured on receipt date at their present values of lease payments as long as their fair values are not lower. Leased assets are depreciated in straight-line over their useful lives. If there is doubt as to whether title to the asset passes at a later stage and there is no opportune purchase option the asset is depreciated over the lease term, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset.

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

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

r) Financial instruments

The Fresenius Group classifies its financial instruments as follows: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount and derivatives. The class of assets recognized at carrying amount corresponds to the balance sheet item trade accounts receivable (including intercompany receivables). Liabilities recognized at carrying amount comprise trade accounts payable, short-term accounts payable to related parties, short-term borrowings (including intercompany borrowings), the current and non-current portion of debt and liabilities from capital lease obligations, Senior Notes and the current and non-current portion of trust preferred securities of the Fresenius Medical Care Capital Trusts (without capital lease obligations).

In accordance with FAS 133 (Accounting for Derivative Instruments and Hedging Activities), derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity (see Note 27, Financial instruments). The non-effective portion of cash flow hedges is recognized in earnings immediately.

s) Liabilities

Liabilities are generally stated at present value which normally corresponds to the value of products or services which are delivered. As a general policy, short-term liabilities are measured at their repayment amount.

t) Legal contingencies

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

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

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

u) Other accrued expenses

In accordance with FAS 5 (Accounting for Contingencies), accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the amount can be reliably estimated.

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

v) Pension liabilities and similar obligations

The Fresenius Group recognizes the underfunded status of its defined benefit plans, measured as the difference between the benefit obligation and plan assets at fair value, as a liability as of December 31, 2007. Changes in the funded status of a plan, net of tax, resulting from actuarial gains or losses, prior service costs or costs that are not recognized as components of the net periodic benefit cost, will be recognized through accumulated other comprehensive income (loss) in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of the standards.

w) Debt issuance costs

Debt issuance costs are amortized over the term of the related obligation.

x) Stock option plans

Effective January 1, 2006, the Fresenius Group adopted the provisions of Statement of Financial Accounting Standard No. 123R (revised 2004), Share-Based Payment (FAS 123(R)) using the modified prospective transition method. Under this transition method, compensation cost recognized in 2006 and in 2007 include applicable amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, January 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of FAS 123 and previously presented in Fresenius Group's pro forma footnote disclosures); (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 new provisions of FAS 123(R)).

y) Self-insurance programs

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

z) Foreign currency translation

The reporting currency is the euro. The Fresenius Group follows the provisions of FAS 52 (Foreign Currency Translation). Substantially all assets and liabilities of the foreign subsidiaries are translated at mid-closing rate on balance sheet date, while revenues and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are considered foreign equity investments, are also reported in accumulated other comprehensive income (loss).

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. Out of this transaction only immaterial losses resulted in the fiscal year 2007.

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

	Year-end exchange rate[1] Dec 31, 2007	Year-end exchange rate[1] Dec 31, 2006	**Average exchange rate 2007**	Average exchange rate 2006
US dollar per €	**1.4721**	1.3170	**1.3705**	1.2558
Pound sterling per €	**0.7334**	0.6715	**0.6845**	0.6817
Swedish krona per €	**9.4415**	9.0404	**9.2507**	9.2530
Chinese renminbi per €	**10.7524**	10.2793	**10.4183**	10.0099
Japanese yen per €	**164.93**	156.93	**161.26**	146.06

[1] mid-closing rate on balance sheet date

aa) Use of estimates

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

bb) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 22 % and 24 % of the Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2007 and 2006, respectively.

cc) Recent pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued **Statement No. 157**, Fair Value Measurements (FAS 157), which establishes a framework for reporting fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Fresenius Group adopted this standard as of January 1, 2008 and is still determining its impact on its consolidated financial statements.

In February 2007, FASB issued **Statement No. 159**, The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115 (FAS 159), which gives the company the irrevocable option to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date.

The fair value option:

- may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method;
- is irrevocable (unless a new election date occurs); and
- is applied only to entire instruments and not to portions of instruments.

This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. The Fresenius Group has decided not to adopt the provisions of this standard for its consolidated financial statements.

In December 2007, FASB issued **Statement No. 160**, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 (FAS 160), which establishes a framework for reporting of noncontrolling or minority interests, the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. FAS 160 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The Fresenius Group is currently evaluating the impact of this standard on its consolidated financial statements.

In December 2007, FASB issued **Statement No. 141** (revised), Business Combinations (FAS 141(R)). This Statement replaces FASB Statement No. 141, Business Combinations and retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified

for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control.

In general, the main points of this Statement are that the assets acquired, liabilities assumed and non-controlling interests in the acquiree are stated at fair value as of the date of acquisition, that assets acquired and liabilities assumed arising from contractual contingencies are recognized as of the acquisition date, measured at their acquisition date fair values and that contingent consideration is recognized at the acquisition date, measured at its fair value at that date.

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this Statement is the same as that of the related FAS 160. The Fresenius Group is currently evaluating the impact of this standard on its consolidated financial statements.

V. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2007 and December 31, 2006, the carrying amount of goodwill and non-regularly amortizable intangible assets with indefinite useful lives was € 7,411 million and € 7,457 million, respectively. This represented 48 % and 50 %, respectively, of total assets.

In accordance with FAS 142 (Goodwill and Other Intangible Assets), an impairment test of goodwill and non-amortizable intangible assets with indefinite useful lives is performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired (Impairment test).

To comply with the regulations of FAS 142 and determine possible impairments of these assets, the fair value of the reporting units determined in accordance with FAS 142 is compared to the reporting units' carrying amount. The fair value of each reporting unit is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every reporting unit its three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. These growth rates are 0 % to 4 % for Fresenius Medical Care, 2 % for Fresenius Kabi and 1 %

for Fresenius ProServe. This discount factor is determined by the WACC of the respective reporting unit. Fresenius Medical Care's WACC consisted of a basic rate of 7.34 % for 2007. This basic rate is then adjusted by a country specific risk rate within each reporting unit for determining the reporting unit's fair value. In 2007, this rate ranged from 0 % to 7 %. In the business segments Fresenius ProServe and Fresenius Kabi the WACC was 7.57 %, country specific adjustments did not occur. If the fair value of the reporting unit is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in 2007.

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

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see Note 26, Commitments and contingent liabilities.

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were € 2,159 million and € 2,088 million in 2007 and 2006, respectively, net of allowance. Approximately two thirds of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were US Medicare and Medicaid health care programs with 13 % as well as private insurers in the US with 17 % at December 31, 2007. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogenous customer structure.

The allowance for doubtful accounts was € 223 million and € 218 million as of December 31, 2007 and December 31, 2006, respectively.

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

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

d) Self-insurance programs

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

2. ACQUISITIONS AND DIVESTITURES

ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions of € 613 million and € 3,714 million in 2007 and 2006, respectively. Of this amount, € 444 million were paid in cash and € 169 million were assumed obligations in 2007.

Fresenius Medical Care made acquisitions of € 257 million in 2007. The main acquisition took place on November 26, 2007, as Fresenius Medical Care completed the acquisition of all of the common stock of Renal Solutions, Inc., (RSI), an Indiana corporation with principal offices in Warrendale, Pennsylvania, United States. The RSI acquisition agreement provides for total consideration of up to US$ 204 million, consisting of US$ 20 million, previously advanced to RSI in the form of a loan, US$ 100 million paid at closing, US$ 60 million payable after the first year which was recorded as a liability at closing, US$ 3 million receivable related to a working capital adjustment and up to US$ 30 million in milestone payments over the next three years, contingent upon the achievement of certain performance criteria. Fresenius Medical Care recorded a liability of US$ 27.4 million representing the net present

value of the US$ 30 million milestone payments as it was deemed beyond reasonable doubt that the future performance criteria will be achieved. Furthermore, acquisitions of € 108 million are mainly attributable to the purchase of dialysis centers.

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

In 2006, acquisitions of Fresenius Medical Care in an amount of € 3,561 million related mainly to the purchase of Renal Care Group, Inc. (RCG), a Delaware corporation with principal offices in Nashville, Tennessee, United States. On March 31, 2006, the acquisition was completed for an all cash purchase price, net of cash acquired, of US$ 4,158 million for all of the outstanding common stock and the retirement of RCG stock options. The purchase price included the concurrent repayment of US$ 658 million indebtedness of RCG. The operations of RCG are included in Fresenius Group's consolidated statements of income and cash flows from April 1, 2006; therefore, the results of 2007 are not comparable with the results of 2006.

On November 14, 2006, Fresenius Medical Care acquired the worldwide rights to the PhosLo® phosphate binder product business and its related assets of Nabi Biopharmaceuticals, Inc. PhosLo® is an oral application calcium acetate phosphate binder for treatment of hyperphosphatemia primarily in end-stage renal disease patients. Fresenius Medical Care paid cash of US$ 65.3 million including related direct costs of US$ 0.3 million plus a US$ 8 million milestone payment in December 2006 and a US$ 2.5 million milestone payment in 2007. An additional milestone payment of US$ 10.5 million will be paid over the next two to three years, contingent upon the achievement of certain performance criteria. The purchase price was allocated to technology with an estimated useful live of 15 years (US$ 64.8 million), and in-process research and development project (US$ 2.8 million) which is immediately expensed, goodwill (US$ 7.3 million) and other net assets (US$ 0.9 million).

In connection with the transaction, Fresenius Medical Care also acquired worldwide rights to a new product formulation currently under development, which Fresenius Medical Care expects will be submitted for approval in the United States during 2009. Following the successful launch of this new product formulation, Fresenius Medical Care will pay Nabi Biopharmaceuticals, Inc. royalties on sales of the new product formulation commencing upon the first commercialization of the new product and continuing until November 13, 2016. Total consideration, consisting of initial payment, milestone payments and royalties will not exceed US$ 150 million.

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

In 2006, Fresenius Kabi made acquisitions of € 14 million, mainly referring to subsequent costs for the acquisition of Endomed Laboratório Farmacéutico Ltda., Brazil, as well as the take over of a distributor in South Africa.

In 2007, Fresenius ProServe spent € 175 million on acquisitions mainly related to the acquisition of the remaining 40 % of the shares of HUMAINE Kliniken GmbH (HUMAINE), Germany, and the acquisition of a majority stake of 75 % in the Krefeld Municipal Hospitals, Germany, by HELIOS Kliniken GmbH (HELIOS).

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

Fresenius ProServe made acquisitions in an amount of € 139 million, which mainly referred to the acquisition of 60 % of the stakes in HUMAINE by HELIOS and additional stakes in HELIOS in 2006. Since the beginning of the third quarter of 2006, HUMAINE has been consolidated.

In the fourth quarter of 2006, Fresenius Biotech signed a contract to acquire additional shares of Trion Pharma GmbH, Germany in an amount of € 9 million. Contingent upon the achievement of certain performance criteria, additional contractual milestone payments in a maximum amount of € 14 million have been agreed. The acquisition was closed in the first quarter of 2007.

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

In the fiscal year 2007, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. Each single acquisition is not material. The excess of the total acquisition costs over the fair value of the net assets acquired was € 585 million and € 2,811 million in 2007 and 2006, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was € 495 million and the other intangible assets were € 90 million. Of this goodwill, € 210 million is attributable to the acquisitions of Fresenius Medical Care, € 163 million to Fresenius Kabi's acquisitions and € 122 million to Fresenius ProServe's acquisitions.

The acquisitions completed in 2007 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

in million €	2007
Sales	538
EBITDA	97
EBIT	77
Net interest	-51
Net income	5

The acquisitions increased the total assets of the Fresenius Group by € 618 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SALES

Sales by activity were as follows:

in million €	2007	2006
Sales of services	**7,293**	7,018
Sales of products and related goods	**3,786**	3,426
Sales from long-term production contracts	**278**	333
Other sales	**1**	–
Sales	**11,358**	10,777

A sales analysis by business segment and region is shown in the segment information on pages 122 to 125.

4. COST OF SALES

Cost of sales comprised the following:

in million €	2007	2006
Costs of services	**5,489**	5,249
Manufacturing cost of products and related goods	**1,965**	1,835
Cost of long-term production contracts	**226**	267
Other cost of sales	**–**	–
Cost of sales	**7,680**	7,351

5. COST OF MATERIALS

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

in million €	2007	2006
Costs of raw materials, supplies and purchased components	**3,266**	3,250
Cost of purchased services	**503**	459
Cost of materials	**3,769**	3,709

6. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and expenses on research and development included personnel expenses of € 4,052 million and € 3,804 million in 2007 and 2006, respectively.

Personnel expenses comprised the following:

in million €	**2007**	2006
Wages and salaries	**3,252**	3,073
Social security contributions, cost of retirement pensions and social assistance	**800**	731
thereof retirement pensions	**103**	96
Personnel expenses	**4,052**	3,804

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

	2007	2006
Production and service	**86,898**	79,025
Administration	**12,965**	12,922
Sales and marketing	**7,429**	6,852
Research and development	**970**	888
Total employees (per capita)	**108,262**	99,687

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were € 467 million (2006: € 433 million) and mainly included expenditures for sales personnel of € 223 million (2006: € 209 million).

General and administrative expenses amounted to € 1,418 million (2006: € 1,382 million) and are related to expenditures for administrative functions not attributable to research and development, production or selling.

8. NET INTEREST

The net interest expenses of € 368 million included interest expenses of € 395 million and interest income of € 27 million. Interest expenses resulted mainly from the Fresenius Group's financial liabilities.

9. TAXES

INCOME TAXES

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

in million €	**2007**	2006
Germany	**264**	192
International	**977**	857
Total	**1,241**	1,049

Income tax expenses (benefits) for 2007 and 2006 consisted of the following:

in million €	**Germany**	**International**	**2007 Total**	Germany	International	2006 Total
Current taxes	**112**	**324**	**436**	119	218	337
Deferred taxes	**6**	**6**	**12**	-26	103	77
Income taxes	**118**	**330**	**448**	93	321	414

In 2007 and 2006, Fresenius SE was subject to German federal corporation income tax at a base rate of 25 % plus a solidarity surcharge of 5.5 % on federal corporation taxes payable.

The German Business Tax Reform Act (Unternehmensteuerreformgesetz 2008) was enacted in the third quarter of 2007 resulting in a reduction of the corporate income tax rate from 25 % to 15 % for German companies. This reduction together with technical changes to trade tax rules will reduce Fresenius Group's German entities' combined corporate income tax rate effective as of January 1, 2008. Deferred tax assets and liabilities for German entities which will be realized in 2008 and beyond were revalued to reflect the new enacted tax rate. The revaluation of deferred tax assets and liabilities resulted in deferred tax expenses of € 5 million which have been included in operations for the year 2007.

A reconciliation between the expected and actual income tax expense is shown on the following page. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes and minority interest. The respective combined tax rates were 38.05 % for the fiscal year 2007 and 37.36 % for the fiscal year 2006.

in million €	2007	2006
Computed "expected" income tax expense	**472**	392
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**10**	18
Foreign tax rate differential	**-35**	-25
Tax-free income	**-41**	-26
Taxes for prior years	**36**	47
Taxes in connection with divestitures	**0**	23
Changes in valuation allowances on deferred tax assets	**4**	-9
Change of German tax rate	**5**	0
Other	**-3**	-6
Income tax	**448**	414
Effective tax rate	**36.1 %**	39.5 %

DEFERRED TAXES

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

in million €	2007	2006
Deferred tax assets		
Accounts receivable	**35**	36
Inventories	**47**	39
Other current assets	**8**	4
Other non-current assets	**82**	65
Accrued expenses	**223**	206
Other short-term liabilities	**20**	17
Other liabilities	**11**	20
Benefit obligations	**16**	28
Losses carried forward from prior years	**108**	127
Deferred tax assets, before valuation allowance	**550**	542
less valuation allowance	**68**	73
Deferred tax assets	**482**	469
Deferred tax liabilities		
Accounts receivable	**11**	10
Inventories	**8**	12
Other current assets	**4**	0
Other non-current assets	**321**	283
Accrued expenses	**22**	43
Other short-term liabilities	**30**	33
Other liabilities	**7**	38
Deferred tax liabilities	**403**	419
Accumulated deferred taxes	**79**	50

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

in million €	**2007** **thereof long-term**		2006 thereof long-term	
Deferred tax assets	**417**	**132**	431	173
Deferred tax liabilities	**338**	**312**	381	352
Accumulated deferred taxes	**79**	**-180**	50	-179

As of December 31, 2007 Fresenius Medical Care has not recognized a deferred tax liability on approximately € 1.1 billion of undistributed earnings of its foreign subsidiaries, because those earnings are intended to be indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	in million €
2008	13
2009	6
2010	4
2011	9
2012	21
2013	10
2014	11
2015	11
2016	7
2017	9
Thereafter	10
Total	**111**

The total remaining operating losses of € 288 million can mainly be carried forward for an unlimited period.

In assessing the realizability of deferred tax assets, the Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Management of Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2007.

UNRECOGNIZED TAX BENEFITS

The Fresenius Group adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FAS 109) as of January 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109. FIN 48 prescribes a two step approach to the recognition and measurement of all tax positions taken or expected to be taken in a tax return. The enterprise must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50 % likely of being realized upon ultimate settlement and is recognized in the financial statements. The implementation of this interpretation had no impact on the assets and liabilities of the Fresenius Group.

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

In Germany, the tax audit for the years 1998 until 2001 has substantially been finalized and the results of this tax audit are sufficiently recognized in the financial statements as of December 31, 2006. The fiscal years 2002 to 2005 are currently under audit. With respect to HELIOS-Kliniken-Group, the years 2001 to 2004 are currently under audit. For the Group, all further fiscal years are open to tax audits. Fresenius Medical Care filed a lawsuit against the decision of the tax authority regarding the disallowance of certain deductions taken for fiscal year 1997 and has included the related unrecognized tax benefit in the total unrecognized tax benefit noted on the following page.

In the United States, except for refund claims Fresenius Medical Care has filed relative to the disallowance of tax deductions with respect to certain civil settlement payments for 2000 and 2001, the federal tax audit for the years 1999 through 2001 is completed. The tax has been paid and all results are recognized in the consolidated financial statements as of December 31, 2006. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted on the following page. The Federal tax audit for the years 2002 through 2004 has been completed and the Internal Revenue Service has issued its report. The audit report includes disallowance of a material amount of deductions taken during the audit period for interest expense related to intercompany mandatorily redeemable preferred securities. Fresenius Medical Care has filed a protest over the disallowed deductions and will avail itself of all remedies. An adverse determination with respect to any of the disputed disallowances could have a material adverse effect on Fresenius Group's cash flows, tax expenses, net income and earnings per share. Fiscal years 2005 and 2006 are currently under audit. There are a number of state audits in progress and various years are open to audit in other states. All expected results have been recognized in the consolidated financial statements.

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

Upon adoption of FIN 48, the Fresenius Group had € 250 million of unrecognized tax benefits including the amounts relating to the tax audit items for Germany and the United States noted before.

The following table shows the changes to unrecognized tax benefits during the year 2007:

in million €	**2007**
Balance at January 1, 2007	250
Increase in unrecognized tax benefits prior periods	25
Decrease in unrecognized tax benefits prior periods	-7
Increase in unrecognized tax benefits current periods	15
Changes related to settlements with tax authorities	-2
Reduction as a result of a lapse of the statute of limitations	0
Foreign currency translation	-12
Balance at December 31, 2007	**269**

The vast majority of these unrecognized tax benefits would reduce the effective tax rate if recognized. The Fresenius Group is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits.

It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. During the fiscal year 2007, the Fresenius Group recognized € 15 million in interest and penalties. Fresenius Group had € 53 million for the payment of interest and penalties accrued at December 31, 2007.

10. EARNINGS PER SHARE

The following table is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations and shows the basic and fully diluted earnings per ordinary and preference share, retroactively considering the share split of Fresenius SE (formerly: Fresenius AG) entered into the commercial register on January 24, 2007, for the years ending December 31.

in million €, except amounts per share (€)	**2007**	2006
Numerators		
Net income	**410**	330
less preference on preference shares	**1**	1
less effect from dilution due to Fresenius Medical Care shares	**1**	1
Income available to all classes of shares	**408**	328
Denominators (number of shares)		
Weighted-average number of ordinary shares outstanding	**77,394,080**	76,503,006
Weighted-average number of preference shares outstanding	**77,394,080**	76,503,006
Weighted-average number of shares outstanding of all classes	**154,788,160**	153,006,012
Potentially dilutive ordinary shares	**792,851**	758,400
Potentially dilutive preference shares	**792,851**	758,400
Weighted-average number of shares outstanding of all classes assuming dilution	**156,373,862**	154,522,812
Weighted-average number of ordinary shares outstanding assuming dilution	**78,186,931**	77,261,406
Weighted-average number of preference shares outstanding assuming dilution	**78,186,931**	77,261,406
Basic earnings per ordinary share	**2.64**	2.15
Preference per preference share	**0.01**	0.01
Basic earnings per preference share	**2.65**	2.16
Fully diluted earnings per ordinary share	**2.61**	2.12
Preference per preference share	**0.01**	0.01
Fully diluted earnings per preference share	**2.62**	2.13

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

NOTES ON THE CONSOLIDATED BALANCE SHEET

11. CASH AND CASH EQUIVALENTS

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

in million €	2007	2006
Cash	**349**	259
Securities (with a maturity of up to 90 days)	**12**	2
Total cash and cash equivalents	**361**	261

As of December 31, 2007 and December 31, 2006, committed funds of € 65 million and € 32 million, respectively, were included in cash and cash equivalents.

12. TRADE ACCOUNTS RECEIVABLE

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

in million €	2007	2006
Trade accounts receivable	**2,382**	2,306
less allowance for doubtful accounts	**223**	218
Trade accounts receivable, net	**2,159**	2,088

All trade accounts receivable are due within one year.

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

in million €	2007	2006
Allowance for doubtful accounts at the beginning of the year	**218**	200
Change in valuation allowances as recorded in the consolidated statement of income	**152**	155
Write-offs and recoveries of amounts previously written-off	**-132**	-119
Foreign currency translation	**-15**	-18
Allowance for doubtful accounts at the end of the year	**223**	218

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

in million €	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	**Total**
Trade accounts receivable	1,315	463	182	168	254	**2,382**
less allowance for doubtful accounts	12	18	23	35	135	**223**
Trade accounts receivable, net	1,303	445	159	133	119	**2,159**

13. INVENTORIES

As of December 31, inventories consisted of the following:

in million €	**2007**	2006
Raw materials and purchased components	**209**	191
Work in process	**129**	103
Finished goods	**579**	512
less reserves	**42**	45
Inventories, net	**875**	761

The companies of the Fresenius Group are obliged to purchase approximately € 288 million of raw materials and purchased components under fixed terms, of which € 192 million was committed at December 31, 2007 for 2008. The terms of these agreements run one to seven years. Advance payments from customers of € 6 million have been offset against inventories.

Inventories as of December 31, 2007 and December 31, 2006 included approximately € 21 million and approximately € 35 million, respectively, of the product Erythropoietin (EPO), which is supplied by a single source supplier in the United States. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of Fresenius Medical Care. In October 2006, Fresenius Medical Care entered into a five-year exclusive sourcing and supply agreement with its EPO supplier. Revenues from EPO accounted for approximately 8 % and 9 % of total sales of the Fresenius Group in 2007 and 2006, respectively.

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

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

in million €	2007	thereof short-term	2006	thereof short-term
Accounts receivable resulting from German "Krankenhausfinanzierungsgesetz"	**150**	**120**	220	160
Tax receivables	**116**	**113**	126	124
Investments and long-term loans	**52**	**0**	51	0
Derivative financial instruments	**18**	**17**	64	10
Advances made	**20**	**20**	17	17
Prepaid expenses	**77**	**16**	74	13
Re-insurance claims	**29**	**0**	23	0
Accounts receivable from management contracts in clinics	**10**	**10**	10	10
Other assets	**432**	**314**	531	403
Prepaid expenses and other assets, gross	**904**	**610**	1,116	737
less allowances	**11**	**7**	8	7
Prepaid expenses and other assets, net	**893**	**603**	1,108	730

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

Depreciations on other non-current assets in an amount of € 5 million and € 6 million were recognized in the fiscal years 2007 and 2006, respectively. In 2007 as well as in 2006, there were no reclassifications to other non-current assets.

15. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Land and land facilities	171	-1	0	9	-9	2	**168**
Buildings and improvements	1,837	-81	60	170	195	73	**2,108**
Machinery and equipment	2,405	-94	50	297	118	178	**2,598**
Machinery, equipment and rental equipment under capital leases	135	0	0	6	1	5	**137**
Construction in progress	412	-13	3	217	-314	5	**300**
Property, plant and equipment	4,960	-189	113	699	-9	263	**5,311**

DEPRECIATION

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Land and land facilities	0	0	0	2	0	0	**2**
Buildings and improvements	709	-34	1	130	0	54	**752**
Machinery and equipment	1,483	-47	11	242	0	163	**1,526**
Machinery, equipment and rental equipment under capital leases	55	1	0	8	0	5	**59**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	2,248	-80	12	382	0	222	**2,340**

ACQUISITION AND MANUFACTURING COSTS

in million €	As of January 1, 2006	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2006**
Land and land facilities	166	-3	9	3	-1	3	**171**
Buildings and improvements	1,617	-66	212	90	50	66	**1,837**
Machinery and equipment	2,120	-82	243	229	41	146	**2,405**
Machinery, equipment and rental equipment under capital leases	135	-1	9	5	-4	9	**135**
Construction in progress	257	-14	13	263	-98	9	**412**
Property, plant and equipment	4,295	-166	486	590	-12	233	**4,960**

DEPRECIATION

in million €	As of January 1, 2006	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2006**
Land and land facilities	0	0	0	0	0	0	**0**
Buildings and improvements	598	-28	63	112	2	38	**709**
Machinery and equipment	1,288	-39	147	231	-6	138	**1,483**
Machinery, equipment and rental equipment under capital leases	52	0	3	8	-2	6	**55**
Construction in progress	1	0	0	0	0	0	**1**
Property, plant and equipment	1,939	-67	213	351	-6	182	**2,248**

CARRYING AMOUNTS

in million €	**December 31, 2007**	December 31, 2006
Land and land facilities	**166**	171
Buildings and improvements	**1,356**	1,128
Machinery and equipment	**1,072**	922
Machinery, equipment and rental equipment under capital leases	**78**	80
Construction in progress	**299**	411
Property, plant and equipment	**2,971**	2,712

Depreciation on property, plant and equipment for the years 2007 and 2006 was € 382 million and € 351 million, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

LEASING

Machinery and equipment as of December 31, 2007 and 2006 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of € 187 million and € 142 million, respectively.

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

For details of minimum lease payments see Note 19, Debt and liabilities from capital lease obligations.

16. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Goodwill	7,111	-528	408	93	15	1	**7,098**
Tradenames	185	-17	0	0	0	0	**168**
Non-compete agreements	154	-15	5	0	0	0	**144**
Technology	49	-7	25	1	0	0	**68**
Other	496	-33	24	35	-7	19	**496**
Goodwill and other intangible assets	7,995	-600	462	129	8	20	**7,974**

AMORTIZATION

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2007**
Goodwill	4	0	0	0	0	0	**4**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	90	-10	0	8	0	0	**88**
Technology	0	0	0	3	0	0	**3**
Other	246	-12	0	23	-1	17	**239**
Goodwill and other intangible assets	340	-22	0	34	-1	17	**334**

ACQUISITION COST

in million €	As of January 1, 2006	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2006**
Goodwill	4,684	-406	2,782	129	16	94	**7,111**
Tradenames	204	-19	0	0	0	0	**185**
Non-compete agreements	0	-7	57	0	107	3	**154**
Technology	0	-3	52	0	0	0	**49**
Patient relationships	137	-8	0	0	-129	0	**0**
Other	457	-32	101	10	-5	35	**496**
Goodwill and other intangible assets	5,482	-475	2,992	139	-11	132	**7,995**

AMORTIZATION

in million €	As of January 1, 2006	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of December 31, 2006**
Goodwill	4	0	0	0	0	0	**4**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	0	-5	0	13	85	3	**90**
Technology	0	0	0	0	0	0	**0**
Patient relationships	96	-6	0	0	-90	0	**0**
Other	161	-7	83	29	3	23	**246**
Goodwill and other intangible assets	261	-18	83	42	-2	26	**340**

CARRYING AMOUNTS

in million €	**December 31, 2007**	December 31, 2006
Goodwill	**7,094**	7,107
Tradenames	**168**	185
Non-compete agreements	**56**	64
Technology	**65**	49
Other	**257**	250
Goodwill and other intangible assets	**7,640**	7,655

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

AMORTIZABLE INTANGIBLE ASSETS

	December 31, 2007			December 31, 2006		
in million €	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Non-compete agreements	**144**	**88**	**56**	154	90	64
Technology	**68**	**3**	**65**	49	0	49
Other	**347**	**239**	**108**	331	246	85
Total	**559**	**330**	**229**	534	336	198

NON-AMORTIZABLE INTANGIBLE ASSETS

	December 31, 2007			December 31, 2006		
in million €	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**168**	**0**	**168**	185	0	185
Management contracts	**149**	**0**	**149**	165	0	165
Goodwill	**7,098**	**4**	**7,094**	7,111	4	7,107
Total	**7,415**	**4**	**7,411**	7,461	4	7,457

Amortization on intangible assets amounted to € 34 million and € 42 million for the years 2007 and 2006, respectively. They are allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the area in which the asset is used.

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

in million €	2008	2009	2010	2011	2012
Estimated amortization expenses	32	28	25	23	20

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2007	**7,107**
Additions	501
Disposals	-1
Reclassifications	15
Foreign currency translation	-528
Carrying amount as of December 31, 2007	**7,094**

17. OTHER ACCRUED EXPENSES

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

in million €	2007	2007 thereof short-term	2006	2006 thereof short-term
Personnel expenses	**364**	**320**	295	291
Invoices outstanding	**101**	**101**	96	96
Self-insurance programs	**100**	**100**	94	94
Special charge for legal matters	**78**	**78**	87	87
Legal matters, advisory and audit fees	**50**	**50**	49	49
Bonuses and discounts	**48**	**48**	47	47
Warranties and complaints	**24**	**19**	26	22
Commissions	**17**	**17**	20	20
Physician compensation	**11**	**11**	14	14
All other accrued expenses	**299**	**271**	281	213
Other accrued expenses	**1,092**	**1,015**	1,009	933

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

in million €	As of January 1, 2007	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Utilized	Reversed	As of December 31, 2007
Personnel expenses	295	-18	12	174	38	-122	-15	**364**
Invoices outstanding	96	-1	–	77	–	-57	-14	**101**
Self-insurance programs	94	-10	–	17	0	-1	–	**100**
Special charge for legal matters	87	-9	0	0	0	0	0	**78**
Legal matters, advisory and audit fees	49	-1	–	24	3	-23	-2	**50**
Bonuses and discounts	47	-1	–	49	–	-43	-4	**48**
Warranties and complaints	26	–	1	13	–	-11	-5	**24**
Commissions	20	-1	–	17	0	-17	-2	**17**
Physician compensation	14	-1	0	0	0	-2	0	**11**
All other accrued expenses	281	-5	32	154	-40	-90	-33	**299**
Total	1,009	-47	45	525	1	-366	-75	**1,092**

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

In 2001, Fresenius Medical Care recorded a US$ 258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG (Merger), estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$ 115 million (€ 78 million), without interest, upon plan confirmation (see Note 26, Commitments and contingent liabilities). With the exception of the proposed US$ 115 million settlement payment, all other matters included in the special charge have been resolved.

18. OTHER LIABILITIES

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

in million €	**2007**	**thereof short-term**	2006	thereof short-term
Accounts payable resulting from German "Krankenhausfinanzierungsgesetz"	**187**	**172**	194	168
Personnel liabilities	**66**	**64**	95	91
Tax liabilities	**99**	**96**	89	86
Interest liabilities	**75**	**75**	64	64
Advance payments from customers	**82**	**57**	63	58
Accounts receivable credit balance	**83**	**24**	59	18
Derivative financial instruments	**34**	**10**	25	13
All other liabilities	**505**	**384**	510	377
Other liabilities	**1,131**	**882**	1,099	875

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

Of the total amount of other non-current liabilities € 249 million at December 31, 2007, € 198 million were due between one and five years and € 51 million were due later than five years. The balance sheet line item "long-term accrued expenses and other long-term liabilities" of € 326 million also includes long-term accrued expenses of € 77 million as of December 31, 2007.

19. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM BORROWINGS

Borrowings

Short-term borrowings of € 362 million and € 330 million at December 31, 2007, and 2006, respectively, consisted of € 304 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and € 58 million outstanding short-term borrowings under the accounts receivable facility described below. The average interest rates on these borrowings (excluding the accounts receivable facility) at December 31, 2007 and 2006 were 5.15 % and 4.45 %, respectively.

Accounts receivable facility

Fresenius Medical Care has an asset securitization facility (accounts receivable facility), which is typically renewed in October of each year and was renewed most recently in October 2007. The accounts receivable facility currently provides borrowings up to a maximum of US$ 650 million (€ 442 million). Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right to recall all transferred interests in the accounts receivable assigned to the banks under the facility. As Fresenius Medical Care has the right at any time to recall the then outstanding interests, the receivables remain on the consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as short-term borrowings.

At December 31, 2007, there were outstanding short-term borrowings under the accounts receivable facility of US$ 85 million (€ 58 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate at December 31, 2007 was 5.44 %. Annual refinancing fees, which include legal costs and bank fees (if any), are amortized over the term of the facility.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

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

in million €	**2007**	2006
Fresenius Medical Care 2006 Senior Credit Agreement	**2,151**	2,707
Euro Notes	**440**	366
European Investment Bank Agreements	**169**	164
Capital lease obligations	**42**	39
Other	**200**	219
Subtotal	**3,002**	3,495
less current portion	**115**	265
Long-term debt and liabilities from capital lease obligations, less current portion	**2,887**	3,230

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

in million €	up to 1 year	1 to 5 years	more than 5 years
Fresenius Medical Care 2006 Senior Credit Agreement	45	1,848	258
Euro Notes	40	300	100
European Investment Bank Agreements	8	32	129
Capital lease obligations	8	21	13
Other	14	176	10
Long-term debt and liabilities from capital lease obligations	**115**	**2,377**	**510**

Aggregate annual repayments applicable to the above listed long-term debt and liabilities from capital lease obligations for the five years subsequent to December 31, 2007 are:

for the fiscal years	in million €
2008	115
2009	462
2010	141
2011	895
2012	879
Subsequent years	510
Total	**3,002**

Fresenius Medical Care 2006 Senior Credit Agreement

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

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

	Maximum amount available		Balance outstanding	
in million US$	**2007**	2006	**2007**	2006
Revolving Credit	**1,000**	1,000	**38**	68
Term Loan A	**1,550**	1,760	**1,550**	1,760
Term Loan B	**1,578**	1,737	**1,578**	1,737
Total	**4,128**	4,497	**3,166**	3,565

In addition, at December 31, 2007, US$ 87 million and at December 31, 2006, US$ 85 million were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

The Fresenius Medical Care 2006 Senior Credit Agreement consists of:

- A 5-year US$ 1 billion revolving credit facility (of which up to US$ 250 million is available for letters of credit, up to US$ 300 million is available for borrowings in certain non-US currencies, up to US$ 150 million is available as swing line loans in US dollars, up to US$ 250 million is available as a competitive loan facility and up to US$ 50 million is available as swing line loans in certain non-US currencies, the total of which cannot exceed US$ 1 billion which will be due and payable on March 31, 2011.
- A 5-year term loan facility (Term Loan A) of US$ 1,850 million, also scheduled to mature on March 31, 2011. The Fresenius Medical Care 2006 Senior Credit Agreement requires 19 quarterly payments on Term Loan A of US$ 30 million each that permanently reduce the term loan facility which began June 30, 2006 and continue through December 31, 2010. The remaining amount outstanding is due on March 31, 2011.
- A 7-year term loan facility (Term Loan B) of US$ 1,750 million scheduled to mature on March 31, 2013. The terms of the Fresenius Medical Care 2006 Senior Credit Agreement require 28 quarterly payments on Term Loan B that permanently reduce the term loan facility. The repayment began June 30, 2006. The first 24 quarterly payments will be equal to one quarter of one percent (0.25 %) of the original principal balance outstanding, payments 25 through 28 will be equal to twenty-three and one half percent (23.5 %) of the original principal balance outstanding with the final payment 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.

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

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

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

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

The Fresenius Medical Care 2006 Senior Credit Agreement contains other affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which is US$ 260 million for dividends paid in 2008, and increases in subsequent years. Fresenius Medical Care paid dividends of US$ 188 million (€ 137 million) in May of 2007 which was in compliance with the restrictions set forth in the Fresenius Medical Care 2006 Senior Credit Agreement. In default, the outstanding balance under the Fresenius Medical Care 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2007, Fresenius Medical Care was in compliance with all financial covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

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

On July 2, 2007, Fresenius Medical Care voluntarily repaid portions of the term loans outstanding utilizing a portion of the proceeds from the issuance of senior notes (see Note 20, Senior Notes). Under the terms of the Fresenius Medical Care 2006 Senior Credit Agreement, advance payments on the term loans are applied first against the next four quarterly payments due with any amounts in excess of the four quarterly payments applied on a pro-rata basis against any remaining payments. As a result of the advance payments on the Term Loans, no payments will be made or will be due for either Term Loan A or B until the third quarter of 2008.

In June 2007, the Fresenius Medical Care 2006 Senior Credit Agreement was amended in order to enable Fresenius Medical Care to issue US$ 500 million in Senior Notes (see Note 20, Senior Notes). Furthermore, on January 31, 2008, it was amended to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

Euro Notes

As of December 31, 2007, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	Notional amount in million €
Fresenius Finance B.V. 2004/2008	May 18, 2008	variable	**40**
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51 %	**26**
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75 %	**38**
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	4.57 %	**126**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	variable	**74**
Euro Notes			**440**

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

In 2007, Fresenius Finance B.V., a wholly-owned subsidiary of Fresenius SE, issued Euro Notes of € 200 million. The Euro Notes were issued on July 2, 2007 and have five and seven year terms. They are guaranteed by Fresenius SE. The proceeds from the issuance of the Euro Notes were mainly utilized to refinance Euro Notes of € 126 million that were due in 2007 and for repayment of short-term debt.

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

Interest of the floating-rate tranches of the Euro Notes is based on EURIBOR plus applicable margin. For a large portion of these tranches interest rate swaps have been arranged (see Note 27, Financial instruments). Only the floating-rate tranche of the Euro Notes of FMC Finance S.à.r.l. Luxembourg IV in an amount of € 74 million is exposed to the risk of interest rate increases.

European Investment Bank Agreements

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

The following table shows the outstanding amounts under the EIB facilities as of December 31, 2007:

	Maximum amount available in million €	Maturity	Balance outstanding	**Book value in million €**
Fresenius SE	96	2013	€ 40 million	**40**
FMC-AG & Co. KGaA	221	2013/2014	US$ 49 million	**33**
HELIOS Kliniken GmbH	96	2019	€ 96 million	**96**
Loans from EIB	**413**			**169**

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

Some advances under these agreements can be denominated in certain foreign currencies including US dollar. The above mentioned loans bear variable interest rates that change quarterly. The US dollar borrowings of Fresenius Medical Care had an interest rate of 4.92 % as of December 31, 2007, the euro borrowings of Fresenius SE and of HELIOS Kliniken GmbH bore an interest rate of 4.93 % as of December 31, 2007. To some extent, the borrowers may opt to convert those interest rates into fixed rates. The loans under these EIB Agreements are secured by bank guarantees and have customary covenants.

Capital lease obligations

Details of capital lease obligations are given below:

in million €	**2007**
Capital lease obligations (minimum lease payments)	**49**
due within one year	9
due between one and five years	25
due later than five years	15
Interest component included in future minimum lease payments	**7**
due within one year	1
due between one and five years	4
due later than five years	2
Present value of capital lease obligations (minimum lease payments)	**42**
due within one year	8
due between one and five years	21
due later than five years	13

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of reporting date. As of December 31, 2007, the additional financial cushion resulting from unutilized credit facilities was more than € 1.5 billion.

Syndicated credit facilities accounted for € 944 million. This portion comprises the Fresenius Medical Care 2006 Senior Credit Agreement in the amount of US$ 875 million (€ 594 million) and a syndicated credit facility of Fresenius SE in the amount of € 350 million. The latter was arranged with a group of European banks in 2006 and has a term of five years. Furthermore, bilateral facilities of approximately € 620 million were available. They include the above mentioned credit facilities with the EIB and credit facilities which subsidiaries of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE has a commercial paper program under which up to € 250 million in short-term notes can be issued. As of December 31, 2007, no commercial papers were outstanding.

Additional financing of up to US$ 650 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$ 85 million as of December 31, 2007.

20. SENIOR NOTES

As of December 31, 2007, Senior Notes of the Fresenius Group consisted of the following:

	Notional amount	Maturity	Interest rate	Book value in million €
Fresenius Finance B.V. 2003/2009	€ 100 million	April 30, 2009	7.50 %	**100**
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan 31, 2013	5.00 %	**500**
Fresenius Finance B.V. 2006/2016	€ 500 million	Jan 31, 2016	5.50 %	**500**
FMC Finance III S.A. 2007/2017	US$ 500 million	July 15, 2017	6 7/8 %	**334**
Senior Notes				**1,434**

The Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer from January 31, 2011 onwards. The respective redemption prices have already been fixed at the date of issuance in the indentures.

On July 2, 2007, FMC Finance III S.A., a wholly-owned subsidiary of FMC-AG & Co. KGaA, issued US$ 500 million aggregate principal amount of 6 7/8 % senior notes due 2017 at a discount resulting in an effective interest rate of 7 1/8 %. The Senior Notes are guaranteed on a senior basis jointly and

severally by FMC-AG & Co. KGaA and by its subsidiaries Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. Fresenius Medical Care may redeem the Senior Notes at any time at 100 % of principal amount plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have a right to request that Fresenius Medical Care repurchases the Senior Notes at 101 % of principal amount plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the Senior Notes. The proceeds, net of discounts, bank fees and other offering related expenses were approximately US$ 484 million, of which US$ 150 million was used to reduce the 5-year term loan facility (Term Loan A) and US$ 150 million to reduce the 7-year term loan facility (Term Loan B) under Fresenius Medical Care's US$ 4.6 billion Fresenius Medical Care 2006 Senior Credit Agreement. The remaining US$ 184 million was applied to the outstanding balance under its short-term accounts receivable facility. The discount is being amortized over the life of the Senior Notes using.

All Senior Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius SE has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE and its subsidiaries (excluding FMC-AG & Co. KGaA and its subsidiaries). These covenants include, amongst other things, restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets. Some of these restrictions are lifted automatically when the rating of Fresenius SE reaches investment grade. In the event of non-compliance with the terms of the Senior Notes, the bondholders (owning in aggregate more than 25 % of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayments plus interest. As of December 31, 2007, the Fresenius Group was in compliance with all of its covenants.

21. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

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

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

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

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the balance sheet if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the balance sheet if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

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

DEFINED BENEFIT PENSION PLANS

At December 31, 2007, the benefit obligation (PBO) of the Fresenius Group of € 498 million (2006: € 553 million) included € 219 million (2006: € 235 million) funded by plan assets and € 279 million (2006: € 318 million) covered by pension provisions. The current portion of the pension liability in an amount of € 9 million is recognized in the balance sheet as short-term accrued expenses and other

short-term liabilities. The non-current portion of € 270 million is recorded as non-current pension liability. At December 31, 2007, prepaid pension costs in an amount of € 7 million related to the North American pension plan and are recorded within other non-current assets.

70 % of the pension liabilities in an amount of € 279 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius ProServe entities in Germany and non-German Group entities.

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

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in the year 2007. FMCH voluntarily contributed US$ 1.2 million (€ 0.9 million) during the year 2007. Expected funding for 2008 is US$ 0.9 million (€ 0.6 million).

The Fresenius Group's benefit obligations relating to fully or partly funded pension plans were € 229 million. Benefit obligations relating to unfunded pension plans were € 269 million.

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

The funded status has developed as follows:

in million €	2007	2006
Benefit obligations at the beginning of the year	**553**	571
Changes in entities consolidated	**1**	2
Foreign currency translation	**-21**	-20
Service cost	**17**	18
Prior service cost	**2**	0
Interest cost	**27**	26
Contributions by plan participants	**1**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-3**	-6
Actuarial losses/gains	**-60**	-19
Benefits paid	**-19**	-13
Divestitures	**0**	-7
Amendments	**–**	0
Benefit obligations at the end of the year	**498**	553
thereof vested	**427**	481
Fair value of plan assets at the beginning of the year	**235**	232
Changes in entities consolidated	**–**	0
Foreign currency translation	**-21**	-18
Actual return on plan assets	**14**	19
Contributions by the employer	**8**	12
Contributions by plan participants	**1**	1
Settlements	**0**	0
Transfers	**–**	-6
Benefits paid	**-11**	-5
Fair value of plan assets at the end of the year	**226**	235
Funded status as of December 31	**272**	318

As of December 31, 2007, the fair value of plan assets relating to the North American pension plan exceeded the corresponding benefit obligations. The resulting amount of € 7 million was recognized as an asset. For all the remaining pension plans of the Fresenius Group the benefit obligations exceeded the fair value of plan assets and resulted in a total amount of € 279 million recognized as a pension liability.

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

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

in %	**2007**	2006
Discount rate	**5.80**	5.02
Rate of compensation increase	**3.66**	3.75
Rate of pension increase	**1.80**	1.60

The accumulated benefit obligations for all defined benefit pension plans were € 430 million (2006: € 506 million).

The following table relates to pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets:

in million €	**2007**	2006
Projected benefit obligation (PBO)	**350**	553
Accumulated benefit obligation (ABO)	**283**	506
Fair value of plan assets	**71**	235

The pre-tax changes of other comprehensive income (loss) relating to pension liabilities during the years 2007 and 2006 are provided in the following tables:

in million €	As of January 1, 2007	Releases[1)]	Additions	Foreign currency translation	**As of December 31, 2007**
Actuarial gains and losses	-112	5	57	3	**-47**
Prior service cost	6	1	–	0	**7**
Transition obligation	-1	–	–	0	**-1**
Adjustments related to pension liabilities	-107	6	57	3	**-41**

[1)] effects recognized in the consolidated statement of income

in million €	As of January 1, 2006	Additions/ Releases	Adjustments FAS 158	Foreign currency translation	**As of December 31, 2007**
Additional minimum pension liability	-108	25	77	6	**0**
Actuarial gains and losses	0	0	-112	0	**-112**
Prior service cost	0	0	6	0	**6**
Transition obligation	0	0	-1	0	**-1**
Adjustments related to pension liabilities	-108	25	-30	6	**-107**

For the tax effects on other comprehensive income at December 31, 2007 see Note 25, Other comprehensive income (loss).

The Fresenius Group expects the following amounts to be amortized from other comprehensive income into net periodic pension cost in the year 2008:

in million €	2008
Actuarial gains and losses	1
Prior service cost	–
Transition obligation	–

Defined benefit pension plans' net periodic benefit costs of € 35 million (2006: € 37 million) were comprised of the following components for each of the years ended December 31:

in million €	2007	2006
Components of net periodic benefit cost		
Service cost	17	18
Interest cost	27	26
Expected return on plan assets	-16	-16
Amortization of unrealized actuarial losses, net	5	9
Amortization of prior service costs	1	–
Amortization of transition obligations	–	–
Settlement loss	1	–
Net periodic benefit cost	35	37

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

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

in %	2007	2006
Discount rate	5.02	4.70
Expected return of plan assets	7.03	7.07
Rate of compensation increase	3.75	3.50

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2007 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses outside the 10 % corridor for each defined benefit plan were € 47 million (2006: € 112 million).

The following table shows the expected future benefit payments:

for the fiscal years	in million €
2008	15
2009	16
2010	17
2011	18
2012	20
2013 to 2017	125
Total expected benefit payments for the next 10 years	**211**

The Fresenius Group uses December 31, 2007 as the measurement date in determining the funded status of all plans.

Pension liabilities at December 31, 2007 and 2006 related to the following geographical regions:

in million €	**2007**	2006
Germany	**244**	260
Europe (excluding Germany)	**34**	53
North America	**0**	5
Asia-Pacific	**–**	0
Latin America	**1**	0
Africa	**0**	0
Total pension liabilities	**279**	318

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

Plan investment policy and strategy

For the North America funded plan, Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, independent consulting actuaries determine a range of reasonable expected investment returns for the pension plan as a whole based on their analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.50 % for the year 2007.

The investment policy, utilizing a target investment allocation of 35.80 % equity and 64.20 % long-term US bonds, considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks

and the target asset allocation. The plan policy does not allow investments in securities of FMC-AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, Russell 2000 Growth Index, MSCI EAFE Index, Lehman U.S. Long Government/Credit bond Index and the HFRI Fund of Funds Index.

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

in %	**Allocation 2007**	Allocation 2006	Target allocation
Categories of plan assets			
Equity securities	**36.20**	40.05	38.63
Debt securities	**60.81**	57.34	59.52
Real estate	**0.41**	1.07	0.74
Other	**2.58**	1.54	1.11
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 7.06 % compounded annually. Contributions to plan assets for the fiscal year 2008 are expected to amount to € 4 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2007 was € 20 million (2006: € 18 million). The main part relates to the North American savings plan, which employees of FMCH can join. Employees can deposit up to 75 % of their pay up to an annual maximum of US$ 15,500 if under 50 years old (US$ 20,500 if 50 or over) under this savings plan. Fresenius Medical Care will match 50 % of the employee deposit up to a maximum Company contribution of 3 % of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2007 and 2006 was € 17 million and € 16 million, respectively.

22. TRUST PREFERRED SECURITIES

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

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

The indentures governing the notes held by the Fresenius Medical Care Capital Trusts contain affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit Fresenius Medical Care's indebtedness and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. As of December 31, 2007, Fresenius Medical Care was in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of December 31, 2007 and 2006 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**2007 in million €**	2006 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7⅞ %	Feb 1, 2008	**301**	330
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7⅜ %	Feb 1, 2008	**154**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7⅞ %	Jun 15, 2011	**149**	165
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7⅜ %	Jun 15, 2011	**297**	297
Trust preferred securities					**901**	946

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

23. MINORITY INTEREST

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

in million €	**2007**	2006
Minority interest in FMC-AG & Co. KGaA	**2,426**	2,362
Minority interest in the business segments		
Fresenius Medical Care	**72**	57
Fresenius Kabi	**27**	23
Fresenius ProServe	**119**	119
Corporate/Other	**–**	-1
Total minority interest	**2,644**	2,560

Minority interest increased in 2007 by € 84 million to € 2,644 million. The change resulted from the minorities' share of profit of € 383 million, dividend payments of € 116 million and from negative currency effects as well as first-time consolidations in a total amount of € 183 million.

24. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

In the course of the acquisition of HUMAINE Kliniken GmbH in the third quarter of 2006, the subscribed capital was increased against contribution in kind in an amount of € 903,884.80 by issuing 176,540 bearer ordinary shares and 176,540 bearer preference shares in the fourth quarter of 2006. The registration of the capital increase in the commercial register took place on November 17, 2006.

On December 4, 2006, at the Extraordinary General Meeting, Fresenius AG's shareholders approved a new division of the subscribed capital in connection with a capital increase from the Company's funds. The registration in the commercial register took place on January 24, 2007. Through a conversion of capital reserves, the subscribed capital was first increased by € 22,638,568.48 to € 154,353,876.00 and then divided into 77,176,938 ordinary shares and 77,176,938 preference shares. The new proportionate amount of the subscribed capital is € 1.00 per share. (See Note 1.II, Conversion of Fresenius AG into a European Company (SE) and new division of the subscribed capital.)

During the fiscal year 2007, 810,894 stock options were exercised.

Accordingly, at December 31, 2007, the subscribed capital of Fresenius SE was divided into 77,582,385 bearer ordinary shares and 77,582,385 non-voting bearer preference shares. The shares are issued as non-par value shares.

Notification by shareholders

The Else Kröner-Fresenius-Stiftung notified Fresenius SE on December 28, 2007, that it holds 46,582,692 ordinary shares of Fresenius SE representing 60.04 % of the voting rights.

Fidelity International, with its registered office in Great Britain, Tadworth, has notified Fresenius SE in the name of and on behalf of FIL Limited, Hamilton, Bermuda, which changed its name from Fidelity International Limited to FIL Limited with effect from February 1, 2008, pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) of the following: On February 4, 2008, FIL Limited exceeded the thresholds of 3 % and 5 % of the voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany. On that date, FIL Limited held 6.03 % of the voting rights in Fresenius SE arising from 4,675,538 voting rights. All voting rights in Fresenius SE were attributed to FIL Limited pursuant to section 22 (1) sentence 1 No. 6 WpHG.

Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius SE in the name of and on behalf of Fidelity Investment Trust, Boston, Massachusetts, USA, pursuant to Section 21 (1) WpHG of the following:

On January 22, 2008, Fidelity Investment Trust exceeded the threshold of 3 % of voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany. On that date, Fidelity Investment Trust held 3.02 % of the voting rights in Fresenius SE arising from 2,341,614 voting rights.

Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius SE in the name of and on behalf of Fidelity Management & Research Company, Boston, Massachusetts, United States, retroactively pursuant to Section 21 (1) WpHG of the following: On 4 December 2007, Fidelity Management & Research Company exceeded the threshold of 3 % of the voting rights in Fresenius SE, Else-Kröner-Strasse 1, 61352 Bad Homburg v. d. H., Germany. On that date, Fidelity Management & Research Company held 3.03 % of the voting rights in Fresenius SE arising from 2,346,900 voting rights. All voting rights in Fresenius SE were attributed to Fidelity Management & Research Company pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius SE that as a result of an internal merger reorganisation effective from October 1, 2007, FMR LLC. (a Delaware limited liability company with its principal place of business in Boston, Massachusetts, United States) became the successor entity to FMR Corp. and has assumed all its rights and obligations. As of October 1, 2007, FMR LLC. held 3.43 % of the voting rights (voting rights arising of 2,658,121 shares in Fresenius SE) and therefore exceeded the threshold of 3 %. All of the voting rights of FMR LLC. are attributed to it pursuant to Section 22 (1) sentence 1 No. 6 and sentence 2 WpHG.

Fidelity International, with its registered office in Great Britain, Kingswood Fields, Millfield Lane, Lower Kingswood, Tadworth, Surrey KT20 6RB, notified Fresenius AG on June 25, 2007 in accordance with Section 21 (1) WpHG that, as of June 20, 2007, the voting rights of FMR Corp., 82 Devonshire Street, Boston, Massachusetts 02109, United States, in Fresenius AG, Else-Kröner-Strasse 1, Bad Homburg v. d. H., Germany, have exceeded the threshold of 3 % and amounted to 3.44 % (exact number of voting rights: 2,657,416 shares). The voting rights are entirely attributable to FMR Corp. pursuant to Section 22 (1) sentence 2 WpHG in connection with Section 22 (1) sentence 1 No. 6 WpHG.

Julius Baer Investment Management LLC, with registered offices in New York, 330 Madison Avenue, United States, notified Fresenius AG in accordance with Section 21 (1) WpHG that its voting rights in Fresenius AG, Else-Kröner-Strasse 1, Bad Homburg v. d. H., Germany, exceeded the threshold of 3 % on February 22, 2007 and amounted to 3,03 % (exact number of voting rights: 2,342,190 shares) both in relation to the total number of voting rights of the issuer and in relation to all voting shares of the same share class. The voting rights are entirely attributable to Julius Baer Investment Management LLC, 330 Madison Avenue, NY 10017 New York, United States, pursuant to Section 22 (1) sentence 1 No. 6 WpHG.

WestLB AG, with its registered office in Germany, 40217 Düsseldorf, Herzogstrasse 15, notified Fresenius AG on June 22, 2007 in accordance with Section 21 (1) WpHG that, as of June 22, 2007, its voting rights in Fresenius AG, Else-Kröner-Strasse 1, Bad Homburg v. d. H., Germany, have fallen below the threshold of 3 % and now amount to 0 %. All voting rights were held by RWS Securities Services Gesellschaft für Wertpapiervermittlung mbH and were attributed to WestLB in accordance to Section 22 (1) sentence 1 No. 1 WpHG.

APPROVED CAPITAL

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

- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 12,800,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions (Approved Capital I). A subscription right must be granted to shareholders.
- to increase Fresenius SE's subscribed capital by a nominal total amount of up to € 6,400,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions and/or contributions in kind (Approved Capital II). The Management Board is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (§§ 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG)). As of December 31, 2006, the Approved Capital II decreased by € 903,884.80 to € 5,496,115.20 due to the payment in shares in connection with the acquisition of HUMAINE.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE is divided into Conditional Capital I and Conditional Capital II. Both exist to secure the subscription rights in connection with already issued stock options on bearer ordinary shares and bearer preference shares of the stock option plans of 1998 and 2003 (see Note 31, Stock options).

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

The following table shows the development of the Conditional Capital:

in €	Ordinary shares	Preference shares	Total
Conditional Capital I Fresenius AG Stock Option Plan 1998	985,983.00	985,983.00	1,971,966.00
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,552,481.00	2,552,481.00	5,104,962.00
Total Conditional Capital as of January 1, 2007	**3,538,464.00**	**3,538,464.00**	**7,076,928.00**
Fresenius AG Stock Option Plan 1998 – options exercised	-217,677.00	-217,677.00	-435,354.00
Fresenius AG Stock Option Plan 2003 – options exercised	-187,770.00	-187,770.00	-375,540.00
Total Conditional Capital as of December 31, 2007	**3,133,017.00**	**3,133,017.00**	**6,266,034.00**

CAPITAL RESERVES

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

In 2006, the capital reserve increased by € 41 million in connection with the acquisition of HUMAINE.

OTHER RESERVES

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

DIVIDENDS

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

At the Annual General Meeting in May 2007, a resolution was passed to pay a dividend of € 0.57 per bearer ordinary share and € 0.58 per bearer preference share, i. e. a total dividend of € 88.8 million was resolved and paid.

25. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2007 and 2006 were as follows:

in million €	**2007 Amount before taxes**	**Tax effect**	**2007 Amount after taxes**	2006 Amount before taxes	Tax effect	2006 Amount after taxes
Unrealized gains/losses on securities	**–**	**–**	**–**	–	–	–
Changes in unrealized gains/losses on derivative financial instruments	**-65**	**26**	**-39**	24	-8	16
Change in unrealized gains/losses	**-62**	**25**	**-37**	21	-7	14
Realized gains/losses due to reclassifications	**-3**	**1**	**-2**	3	-1	2
Benefit obligation adjustment	**66**	**-19**	**47**	1	3	4
Foreign currency translation adjustment	**-120**	**0**	**-120**	-127	0	-127
Other comprehensive income (loss)	**-119**	**7**	**-112**	-102	-5	-107

OTHER NOTES

26. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2007 and 2006 was € 372 million and € 369 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2007 are:

for the fiscal years	in million €
2008	267
2009	235
2010	199
2011	165
2012	133
Thereafter	406
Total	**1,405**

As of December 31, 2007, future investment commitments existed up to the year 2015 from the acquisition contracts for hospitals at projected costs of up to € 226 million. Thereof € 36 million relate to the year 2008.

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

LEGAL PROCEEDINGS

Commercial litigation

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

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

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation.

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

On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe on patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$ 140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art. On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and its prior infringement findings. Following a retrial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$ 14.3 million. Fresenius Medical Care intends to appeal the court's rulings.

FMC-AG & Co. KGaA's Australian subsidiary, Fresenius Medical Care Australia Pty Limited (Fresenius Medical Care Australia) and Gambro Pty Limited and Gambro AB (together Gambro Group) are in litigation regarding infringement and damages with respect to the Gambro AB patent protecting intellectual property in relation to a system for preparation of dialysis or replacement fluid, the Gambro bicart device in Australia (Gambro Patent). As a result of the commercialization of a system for the preparation of dialysis fluid based on the Fresenius Medical Care Bibag device in Australia, the Australian courts concluded that Fresenius Medical Care Australia infringed the Gambro Patent. The parties are still in legal dispute with respect to the issue of potential damages related to the patent infringement. As the infringement proceedings have solely been brought in the Australian jurisdiction any potential damages to be paid by Fresenius Medical Care Australia will be limited to the potential losses of the Gambro Group caused by the patent infringement in Australia.

Other litigation and potential exposures

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

In October 2004, FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of New York, in connection with a civil and criminal investigation, which requires production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents relating to laboratory testing for parathyroid hormone (PTH) levels and vitamin D therapies. Fresenius Medical Care is cooperating with the government's requests for information. While Fresenius Medical Care believes that it has complied with applicable laws relating to PTH testing and use of vitamin D therapies, an adverse determination in this investigation could have a material adverse effect on Fresenius Medical Care's business, financial condition, and results of operations.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received a subpoena from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, and anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Attorney's office for the Eastern District of Texas

have also confirmed that they are participating in the review of the anemia management program issues raised by the U.S. Attorney's office for the Eastern District of Missouri. On July 17, 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH in its capacity as RCG's current corporate parent in the United States District Court, Eastern District of Missouri. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to the date of FMCH's acquisition of RCG. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation. An adverse determination in this investigation or litigation or any settlement arising out of this investigation or litigation could result in significant financial penalties, and any adverse determination in any litigation arising out of the investigation could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

In May 2006, RCG received a subpoena from the U.S. Department of Justice, Southern District of New York, in connection with an investigation into RCG's administration of its stock option programs and practices, including the procedure under which the exercise price was established for certain of the option grants. The subpoena required production of a broad range of documents relating to the RCG stock option program prior to the RCG acquisition. Fresenius Medical Care cooperated with the government's requests for information and believes that they have completed the requested production. The outcome and impact of this investigation cannot be predicted at this time.

In August 2007, the Sheet Metal Workers National Pension Fund filed a complaint in the United States District Court for the Central District of California, Western Division (Los Angeles), alleging that Amgen, Inc., Fresenius Medical Care and Davita, Inc. marketed Amgen's products, Epogen® and Aranesp®, to hemodialysis patients for uses not approved by the FDA and thereby caused a putative class of commercial insurers to pay for unnecessary prescriptions of these products. Motions have been filed to consolidate this case with others against Amgen alone in a single case under the federal rules for multidistrict litigation. FMCH intends to contest and defend this litigation vigorously. An adverse determination in this litigation could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee. (Qui tam is a legal provision under the United States False Claims Act, which allows for private individuals to bring suit on behalf of the U.S. federal government, as far as such individuals believe to have knowledge of presumable fraud committed by third parties.) The first complaint alleges that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleges that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas has declined to intervene and to prosecute on behalf of the United States. Counsel for the nephrologist has asserted that a criminal investigation of the relator's allegations is continuing. FMCH has received no other notice of the pendency of any criminal investigation related to this matter. FMCH intends to defend vigorously against the allegations in the two complaints. The outcome of this litigation, or of any related investigation, cannot be predicted at this time.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$ 258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$ 115 million (€ 78 million) payment under the Settlement Agreement, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

Furthermore, the Fresenius Group is involved in various legal disputes arising from the ordinary course of its business. Although the ultimate outcome of these legal disputes cannot be predicted, the Fresenius Group does not expect any material adverse effects on the business, financial condition and results of operations of the Group.

27. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

in million €	2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Cash and cash equivalents	**361**	**361**	261	261
Assets recognized at carrying amount	**2,167**	**2,167**	2,096	2,096
Liabilities recognized at carrying amount	**6,147**	**6,118**	6,299	6,384
Derivatives	**-16**	**-16**	39	39

Derivatives were recognized at gross values as other current assets in an amount of € 18 million and other liabilities in an amount of € 34 million.

Estimation of fair values of financial instruments

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

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

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

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

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

Derivates consisting of interest rate swaps and foreign exchange forward contracts are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency.

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

The effects of non-derivative financial instruments recorded in the consolidated statements of income consisted of interest income of € 27 million and interest expenses of € 395 million, as well as allowance for doubtful accounts in an amount of € 152 million.

MARKET RISK

General

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

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

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

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

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

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies in which the financial statements of the foreign subsidiaries are prepared have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, US dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. Foreign exchange forward contracts and options are not used for purposes other than hedging foreign exchange exposures. At December 31, 2007, the Fresenius Group had no foreign exchange options.

As of December 31, 2007, the notional amounts of foreign exchange contracts totaled € 739 million with a fair value of € 14 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with intercompany loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses as well as interest income or expenses in the same period in which the hedged transaction affects earnings. After-tax gains of € 6 million (€ 8 million pre-tax) for the year ended December 31, 2007 are deferred in accumulated other comprehensive income and will mainly be reclassified into earnings during 2008. During 2007, the Fresenius Group reclassified after-tax unrealized gains of € 1 million (€ 2 million pre-tax) from accumulated other comprehensive income (loss) into the profit and loss statement.

As of December 31, 2007, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 24 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign

exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10 %. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be € 10 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities. Interest rate hedging transactions are primarily concluded by Fresenius SE and FMC-AG & Co. KGaA.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from short-term and long-term borrowings at variable rates by swapping them into fixed rates. In addition, the Fresenius Group uses interest rate swaps to hedge against changes of the fair value of the underlying fixed rate financial liabilities.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rate and which has not been hedged by means of interest rate swaps or options against rising interest rates, plus the portion of financial debt which bears fixed interest rates and which has been converted into floating rate debt by using interest rate swaps. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5 % compared to the actual rates as of the balance sheet date. The corresponding additional annual interest expense is then compared to the Group net income. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of less than 1 % on the Group's consolidated net income.

Cash Flow Hedge

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing revolving loans and Euro Notes (Schuldscheindarlehen) mainly denominated in US dollars or euros, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 3,465 million and a fair value of US$ -35 million expire at various dates between 2008 and 2012. These interest rate derivatives include interest rate swaps with a notional amount of US$ 650 million entered into in 2007, which will become effective as of March 31, 2008. Until that date, interest rate swaps with a notional amount of US$ 515 million will expire. The Euro interest rate swaps with a notional volume of € 217 million and a fair value of € -2 million expire between 2008 and 2014. The US dollar interest rate swaps bear an average interest rate of 4.43 % and the Euro interest rate swaps bear an average interest rate of 4.56 %.

At December 31, 2007, pre-tax losses of € 26 million (2006: pre-tax gains of € 45 million), were recognized in accumulated other comprehensive income (loss). The equivalent amounts of after-tax losses and after-tax gains were € 16 million and € 28 million, respectively. Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date.

Fair Value Hedge

Fresenius Medical Care entered into US dollar interest rate swaps designated as fair value hedges to hedge the risk of changes in the fair value of parts of its US dollar fixed rate borrowings. These interest rate swaps effectively convert the fixed interest payments on Fresenius Medical Care Capital Trust II trust preferred securities denominated in US dollars into variable interest rate payments. Since the critical terms of the interest rate swap agreements are identical to the terms of Fresenius Medical Care Capital Trust II trust preferred securities, the hedging relationship is highly effective and no ineffectiveness affects earnings. These interest rate swaps are reported at fair value in the balance sheet. The reported amount of the hedged portion of fixed rate trust preferred securities includes an adjustment representing the change in fair value attributable to the interest rate risk being hedged. The effect of hedged underlyings recognized in the income statement amounted to € -7 million (2006: € -3 million) and was mainly offset by the effect of the hedging instruments recognized in the income statement in an amount of € 7 million (2006: € 3 million). At December 31, 2007, the notional volume and fair value of these swaps at Fresenius Medical Care was US$ 450 million (€ 306 million) and US$ -6 million (€ -4 million), respectively. On February 1, 2008, the fair value hedges of Fresenius Medical Care expired together with the mandatory redemption of the underlying debt.

CREDIT RISK

The Fresenius Group is exposed to potential losses in the event of non-performance by counterparties to derivative financial instruments. With respect to derivative financial instruments it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to € 0.4 million for interest rate derivatives and € 19 million for foreign exchange derivatives at December 31, 2007. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see Note 12, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see Note 19, Debt and liabilities from capital lease obligations).

28. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

Fresenius has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis the use of a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, high, stable, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i.e. the employment of an extensive mix of financial liabilities. Moreover, Fresenius Group's customers are almost invariably of high credit quality.

Equity and debt have developed as follows:

Shareholders' equity and total assets

in million €	**December 31, 2007**	December 31, 2006
Shareholders' equity including minority interest	**6,059**	5,728
Total assets	**15,324**	15,024
Equity ratio	**39.54 %**	38.13 %

Fresenius SE is not subject to any capital requirements provided for in its Articles of Association. Fresenius SE has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998 and 2003 stock option plans (see Note 31, Stock options).

Debt

in million €	**December 31, 2007**	December 31, 2006
Debt	**5,699**	5,872
Total liabilities and shareholders' equity	**15,324**	15,024
Debt ratio	**37.19 %**	39.08 %

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. The Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium and long-term financings. In the choice of financing instruments market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

A key financial performance indicator for the Fresenius Group is the net debt/EBITDA ratio, which is measured on the basis of US GAAP figures. This ratio was 2.6 as of December 31, 2007. The aim is to reduce this further. To achieve this goal, Fresenius Group's focus is primarily on earnings growth and sustained strong cash flows as well as debt reduction. In the medium term, the Fresenius Group plans to reach a net debt/EBITDA ratio of 2.5. This target is on the assumption that no major acquisition opportunities arise.

Fresenius Group's financing strategy is reflected in its credit ratings. Fresenius is covered by both of the two leading rating agencies, Moody's and Standard & Poor's. Fresenius SE currently has a BB rating from Standard & Poor's and a Ba2 rating from Moody's.

	Standard & Poor's	Moody's
Company rating	BB	Ba2
Senior debt	BB	Ba2
Outlook	stable	positive

29. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

The cash flow statements of the Fresenius Group for the fiscal years 2007 and 2006 are shown on pages 118 to 119.

Cash funds reported in the cash flow statement and in the balance sheet comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

The following summaries provide additional information with regard to the consolidated cash flow statement:

in million €	2007	2006
Interest paid	**388**	393
Income taxes paid	**323**	401

Cash paid for acquisitions consisted of the following:

in million €	2007	2006
Assets acquired	**779**	4,196
Liabilities assumed	**-135**	-402
Minority interest	**-9**	-45
Notes assumed in connection with acquisitions	**-169**	-24
Cash paid	**466**	3,725
Cash acquired	**-22**	-68
Cash paid for acquisitions, net	**444**	3,657

30. NOTES ON SEGMENT REPORTING

GENERAL

The segment reporting tables shown on pages 122 to 125 of this annual report are an integral part of the Notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi and Fresenius ProServe which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2007.

The key data disclosed in conjunction with segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with FAS 131 (Disclosures about Segments of an Enterprise and Related Information), which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 173,863 patients in its 2,238 own dialysis clinics.

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

Fresenius ProServe is a leading German, private hospital operator with 60 facilities. Moreover the company offers engineering and services for hospitals and other health care facilities. As of January 1, 2008, Fresenius ProServe was replaced by two new business segments – Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is focused on hospital operations. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement).

Depreciation and amortization is presented for the intangible assets with definite useful lives and property, plant and equipment of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income is defined as earnings after income taxes and minority interest.

The operating cash flow is the cash provided by/used for operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, trust preferred securities, liabilities from capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities.

Capital expenditure includes additions to intangible assets and property, plant and equipment.

Acquisitions refer to both the purchase of shares in legally-independent companies and the acquisition of business divisions. The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the cash flow statement, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

Reconciliation of key figures to consolidated earnings

in million €	**2007**	2006
Total EBITDA of reporting segments	**2,076**	1,883
Depreciation and amortization	**-421**	-399
General corporate expenses Corporate/Other (EBITDA)	**-46**	-40
Interest expenses	**-395**	-418
Interest income	**27**	23
Total earnings before income taxes and minority interest	**1,241**	1,049
Total EBIT of reporting segments	**1,666**	1,495
General corporate expenses Corporate/Other (EBIT)	**-57**	-51
Interest expenses	**-395**	-418
Interest income	**27**	23
Total earnings before income taxes and minority interest	**1,241**	1,049
Depreciation and amortization of reporting segments	**410**	388
Depreciation and amortization Corporate/Other	**11**	11
Total depreciation and amortization	**421**	399

Reconciliation of net debt with the consolidated balance sheet

in million €	December 31, 2007	December 31, 2006
Short-term borrowings	**362**	330
Short-term liabilities and loans from related parties	**–**	1
Current portion of long-term debt and liabilities from capital lease obligations	**115**	265
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	**455**	0
Long-term debt and liabilities from capital lease obligations, less current portion	**2,887**	3,230
Senior Notes	**1,434**	1,100
Trust preferred securities of Fresenius Medical Care Capital Trusts	**446**	946
Debt	**5,699**	5,872
less cash and cash equivalents	**361**	261
Net debt	**5,338**	5,611

The following table shows the non-current assets by geographical region:

in million €	December 31, 2007	December 31, 2006
Germany	**2,711**	2,282
Europe (excluding Germany)	**1,838**	1,653
North America	**5,765**	6,297
Asia-Pacific	**358**	265
Latin America	**192**	162
Africa	**36**	32
Total non-current assets[1)]	**10,900**	10,691

[1)] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets and derivative financial instruments.

In 2007, the Fresenius Group generated sales of € 2,476 million (2006: € 2,322 million) in Germany.

31. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

The Fresenius Group recognized compensation cost in an amount of € 28 million for stock options granted since 1998. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the then current market values of the underlying stock.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group elected to adopt FAS 123(R) prospectively.

Fresenius Group's determination of the fair value of grants is based on the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants made during the years 2007 and 2006 are as follows:

	2007	2006
Expected dividend yield	**0.94 %**	1.50 %
Risk-free interest rate	**4.48 %**	3.80 %
Expected volatility	**29.06 %**	35.50 %
Expected life of options	**5.3 years**	5.3 years
Exercise price per option in €	**56.74**	40.45[1)]

[1)] Before the share split became effective on January 24, 2007, the exercise price per option was € 121.36.

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE STOCK OPTION PLANS

Description of the Fresenius SE stock option plans in place

On December 31, 2007, Fresenius SE had two stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan) and the currently active plan from the year 2003 which is based on convertible bonds (2003 Plan). The latter is the only plan under which options in the form of convertible bonds were granted during 2007.

Under the 2003 Plan, 1,440,000 convertible bonds with a par value of € 2.56 each could be granted in total until the entry of the share split on January 24, 2007 (see Note 1.II, Conversion of Fresenius AG into a European Company (SE) and new division of the subscribed capital). After the share split (ratio 1 (old) : 3 (in the future)), 1,080,000 convertible bonds with a par value of € 1.00 each could be granted in total during 2007. The bonds were granted exclusively to the members of the Management Board of Fresenius SE, to members of the management of affiliated companies, to employees of Fresenius SE and to employees of its affiliated companies. Members of the Management Board and employees of FMC-AG & Co. KGaA and its affiliated companies which are only affiliated with Fresenius SE through FMC-AG & Co. KGaA were excluded. The convertible bonds entitle to the subscription of up to 1,260,000 bearer ordinary shares and up to 1,260,000 non-voting bearer preference shares of Fresenius SE. Members of the Management Board of Fresenius SE were entitled, in total, up to 560,000 convertible bonds giving the right to subscribe up to 280,000 bearer ordinary shares and the same number of non-voting bearer preference shares. Employees were entitled, in total, up to 1,960,000 convertible bonds giving the right to subscribe up to 980,000 bearer ordinary shares and the same number of non-voting bearer preference shares.

The convertible bonds bear interest at a rate of 5.5 %. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of the convertible bond. Fresenius SE 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 Fresenius SE and are not reflected in the consolidated financial statements. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Bonds which were not financed by a note from Fresenius SE are recognized as a liability on Fresenius Group's consolidated balance sheet.

Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split 1/3 of the initial value) by at least 25 %. If converted after the share split the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15 % less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares. Up to 20 % of the total amount available for the issuance of awards under the 2003 Plan could be issued each year.

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a ten-year term, and one third of them vest on each of the second, third and fourth anniversary of the grant date. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Transactions during the year 2007

In 2007, Fresenius SE awarded 913,420 stock options, including 131,580 options to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 56.74, a weighted-average fair value of € 19.22 each and a total fair value of € 18 million, one third of which will be amortized evenly over two, three and four years, respectively.

During the fiscal year 2007, Fresenius SE received € 21 million from the exercise of 810,894 stock options. The average stock price at the exercise date was € 54.61 for ordinary shares and € 55.78 for preference shares. The non-cash benefit of options exercised in 2007 was € 24 million.

At December 31, 2007, out of 856,908 outstanding and exercisable options issued under the 1998 Plan, 25,800 were held by the members of the Fresenius SE Management Board. The number of outstanding stock options issued under the 2003 Plan was 3,387,084, of which 787,280 were exercisable. The members of the Fresenius SE Management Board held 541,320 options.

Stock option transactions are summarized as follows:

Ordinary shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2005	2,295,885	24.56	1,085,940
Granted	451,380	39.98	
Exercised	563,898	25.87	
Forfeited	92,961	24.42	
Balance 2006	2,090,406	27.97	855,960
Granted	456,710	56.90	
Exercised	405,447	23.90	
Forfeited	19,673	32.51	
Balance 2007	2,121,996	34.93	822,094

Preference shares December 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2005	2,295,885	26.97	1,085,940
Granted	451,380	39.98	
Exercised	563,898	25.87	
Forfeited	92,961	24.42	
Balance 2006	2,090,406	29.21	855,960
Granted	456,710	56.58	
Exercised	405,447	25.68	
Forfeited	19,673	33.10	
Balance 2007	2,121,996	35.74	822,094

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2007:

Options for ordinary shares

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01–15.00	153,756	5.50	13.65	153,756	5.50	13.65
15.01–20.00	142,557	4.59	19.64	142,557	4.59	19.64
20.01–25.00	262,232	5.58	22.05	161,603	5.01	22.10
25.01–30.00	391,391	6.90	28.40	132,627	5.81	28.07
30.01–35.00	220,260	3.11	30.72	220,260	3.11	30.72
35.01–40.00	481,836	8.39	39.26	11,291	7.50	35.51
45.01–50.00	13,254	8.50	48.81	0		
55.01–60.00	441,433	9.50	56.43	0		
70.01–75.00	15,277	9.50	70.54	0		
	2,121,996	7.00	34.93	822,094	4.68	23.55

Options for preference shares

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01–15.00	167,169	5.50	12.04	167,169	5.50	12.04
15.01–20.00	214,178	6.50	19.00	113,549	6.50	19.00
20.01–25.00	129,144	4.50	21.13	129,144	4.50	21.13
25.01–30.00	439,445	6.31	28.91	180,681	4.66	28.31
30.01–35.00	125,073	3.58	34.73	125,073	3.58	34.73
35.01–40.00	50,724	7.50	38.52	11,291	7.50	38.52
40.01–45.00	526,299	7.41	40.83	95,187	2.50	42.12
50.01–55.00	13,254	8.50	53.01	0		
55.01–60.00	441,433	9.50	56.11	0		
70.01–75.00	15,277	9.50	70.14	0		
	2,121,996	7.00	35.74	822,094	4.68	25.30

At December 31, 2007, total unrecognized compensation costs related to non-vested options granted under the Fresenius SE plans were € 18 million. These costs are expected to be recognized over a weighted-average period of 2.2 years.

FRESENIUS MEDICAL CARE STOCK OPTION PLANS

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 (2006 Plan) was established by resolution of FMC-AG & Co. KGaA's Annual General Meeting with a conditional capital increase up to € 15 million subject to the issue of up to 15 million no par value bearer ordinary shares with a nominal value of € 1.00 each. Under the 2006 Plan, up to 15 million options can be issued, each of which can be exercised to obtain one ordinary share, with up to three million options designated for members of the Management Board of FMC Management AG, the General Partner, up to three million options designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to nine million options designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries. With respect to participants who are members of the FMC Management AG's Management Board, its Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the 2006 Plan (including decisions regarding certain adjustments and forfeitures). The FMC Management AG has such authority with respect to all other participants in the 2006 Plan.

Options under the 2006 Plan can be granted the last Monday in July and/or the first Monday in December. The exercise price of options granted under the 2006 Plan shall be the average closing price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to satisfaction of success targets measured over a three-year period from the grant date. For each such year, the success target is achieved if FMC-AG & Co. KGaA's adjusted basic income per ordinary share (EPS), as calculated in accordance with the 2006 Plan, increases by at least 8 % year over year during the vesting period, beginning with EPS for the year of grant as compared to EPS for the year preceding such grant. Calculation of EPS under the 2006 Plan excluded, among other items, the costs of the transformation of Fresenius Medical Care's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8 % target. The success target for 2007 and 2006 was met. Vesting of the portion or portions of a grant for a year or years in which the success target is met does not occur until completion of the entire three-year vesting period. Upon exercise of vested options, FMC-AG & Co. KGaA has the right to issue ordinary shares it owns or that it purchases in the market in place of increasing capital by the issuance of new shares.

Options granted under the 2006 Plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

Fresenius Medical Care 2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to € 12 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 12 million non-voting preference shares. The convertible bonds have a par value of € 1.00 and bear interest at a rate of 5.5 %. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. FMC-AG & Co. KGaA has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by FMC-AG & Co. KGaA and are not reflected in the consolidated financial statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to FMC-AG & Co. KGaA are recognized as a liability on the Group's balance sheet.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25 %. The initial value is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15 % less than if the employee elected options subject to the stock price target. The conversion price of the options without a stock price target is the initial value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan during 2006 and 2007.

Transactions during the year 2007

During 2007, Fresenius Medical Care awarded 2,395,962 options, including 398,400 to members of the Management Board of FMC Management AG, at a weighted-average exercise price of € 33.91, a weighted-average fair value of € 9.71 each and a total fair value of € 23 million, which will be amortized on a straight-line basis over the three-year vesting period.

During 2007, FMC-AG & Co. KGaA received € 28 million from the exercise of stock options and € 6 million from a related tax benefit. The intrinsic value of options exercised in 2007 was € 20 million.

At December 31, 2007, the Management Board members of the FMC Management AG, held 1,922,628 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 8,050,813 stock options for ordinary shares and 275,426 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

The table below provides reconciliations for options outstanding at December 31, 2007 as compared to December 31, 2006.

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2006 (options for ordinary shares)	**9,222**	**20.39**
Granted	2,396	33.91
Exercised	1,337	20.18
Forfeited	308	27.64
Balance at December 31, 2007 (options for ordinary shares)	**9,973**	**26.64**
Balance at December 31, 2006 (options for preference shares)	**368**	**16.19**
Exercised	67	15.10
Forfeited	26	19.23
Balance at December 31, 2007 (options for preference shares)	**275**	**16.16**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2007:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	3,335	4.88	20.40	54
Options for preference shares	202	3.58	14.77	4

At December 31, 2007, total unrecognized compensation costs related to non-vested options granted under all plans were € 34 million. These costs are expected to be recognized over a weighted-average period of 1.6 years.

32. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is a member of the management board of Allianz SE and the chairman of the management board of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius SE, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In 2007, the Fresenius Group paid € 6 million for insurance premiums to Allianz.

Dr. Gerd Krick is a member of the advisory board of HDI Haftpflichtverband der deutschen Industrie V.a.G. that belongs to the Talanx Group. In 2007, this group received € 9 million for insurance premiums.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE, is a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In 2007, the Fresenius Group paid this law firm € 1 million for services rendered.

33. SUBSEQUENT EVENTS

As of January 1, 2008, Fresenius has reorganized its hospital business. The business segment Fresenius ProServe has been replaced by the two new business segments – Fresenius Helios and Fresenius Vamed. As part of the new organizational structure, Dr. Francesco De Meo and Dr. Ernst Wastler have joined the Management Board of Fresenius SE as of January 1, 2008. Dr. De Meo is responsible for the business segment Fresenius Helios. Dr. Wastler is in charge of the business segment Fresenius Vamed.

Other than that, there were no significant changes in the Group position or environment sector since the end of the year of 2007. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration or legal form or in the area of personnel.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

34. COMPENSATION REPORT

The compensation report of Fresenius SE summarizes the principles applied for the determination of the compensation of the members of the Management Board of Fresenius SE and explains the amounts and structure of the Management Board compensation. The compensation report is based on the recommendations of the German Corporate Governance Code and also includes the disclosures in accordance with the German Commercial Code extended by the German Act on the Disclosure of Management Board Compensation.

COMPENSATION OF THE MANAGEMENT BOARD OF FRESENIUS SE

The basis for the compensation of the Management Board was determined by the Supervisory Board of Fresenius SE, its structure and amount by the personnel committee of the Supervisory Board of Fresenius SE. The personnel committee is composed of the Supervisory Board members Dr. Gerd Krick, Dr. Karl Schneider and Wilhelm Sachs.

The objective of the compensation system is to enable the members of the Management Board to participate in the development of the business relative to their duties and performance and the successes in managing the economic and the financial position of the Company taking into account its comparable environment.

The compensation of the Management Board is, as a whole, performance oriented and consisted of three elements in the fiscal year 2007:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options, convertible bonds)

Furthermore, one member of the Management Board had a pension commitment, in the reporting period.

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

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2007. In addition, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and refunds of charges and contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2007 as a variable bonus. The amount of the bonus in each case depends on the achievement of the individual targets relating to the net income of the Fresenius Group and its segments. For the total performance-related compensation, the maximum achievable bonus is fixed.

For the fiscal years 2007 and 2006, the amount of cash payment of the Management Board of Fresenius SE consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[1]		Bonus			
in thousand €	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Dr. Ulf M. Schneider	**800**	600	**41**	41	**952**	954	**1,793**	**1,595**
Rainer Baule	**425**	425	**38**	43	**801**	825	**1,264**	**1,293**
Andreas Gaddum	**325**	325	**86**	86	**501**	498	**912**	**909**
Dr. Jürgen Götz (since July 1, 2007)	**162**		**10**		**157**		**329**	
Dr. Ben Lipps[2]	**766**	836	**230**	150	**1,647**	1,627	**2,643**	**2,613**
Stephan Sturm	**425**	425	**86**	87	**701**	756	**1,212**	**1,268**
Total	**2,903**	2,611	**491**	407	**4,759**	4,660	**8,153**	**7,678**

[1] Includes insurance premiums, private use of company cars, contributions to pension and health insurance and other benefits.
[2] Dr. Ben Lipps receives his compensation only by Fresenius Medical Care, of which Fresenius SE held 35.95 % of the total subscribed capital. As Dr. Ben Lipps is a member of the Management Board of Fresenius SE, his compensation has to be included in the compensation report of the Fresenius Group.

In the fiscal year 2007, convertible bonds and stock options based on the Fresenius AG Stock Option Plan 2003 and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 were granted as components with long-term incentive effects. The principles of both plans are described in more detail in Note 31, Stock options.

For the fiscal years 2007 and 2006, the number and value of convertible bonds and stock options issued is shown in the following table. The data contained therein take into account the changes that resulted from the share split of Fresenius SE resolved by the Extraordinary General Meeting on December 4, 2006 and implemented by the Company with effect as of January 24, 2007.

	Long-term incentive components			
	Convertible bonds[1]			
	Number		Value in thousand €	
	2007	2006	**2007**	2006
Dr. Ulf M. Schneider	**43,860**	43,860	**838**	700
Rainer Baule	**21,930**	21,930	**419**	350
Andreas Gaddum	**21,930**	21,930	**419**	350
Dr. Jürgen Götz (since July 1, 2007)	**21,930**		**419**	
Dr. Ben Lipps	**99,600**	99,600	**967**	985
Stephan Sturm	**21,930**	21,930	**419**	350
Total	**231,180**	209,250	**3,481**	2,735

[1] Convertible bonds that were granted in 2007 and 2006 under the stock option plan of Fresenius SE. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

The stated values of the convertible bonds and stock options granted to members of the Management Board in the fiscal year 2007 correspond to their fair value at the time of grant, namely a value of € 19.11 (2006: € 15.97) per convertible bond of Fresenius SE and € 9.71 (2006: € 9.89) per stock option of FMC-AG & Co. KGaA. The exercise price for the granted convertible bonds of Fresenius SE is € 56.27 (2006: € 40.13) and for the granted stock options of FMC-AG & Co. KGaA is € 33.91 (2006: 30.49).

As the financial targets of the year 2007 were achieved, Dr. Ben Lipps is entitled to a stock-based compensation in an amount of € 910 thousand (2006: € 791 thousand). The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three years vesting period.

At the end of the fiscal year 2007, the members of the Management Board held a total of 567,120 (2006: 446,340) stock options and convertible bonds of Fresenius SE and 824,280 (2006: 760,149) stock options and convertible bonds of FMC-AG & Co. KGaA.

The following table shows the total compensation for the years 2007 and 2006:

in thousand €	Cash compensation (without long-term incentive components) 2007	2006	Long-term incentive components 2007	2006[1]	Total compensation (including long-term incentive components) 2007	2006[1]
Dr. Ulf M. Schneider	**1,793**	1,595	**838**	700	**2,631**	2,295
Rainer Baule	**1,264**	1,293	**419**	350	**1,683**	1,643
Andreas Gaddum	**912**	909	**419**	350	**1,331**	1,259
Dr. Jürgen Götz (since July 1, 2007)	**329**		**419**		**748**	
Dr. Ben Lipps	**2,643**	2,613	**1,877**	1,776	**4,520**	4,389
Stephan Sturm	**1,212**	1,268	**419**	350	**1,631**	1,618
Total	**8,153**	7,678	**4,391**	3,526	**12,544**	11,204

[1] Prior year values have been reclassified to conform with the current year's presentation which corresponds to the values at the grant date. In 2006, expenses recognized were included in the total compensation.

The components with long-term incentive effect can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2007 and 2006 are stated in the following table.

in thousand €	Expenses for long-term incentive components 2007	2006
Dr. Ulf M. Schneider	**597**	444
Rainer Baule	**298**	224
Andreas Gaddum	**334**	233
Dr. Jürgen Götz (since July 1, 2007)	**75**	
Dr. Ben Lipps	**837**	385
Stephan Sturm	**334**	233
Total	**2,475**	1,519

The non-performance related compensation components and the basic structures of the performance-related compensation components are agreed in the service agreements with the individual Management Board members. The convertible bonds and stock options are granted annually by the personnel committee of the Supervisory Board.

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

There are individual contractual pension commitments for the Management Board members Rainer Baule and Stephan Sturm (since 2008). With regard to these pension commitments, the Fresenius Group had pension obligations of € 2,028 thousand as of December 31, 2007 (2006: € 1,753 thousand). The addition to pension liability in the fiscal year 2007 amounted to € 275 thousand (2006: € 319 thousand). Each of the pension commitments provides a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 63rd year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work. The starting percentage of 30 % increases with every year of service by 1.5 percentage points, 45 % being the attainable maximum. 30 % of the gross amount of any later income from an occupation of the Management Board member is set-off against the pension.

With the Management Board member Dr. Ben Lipps, there is an individual agreement, instead of a pension provision, to the effect that, taking account of a competitive restriction after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 46 % of the non-performance related compensation components paid to him in the fiscal year 2007.

At December 31, 2007, Andreas Gaddum resigned from the Management Board of Fresenius SE. Until the expiration of his service agreement on June 30, 2008, he will receive his stipulated non-performance-related compensation in an amount of € 162,500 as well as related benefits and a performance-related compensation on a pro rata basis according to the service agreement. For the period from July 1, 2008 to June 30, 2009, Andreas Gaddum will obtain a waiting allowance of € 262,500 for the agreed non-competition clause.

The service agreements of the members of the Management board contain no express provisions for the case of a change of control and for the event of the ending of their service agreement.

MISCELLANEOUS

In the fiscal year 2007, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius SE.

As far as legally permitted, Fresenius SE undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a Directors' & Officers' insurance with an appropriate excess. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

To former members of the Management Board and their surviving dependents € 483 thousand and € 588 thousand was paid in the years 2007 and 2006, respectively. The benefit obligation for these persons amounted to € 9,870 thousand in 2007 (2006: € 9,696 thousand).

35. INFORMATION ON THE SUPERVISORY BOARD

The Supervisory Board appoints the members of the Management Board and supervises and advises the Management Board in managing the Company. However, the Supervisory Board is fundamentally prohibited from managing the Company in any way. The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 14 of the Articles of Association of Fresenius SE. Compensation for the time after the conversion into a SE at July 13, 2007 is pending on the approval at the Annual General Meeting in May 2008. Each member of the Supervisory Board shall receive a fixed compensation of € 13 thousand. The members of the Audit Committee and the Personnel Committee of the Supervisory Board receive an additional € 10 thousand each and the Chairman of the committee a further € 10 thousand. For each full fiscal year, the remuneration increases by 10 % for each percentage point that the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6 % of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) and on an adequate excess amount basis.

For the years 2007 and 2006, the compensation for the members of the Supervisory Board of Fresenius SE were as follows:

	Fixed compensation		Compensation for commitee services		Variable compensation		Total compensation	
in thousand €	**2007**[1]	2006	**2007**[1]	2006	**2007**[1]	2006	**2007**[1]	2006
Dr. Gerd Krick	**14**	26	**16**	30	**89**	139	**119**	195
Dr. Dieter Schenk	**7**	13	**0**	0	**45**	69	**52**	82
Niko Stumpfögger (since July 16, 2007)	**0**		**0**		**0**		**0**	
Gerhard Herres (till July 13, 2007)	**7**	13	**0**	0	**45**	69	**52**	82
Dario Ilossi (since July 16, 2007)	**0**		**0**		**0**		**0**	
Konrad Kölbl (since July 16, 2007)	**0**		**0**		**0**		**0**	
Dr. Gabriele Kröner	**7**	13	**0**	0	**45**	69	**52**	82
Dr. Bernd Mathieu (till July 13, 2007)	**7**	13	**0**	0	**45**	69	**52**	82
Christel Neumann (till July 13, 2007)	**7**	13	**0**	0	**45**	69	**52**	82
Ilona Oesterle (till July 13, 2007)	**7**	13	**0**	0	**45**	69	**52**	82
Dr. Gerhard Rupprecht	**7**	13	**0**	0	**45**	69	**52**	82
Wilhelm Sachs	**7**	13	**0**	0	**45**	69	**52**	82
Dr. Karl Schneider	**7**	13	**5**	10	**45**	69	**57**	92
Stefan Schubert (since July 16, 2007)	**0**		**0**		**0**		**0**	
Rainer Stein (since July 16, 2007)	**0**		**0**		**0**		**0**	
Volker Weber (till July 13, 2007)	**10**	19	**11**	20	**67**	105	**88**	144
Dr. Bernhard Wunderlin	**7**	13	**11**	20	**45**	69	**63**	102
Total	**94**	175	**43**	80	**606**	934	**743**	1,189

[1] Parts of the compensation for 2007 relates to the time before the conversion into a SE at July 13, 2007. The remaining compensation of 2007 is pending on the approval at the Annual General Meeting in May 2008.

36. D&O INSURANCE

Fresenius SE has concluded a consequential loss liability insurance policy (D&O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of Fresenius SE and for all representative bodies of affiliates in Germany and elsewhere. The D&O policy applies throughout the world and runs until the end of June 2008. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid which are covered by the policy.

37. AUDITOR'S FEES

In 2007 and 2006, fees for the auditor KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Berlin, and its affiliates were expensed as follows:

in million €	2007 Total	2007 Germany	2006 Total	2006 Germany
Audit fees	**11**	**4**	11	4
Audit-related fees	**1**	**–**	–	–
Tax consulting fees	**–**	**–**	1	–
Other fees	**–**	**–**	–	–
Total auditor's fees	**12**	**4**	12	4

38. CORPORATE GOVERNANCE

The members of the Management Boards and the Supervisory Boards of Fresenius SE and Fresenius Medical Care AG & Co. KGaA have submitted the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in accordance with the German Corporate Governance Code dated June 14, 2007 and made this permanently available to the shareholders.

39. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The Management Board of Fresenius SE proposes to the Annual General Meeting that the earnings for 2007 of Fresenius SE be distributed as follows:

in €	
Payment of a dividend of € 0.66 per bearer ordinary share on the 77,582,385 ordinary shares entitled to dividend	**51,204,374.10**
Payment of a dividend of € 0.67 per bearer preference share on the 77,582,385 preference shares entitled to dividend	**51,980,197.95**
Balance to be carried forward	**71,422.23**
Retained earnings	**103,255,994.28**

40. RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Bad Homburg v. d. H., February 22, 2008

The Management Board

Dr. U. M. Schneider

R. Baule

Dr. F. De Meo

Dr. J. Götz

Dr. B. Lipps

S. Sturm

Dr. E. Wastler

AUDITOR'S REPORT

To the Fresenius Societas Europaea, Bad Homburg v. d. Höhe

We have audited the consolidated financial statements prepared by the Fresenius Societas Europaea, Bad Homburg v. d. Höhe, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In addition we have been engaged to express an opinion as to whether the voluntarily prepared group management report is in agreement with the group management report of Fresenius Societas Europaea, Bad Homburg v. d. Höhe, prepared in accordance with § 290 and § 315 HGB [Handelsgesetzbuch „German Commercial Code"] apart from appropriate incorporation of U.S. GAAP financial data.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with U.S. GAAP and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The voluntarily prepared group management report is consistent with the consolidated financial statements prepared in accordance with U.S. GAAP and is, apart from appropriate incorporation of U.S. GAAP financial data, in agreement with the group management report of Fresenius Societas Europaea prepared in accordance with § 290 and § 315 HGB, on which we have issued an unqualified statutory audit opinion. Based on this the group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 22, 2008

KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Hölzl
German Public Auditor

Hommel
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

In 2007, the Supervisory Board performed the duties assigned to it by law and by the Company's Articles of Association, regularly advising and monitoring the Management Board. It was closely involved in all decisions that were of major importance to the Group.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Supervisory Board was kept regularly informed by the Management Board – in a timely manner and comprehensively, both in writing and orally – about the overall business development, the economic and financial position, and the profitability of the Company and the Group, the corporate strategy and planning, the risk situation and compliance, and important business events. In all, the Supervisory Board convened seven times in 2007. The Supervisory Board of Fresenius AG held meetings in March and May. The constitutive meeting of the Supervisory Board of Fresenius SE also took place in May. A telephone conference was held in June. An extraordinary meeting of the Fresenius SE Supervisory Board took place in September. Two regular Supervisory Board meetings were then held in October and December 2007. Before each of the Supervisory Board's four regular meetings, detailed Management Board reports and comprehensive approval documents concerning the agenda were distributed to its members. At each of its regular meetings the Supervisory Board used the Management Board's reports as the basis for its extensive discussions about business development and important corporate decisions. All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the relevant documents, and after detailed consultation with the Management Board, the Supervisory Board was able to give its approval regarding all matters submitted to it. The Supervisory Board was also informed about any important business events occurring between meetings and, in urgent cases, was requested to pass resolutions by written proceedings. In addition, the chairman of the Management Board informed in individual meetings the chairman

of the Supervisory Board regularly about the latest business developments and forthcoming decisions. Every member of the Supervisory Board attended more than half of the Board meetings in 2007.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

The Supervisory Board's monitoring and advisory activities were mainly focused on overall business operations as well as on business segment investments and acquisitions, and any related financing.

The Supervisory Board also closely pursued the conversion of Fresenius AG into a European Company (SE), which was listed in the Commercial Register on July 13, 2007, after the successful completion of the employee involvement procedure. The Supervisory Board was kept fully informed by the Management Board about the negotiations relating to this procedure.

The Supervisory Board also thoroughly reviewed and discussed all other significant business activities with the Management Board. It approved the budget for 2008 and the Group's medium-term planning, following a detailed review and discussions with the Management Board. At its regular meetings and those of the Audit Committee, the Supervisory Board also kept itself informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

The further development of the corporate governance at Fresenius was reviewed by the Supervisory Board. On December 6, 2007, the Management Board and the Supervisory Board jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code in its version as of June 14, 2007.

For further information on corporate governance at Fresenius, please see the Corporate Governance Report issued jointly by the Management and Supervisory Boards on pages 30 to 33 of this Annual Report.

In the course of the conversion of Fresenius AG into a European Company (SE) the newly constituted Supervisory Board of Fresenius SE adopted new rules of procedure at its extraordinary meeting in September. These new rules of procedure take account of the changed legal framework applying to Fresenius SE.

The Supervisory Board also issued new rules of procedure for the Management Board of Fresenius SE. In addition to the necessary adjustments associated with the change of legal form to a SE, these rules of procedure also take account of the changes in the business distribution plan resulting from the reorganization of the Group's hospital operations. The former business segment Fresenius ProServe has been replaced by two new business segments, Fresenius Helios and Fresenius Vamed which previously formed Fresenius ProServe.

WORK OF THE COMMITTEES

The Personnel Committee, which is responsible, among other things, for concluding, amending, and terminating employment contracts with the members of the Management Board, held three meetings and one conference call.

The Audit Committee held four meetings. The main focus of its activities was on the preliminary audit of the financial statements and the consolidated financial statements for 2006 and discussions with the auditors about their report and the terms of reference of the audit.

The Audit Committee also reviewed the 2007 quarterly reports and the risk management system.

After their own meetings, the committee chairmen reported regularly to the following Supervisory Board meeting on the work of their committees.

The Nomination Committee convened a number of times and deliberated on the Supervisory Board's proposals to the Annual General Meeting regarding the nomination of the Supervisory Board.

The Mediation Committee has ceased to exist since the German Co-determination Act (MitbestG), which provided for this committee, no longer applies to Fresenius SE.

Information on the present composition of the committees can be found on pages 224 and 225 of this Annual Report.

PERSONNEL – NOMINATION OF THE MANAGEMENT AND SUPERVISIORY BOARDS

The mandates of the members of the Supervisory Board ended with Fresenius AG's conversion to a SE. We thank the members who left the Supervisory Board for their dedication to Fresenius.

The conversion of Fresenius AG to a SE has not altered the size of the Supervisory Board. It continues to have twelve members, with six shareholder representatives and six employee representatives.

The six shareholder representatives on the first Supervisory Board of Fresenius SE were appointed according to the Fresenius SE statutes. These formed an integral part of the conversion plan agreed by the General Meeting on December 4, 2006. The shareholder representatives on the first Supervisory Board of Fresenius SE are Dr. Gabriele Kröner, Dr. Gerd Krick, Dr. Gerhard Rupprecht, Dr. Dieter Schenk, Dr. Karl Schneider and Dr. Bernhard Wunderlin; there have been no changes with respect to the composition of the former Supervisory Board of Fresenius AG.

The employee representatives on the first Supervisory Board of Fresenius SE were named in the Agreement for Employee Involvement in Fresenius SE of July 13, 2007, and were officially appointed by the Municipal Court of Bad Homburg v.d.H. on July 16, 2007. The employee representatives on the first Supervisory Board of Fresenius SE are Mr. Dario Ilossi, Mr. Konrad Kölbl, Mr. Wilhelm Sachs, Mr. Stefan Schubert, Mr. Rainer Stein and Mr. Niko Stumpfögger.

For the first time, employee representatives in EU member states outside Germany have become members of the Supervisory Board of Fresenius SE, namely Mr. Ilossi from Italy and Mr. Kölbl from Austria.

At its constitutive meeting in May 2007 the Supervisory Board elected Dr. Gerd Krick as its chairman. Dr. Dieter Schenk, who was nominated by the shareholder representatives, was elected as deputy chairman. The employee representatives did not attend the constitutive meeting in May 2007, as they were only appointed in July 2007. Mr. Niko Stumpfögger, nominated by the employee representatives, was then elected as a further deputy chairman in the extraordinary meeting in September.

The Supervisory Board of Fresenius AG appointed Dr. Jürgen Götz as a member of the Management Board as from July 1, 2007 with the responsibility for legal, compliance and personnel affairs. He took over the responsibility for personnel affairs from Mr. Stephan Sturm, who continues to serve as Chief Financial Officer of Fresenius SE.

The mandates of the members of the Management Board of Fresenius AG also ended with the change of legal form to a SE. All the members of the Management Board of Fresenius AG in office at the time the conversion took effect on July 13, 2007, were reappointed by the newly constituted Supervisory Board of Fresenius SE.

Further, with the reorganization of the Group's hospital operations, the Supervisory Board of Fresenius SE appointed Dr. Francesco De Meo, responsible for the business segment Fresenius Helios, and Dr. Ernst Wastler, responsible for the business segment Fresenius Vamed, as members of the Management Board of Fresenius SE as from January 1, 2008. As a result of the reorganization, Mr. Andreas Gaddum, the member of the Management Board responsible for the former business segment Fresenius ProServe, resigned from the Company as of December 31, 2007.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB) and the Management Report of Fresenius SE (formerly Fresenius AG) for 2007 were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. They were elected as auditors at Fresenius AG's Annual General Meeting on May 16, 2007 and were subsequently commissioned by the Supervisory Board. The auditors issued their unqualified audit opinion for these statements. The same applies to the consolidated financial statements of Fresenius SE (formerly Fresenius AG), which were prepared according to IFRS accounting principles, and the US GAAP statements, which were prepared voluntarily.

Management Reports were added to the consolidated financial statements. The financial statements, the consolidated financial statements, the Management Reports and the auditors' reports

were submitted to each member of the Supervisory Board of Fresenius SE within the required time. The Supervisory Board noted and approved the auditors' findings. The Supervisory Board's own review found no objections to the financial statements of Fresenius SE (formerly Fresenius AG) or the consolidated financial statements. The Supervisory Board agrees with the Management Reports and the statements contained therein with respect to future development.

At its meeting on March 10, 2008, the Supervisory Board approved the financial statements of Fresenius SE (formerly Fresenius AG) for the fiscal year 2007 as presented by the Management Board, thereby adopting them as official. The Supervisory Board also approved the consolidated financial statements of Fresenius SE (formerly Fresenius AG) prepared according to IFRS standards and the consolidated financial statements prepared voluntarily according to US GAAP for 2007.

The auditors delivered a detailed report on the results of the audit during this meeting. The auditors attended all four regular meetings of the Supervisory Board and all meetings of the Audit Committee.

The Supervisory Board concurs with the proposal by the Management Board on the appropriation of the 2007 retained earnings.

The Supervisory Board would like to thank the Management Board and all employees for their achievements and commitment during the fiscal year 2007.

Bad Homburg v.d.H., March 10, 2008

The Supervisory Board

Dr. Gerd Krick

Chairman

MANAGEMENT BOARD

Dr. Ulf M. Schneider

Frankfurt am Main

Chairman

Corporate Offices
Supervisory Board
Fresenius Kabi AG (Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Eufets AG (Chairman)
Fresenius Kabi Austria GmbH, Austria
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A., France (Chairman)
Fresenius HemoCare Netherlands B.V., Netherlands
Board of Directors
FHC (Holdings), Ltd., Great Britain

Rainer Baule

Ettlingen

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius HemoCare Netherlands B.V., Netherlands (Chairman)
Fresenius Kabi España S.A., Spain
Calea Ltd., Canada
Administrative Board
Fresenius Kabi Groupe France S.A., France
Board of Directors
FHC (Holdings), Ltd., Great Britain
Labesfal - Laboratórios Almiro, S.A., Portugal

Dr. Francesco De Meo

(since January 1, 2008)

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman, since Juli 4, 2007)
HELIOS Klinikum Emil von Behring GmbH (Chairman, since Januar 1, 2008)
HELIOS Kliniken Schwerin GmbH (Chairman, since November 24, 2007)

Andreas Gaddum

(until December 31, 2007)

Mainz

Business Segment Fresenius ProServe

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH (until December 31, 2007)
Vamed AG, Austria
Wittgensteiner Kliniken GmbH (Chairman, until November 8, 2007)

Dr. Jürgen Götz

(since July 1, 2007)

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH (Chairman, since November 8, 2007)
HELIOS Kliniken GmbH (since May 11, 2007)
Eufets AG (until September 15, 2007)

Dr. Ben Lipps

Boston, Massachusetts (USA)

Business Segment Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm

Hofheim am Taunus

Chief Financial Officer

Corporate Offices
Supervisory Board
Fresenius Kabi AG
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH
Fresenius HemoCare Netherlands B.V., Netherlands
Board of Directors
FHC (Holdings), Ltd., Great Britain
Labesfal - Laboratórios Almiro, S.A., Portugal
Fresenius Kabi España S.A., Spain

Dr. Ernst Wastler

(since Januar 1, 2008)

Linz, Austria

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Vamed-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H. (Chairman)
Charité CFM Facility Management GmbH (Deputy Chairman)

SUPERVISORY BOARD

Dr. Gerd Krick

Königstein

Former Chairman of the Management Board of Fresenius AG

Chairman

Chairman of the Personnel Committee
Chairman of the Nomination Committee (since October 16, 2007)
Member of the Audit Committee
Member of the Mediation Committee (until July 13, 2007)

Offices
Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)
Allianz Private Krankenversicherungs-AG
Advisory Board
HDI Haftpflichtverband der deutschen Industrie V.a.G.
Board of Directors
Adelphi Capital Europe Fund, Cayman Islands (until December 31, 2007)

Gerhard Herres

(until July 13, 2007)

Beckingen-Haustadt

Member of the Trade Union Deutscher Handels- und Industrieangestellten Verband im CGB

Member of the Works Council

St. Wendel plant

Dario Anselmo Ilossi

(since July 16, 2007)

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Konrad Kölbl

(since July 16, 2007)

Hof am Leithagebirge, Austria

Member of the Manual Workers' Works Council VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.

Chairman of the Group Works Council Vamed AG

Member of the SE-Works Council of Fresenius SE

Member of the Audit Committee (since September 15, 2007)

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Dr. Gabriele Kröner

Berg

Doctor

Offices
Management Board
Else Kröner-Fresenius-Stiftung (until December 31, 2007)

Dr. rer. nat. Bernd Mathieu

(until July 13, 2007)

Spiesen-Elversberg

Graduate chemist

Corporate Offices
Board of Directors
Fresenius Medical Care Japan Co. Ltd., Japan
Fresenius-Kawasumi Co. Ltd., Japan

Christel Neumann

(until July 13, 2007)

Schonungen

Chairlady of the Fresenius European Employee Forum (until July 13, 2007)

Chairlady of the Works Council Schweinfurt plant

Member of the General Works Council

Member of the SE-Works Council of Fresenius SE

Ilona Oesterle

(until July 13, 2007)

Waldsolms

Member of the Works Council Bad Homburg v.d.H.

Dr. Gerhard Rupprecht

Gerlingen

Member of the Management Board Allianz SE

Chairman of the Management Board Allianz Deutschland AG

Offices
Supervisory Board
Heidelberger Druckmaschinen AG
ThyssenKrupp Automotive AG (until December 8, 2006)
Allianz Lebensversicherungs-AG (Chairman)
Allianz Versicherungs-AG (Chairman)
Allianz Private Krankenversicherungs-AG (Chairman)
Allianz Beratungs- und Vertriebs-AG (Chairman)
Allianz First Life Insurance Co. Ltd., Korea

Wilhelm Sachs

Friedrichsdorf

Chairman of the General Works Council

Deputy Chairman of the Works Council Friedberg plant

Member of the Joint Works Council Fresenius SE/Friedberg plant

Member of the SE-Works Council of Fresenius SE

Member of the Personnel Committee (since September 15, 2007)
Member of the Mediation Committee (until July 13, 2007)

Dr. Dieter Schenk

Munich

Lawyer and tax consultant

Deputy Chairman

Member of the Nomination Committee (since October 16, 2007)
Member of the Mediation Committee (until July 13, 2007)

Offices
Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
NSL Consulting AG (Chairman)
TOPTICA Photonics AG (Chairman)
Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman Südzucker AG

Member of the Personnel Committee
Member of the Nomination Committee (since October 16, 2007)
Member of the Audit Committee (since September 15, 2007)
Member of the Mediation Committee (until July 13, 2007)

Offices
Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Stefan Schubert

(since July 16, 2007)

Limburg-Staffel

Chairman of the Works Councils of HELIOS Klinik Bad Schwalbach, HELIOS Klinik Idstein and of Kreisaltenzentrum Bad Schwalbach

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Member of the SE-Works Council of Fresenius SE

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH

Rainer Stein

(since July 16, 2007)

Berlin

Chairman of the Group Works Council HELIOS Kliniken GmbH

Chairman of the SE-Works Council of Fresenius SE

Member of the Audit Committee (since September 15, 2007)

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH

Niko Stumpfögger

(since July 16, 2007)

Zeuthen

Secretary of the Trade Union ver.di, Betriebs- und Branchenpolitik im Bereich Gesundheit und Soziales

Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH

Volker Weber

(until July 13, 2007)

Löhnberg

Deputy Chairman (until July 13, 2007)

Full-time Secretary of the Trade Union IG Bergbau, Chemie, Energie

Member of the Personnel Committee (until July 13, 2007)
Member of the Audit Committee (until July 13, 2007)
Member of the Mediation Committee (until July 13, 2007)

Dr. Bernhard Wunderlin

Bad Homburg v.d.H.

Former Managing Director Harald Quandt Holding GmbH

Chairman of the Audit Committee

Offices
Supervisory Board
Equita Management GmbH
Advisory Board
Harald Quandt Holding GmbH (until June 30, 2007)
Marsh & McLennan Deutschland GmbH
Von Rautenkranz Nachfolger GbR

GLOSSARY

Health care terms

Adsorber systems
These are treatments for selective blood purification. A housing filled with a specific material (powder/gel) is passed through blood or plasma. The material consists of a solid carrier material with a big surface bound to active groups/molecules which selectively bind/adsorb harmful substances/pathogens from the blood/plasma.

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

Antibodies
Antibodies are proteins that bind specifically to a particular substance, its antigen. Antibodies are known collectively as immunoglobulins. They are produced by B-lymphocytes and plasma cells in response to infection or immunization, and bind to and neutralize pathogens, thus preparing them for uptake and destruction of phagocytes.

Apheresis
Process of obtaining blood from a donor or patient to separate or remove certain components (thrombocytes plasma) before re-infuding the remainder.

Ascites
Accumulation of excess fluid in the abdomen due to disturbed balance of influx and efflux as a result of a malignant disease.

Blood volume replacement
Infusion solution to compensate blood loss.

Colloids
Blood and plasma substitutes.

Compounding
Mixing of different solutions or components for I.V. or parental nutrition therapy.

Dialysis
A type of renal replacement therapy where a semi-permeable membrane – in peritoneal dialysis the peritoneum of the patient, and in hemodialysis the membrane of the dialyzer – is used for selective solute removal.

Dialysis machine
The hemodialysis process is controlled by a dialysis machine which pumps blood, adds anticoagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

Dialysis solution
Fluid used in the process of dialysis

Dialyzer
Special filter used in hemodialysis for removing toxic substances and excess water from the blood.

Disease Management
Holistic concept of patient treatment taking into account all medical aspects associated with the disease.

Enteral nutrition
Application of liquid nutrition as a tube or sip feed via the gastrointestinal tract.

EPO (Erythropoietin)
Hormone that stimulates red blood cell production. Recombinant (i.e. artificially produced) human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

ESA
Esa is the generic term for artificially produced human erythropoietin

Extracorporeal
Taking place outside the body.

Graft-versus-Host-Disease (aGvHD)
Rejection of a transplanted organ, caused by T-cells in the donor graft that attack the host organism.

HACCP Concept (Hazard Analysis Critical Control Point)
A process that proves conformity with valid norms.

Hemodiafiltration (HDF)
Special mode of ESRD (end-stage renal disease) treatment, combining advantages of hemodialysis and hemofiltration, i.e. high elimination rates for small and large molecular weight substances via diffusive and convective mechanisms, respectively.

Hemodialysis (HD)
A treatment method for dialysis patients where the blood of the patient is cleansed by a dialyzer. The solute exchange between blood and dialysate is dominated by diffusive processes.

Immunosuppressive agent
Drug that artificially suppresses or weakens the immune reaction of the organism. It is used in the treatment of autoimmune diseases or to prevent transplanted organs being rejected.

Infusionmanagementsystem
A modular infusion system, consisting of infusion and syringe pumps, which allows the simultaneous administration of different intravenously administered drugs and infusion solutions and at the same time records the infused volume.

INN (International non-proprietary name)
Official non-proprietary or generic name given to a pharmaceutical substance, as designated by the World Health Organization (WHO).

Intraperitoneal
Administration of a drug directly into the peritoneal cavity.

Lipid emulsions
Lipid emulsions are elements of parenteral nutrition and primarily provide energy and essential fatty acids.

Parenteral nutrition
Application of nutrients directly into the bloodstream of the patient (intravenously).

Peritoneal dialysis (PD)
Dialysis treatment method using the patient's peritoneum as a "filter" to cleanse his blood.

Platin-based chemotherapy
Platin-based drugs (e.g. carboplatin or cisplatin) are often used chemotherapy drugs and integral part of the standard therapy of ovarian cancer.

Prevalence
The prevalence of a disease in a statistical population is defined as the total number of cases of the disease in the population at a given time, or the total number of cases in the population, divided by the number of individuals in the population.

Polyclonal antibodies
Antibodies that recognize one specific structure, but are produced by different cell clones.

Port
A fully implantable subcutaneous small housing with membrane and catheter for chemotherapy, infusion therapy, parenteral nutrition etc.

Health care terms

Regranulation
Pre-grinded plastics are melted through specific thermal processes to separate the plastic from dirt and foreign matter to reuse the plastics.

Infusion disposables
Single-use medical devices for the administration of infusion solutions or I.V. drugs to a patient.

Single-use dialyzer
Dialyzer which is not used several times (re-use) but only one single time.

Trifunctional antibodies
Antibodies that bind to three different cell types in parallel (e. g. tumor cells, T-cells and accessory cells) resulting in a tumor-specific immune reaction.

Triglyceride
Fats made up of one glycerine molecule and three fatty acids.

Volumetric pumps
Electronic pumps for intravenous infusion of fluids and drugs for parental nutrition with high accuracy (volumetric-based)

Financial terms

Beta factor
The beta factor shows the correlation of a share to a specific index.
ß > 1 means:
the share is fluctuating more than the index.
ß = 1 means:
the share movements are in line with the index.
ß < 1 means:
the share is fluctuating less than the index.

Commercial paper program
Is short-term unsecured promissory notes issued by corporations in need of short-term loans. Typically commercial paper maturities range from a few days up to under two years.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation and amortization.

Gearing
Net debt to equity ratio, including minority interest.

ROE (Return on Equity)
The ROE measures a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested.
ROE = fiscal year's net income/total equity x 100.

ROIC (Return on Invested Capital)
Calculated by:
(EBIT – taxes): Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.

ROOA (Return on Operating Assets)
Calculated by:
EBIT x 100: operating assets (average)
Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.

SE (Societas Europea)
The SE is the legal form of a European stock corporation. The supranational legal entity is based on the European Community law. Subject to the European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

US GAAP
United States Generally Accepted Accounting Principles.

Working Capital
Current assets (including deferred assets) – accruals – trade accounts payable – other liabilities – deferred charges.

Products and services

ATG-Fresenius (anti T-lymphocyte globulin)
Protein which suppresses T-lymphocytes.

Diben
Fiber-rich standard tube feed for patients with impaired glucose tolerance.

EasyBag
Ready to use stand-up pouch for the administration of enteral tube feeding.

FX-class dialyzer
A new generation of dialyzers with increased performance and outstanding biocompatibility. Helixone® capillaries with their special three-dimensional microwave structure are built in high capillary density into a specifically-designed housing which, among other benefits, leads to an optimized flow distribution within the dialyzer.

Three chamber bag
The three chamber bag contains all the macronutrients like – amino acids, glucose, lipids and as well electrolytes in three separate chambers. One bag includes concentrated solutions covering a patient's daily nutritional requirements. Immediately before infusion all nutrients are mixed thoroughly within the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions.

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Fresenius Medical Care

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  - Hemodiafiltration
  - Hemofiltration
- High- and Low-Flux dialyzers (Fresenius Polysulfone®)
- FX-class High- and Low-Flux dialyzers (Helixone®)
- Heparin syringes
- Dialysis fluid filters
- Blood lines
- Dialysis cannulae
- Hemodiafilters
- Dialysis concentrates (liquid, dry)
- Rinsing solutions
- Disinfectants
- Water treatment systems
- Analysis devices
- Data management systems

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- Machines for acute dialysis
- Hemofilter
- Hemofiltration solutions
- Dialysis fluid concentrates
- Dialysis catheters
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- Plasmafilters
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PERITONEAL DIALYSIS

- Cyclers and tubing systems for Automated Peritoneal Dialysis (APD)
- Systems for Continuous Ambulatory Peritoneal Dialysis (CAPD)
- Peritoneal dialysis solutions
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- Data management systems (PatientOnLine)
- Paediatric Peritoneal Dialysis Systems

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- Acute in-patient dialysis treatment
- Training (hemodialysis and peritoneal dialysis)
- Planning and installation of water treatment systems for hemodialysis
- Planning of hemodialysis centers

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- Laboratory and diagnostic dialysis-related services
- Data management
- Managed care services for dialysis patients

LIVER SUPPORT THERAPY

- Machines for liver support therapy
- Albumin filters
- Anion exchanger
- Neutral resin adsorber

THERAPEUTICAL APHERESIS

LDL-apheresis:

- DALI®
- MONET®

Immunoadsorption:

- Immunosorba
- GLOBAFFIN

Fresenius Kabi

INFUSION THERAPY

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  - Autotransfusion systems
- Disinfectants

CLINICAL NUTRITION

Parenteral nutrition

- Industrially compounded admixtures (2 and 3 chamber bags, all-in-one bags)
- Standard and special amino acid solutions
- Lipid emulsions
- Additives
- Compounding systems including empty bags and calculation software for nutrition therapy
- Patient-individual concept for out-patient parenteral nutrition
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  - Devices for parenteral nutrition and its application
  - Volumetric infusion pumps
  - Disposables and accessories

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- Training and education
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- Leukocyte filters
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- Cooling and transportation systems
- Automatic blood component processing systems
- Sealing devices
- Sterile docking devices
- Blood cell separators for
  - Hemapheresis
  - Therapeutic apheresis
- Stem cell bags
- Solutions

Fresenius Helios

HELIOS KLINIKEN GROUP

- Group of clinics with acute care hospitals for all medical disciplines
- High quality medical treatment of patients at all levels of care, up to maximum care
- Operation and management of postacute care hospitals

Fresenius Vamed

VAMED GROUP

Worldwide projects and services for health facilities:

- Feasibility studies
- Operational and organisational planning
- IT planning
- Architectural planning
- Planning of medical-technical equipment
- Complete medical and technical equipment/packages
- Medical-technical maintenance
- Building technology planning
- Facility management
- Project development and management
- Turn-key projects
- Financial engineering
- PPP projects
- General and technical management of health facilities

Fresenius Biotech

BIOTECHNOLOGY

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FINANCIAL CALENDAR

Report on 1st quarter 2008	
Conference call	
Live webcast	April 30, 2008
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Payment of dividend*	May 22, 2008
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Live webcast	July 30, 2008
Report on 1st-3rd quarters 2008	
Conference call	
Live webcast	November 4, 2008

*subject to the prior approval by the Annual General Meeting

Fresenius SE's Annual Report was published on March 11, 2008 at our website http://www.fresenius.com.

FRESENIUS SHARE INFORMATION

	Ordinary share	Preference share
Securities Identification no.	578 560	578 563
Ticker symbol	FRE	FRE3
ISIN	DE0005785604	DE0005785638
Bloomberg symbol	FRE GR	FRE3 GR
Reuters symbol	FREG.de	FREG_p.de
Main trading location	Frankfurt/Xetra	Frankfurt/Xetra

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Commercial Register: Amtsgericht Bad Homburg v. d. H.; HRB 10660
Management Board: Dr. Ulf M. Schneider (President and CEO), Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz, Dr. Ben Lipps, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Annual Report is legally binding.

The financial statements of Fresenius SE and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request at Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com

Forward-looking statements:
This Annual Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report – the actual results could differ materially from the results currently expected.

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