Quarterly Report of Fresenius Group

applying United States Generally Accepted Accounting Principles

(US-GAAP)

1st Quarter 2006

Fresenius
health care worldwide

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

- **Sales: € 2.4 billion, +34 % at actual rates, +27 % in constant currency**
- **EBIT: € 291 million, +37 % at actual rates, +31 % in constant currency**
- **Net income: € 65 million, +41 % at actual rates, +35 % in constant currency**

First quarter 2006: Extremely strong start into fiscal year 2006

- All business segments above budget
- Excellent business performance at Fresenius Medical Care
- Record sales and earnings at Fresenius Kabi
- Fresenius ProServe with good earnings development in all segments
- Overproportional share of expected one-time expenses already included in the first quarter 2006

Strong organic sales growth

In the first quarter 2006, Group sales increased by 34 % to € 2,388 million (Q1 2005: € 1,787 million). Organic growth was excellent, contributing 9 % to revenue growth. Acquisitions contributed 18 %, in particular due to the first-time consolidation of HELIOS Kliniken in the income statement. Currency translation effects contributed by 7 % to revenue growth.

Remarkable sales growth of 9 % in constant currency was achieved in North America. In Europe, sales rose significantly due to the first-time consolidation of HELIOS Kliniken. Organic growth was 7 %. Additionally, excellent growth rates were achieved in the emerging markets, with constant-currency sales up 27 % in Asia-Pacific, 26 % in Latin America and 16 % in Africa.

Sales in million €	Q1/2006	Q1/2005	Change	Change at constant rates	Organic growth	Currency translation effect	Acquisitions/ Divestitures	% of total sales
Europe	**1,070**	711	51%	50%	7%	1%	43%	45%
North America	**1,009**	847	19%	9%	8%	10%	1%	42%
Asia-Pacific	**155**	116	34%	27%	19%	7%	8%	7%
Latin America	**105**	72	46%	26%	20%	20%	6%	4%
Africa	**49**	41	20%	16%	15%	4%	1%	2%
Total	**2,388**	1,787	34%	27%	9%	7%	18%	100 %

Sales contribution of the three business segments:

	Q1/2006	Q1/2005
Fresenius Medical Care	**61%**	68%
Fresenius Kabi	**19%**	22%
Fresenius ProServe	**20%**	10%

Fresenius ProServe's increased sales contribution is the result of the first-time consolidation of HELIOS Kliniken.

Strong earnings growth

EBITDA increased by 33 % in actual rates or 27 % in constant currency to € 377 million (Q1 2005: € 284 million). Group EBIT rose 37 % at actual rates and 31 % in constant currency to € 291 million (Q1 2005: € 212 million). All business segments achieved an excellent EBIT growth. The Group EBIT margin improved to 12.2 % (Q1 2005: 11.9 %).

Group net interest was € -84 million (Q1 2005: -47 million). This includes one-time expenses of € 25 million associated with the refinancing of Group debt.

The tax rate for the first quarter of 2006 was 36.7 % (Q1 2005: 39.4 %).

Minority interest was € 66 million (Q1 2005: € 54 million). 93 % was attributable to the minority interest of Fresenius Medical Care.

Group net income grew significantly by 41 % at actual rates and 35 % in constant currency to € 65 million (Q1 2005: € 46 million). This result includes one-time expenses of approximately € 13 million primarily for the refinancing of debt as well as for expenses related to the stock option accounting change.

Earnings per ordinary share rose to € 1.28 (Q1 2005: € 1.11) while earnings per preference share rose to € 1.29 (Q1 2005: € 1.12). This is an increase of 15 % for both share classes (9 % in constant currency). Primarily due to the capital increase in December 2005 the average number of shares grew to 50,785,222.

Investments

Due to the acquisition of Renal Care Group, Group investments in the first quarter of 2006 increased to € 3.39 billion (Q1 2005: € 229 million). € 3.29 million was spent on acquisitions (Q1 2005: € 181 million). € 100 million was spent for property, plant and equipment and intangible assets (Q1 2005: € 48 million).

Cash flow

Operating cash flow increased by 11 % to € 186 million (Q1 2005: € 168 million). Key drivers were the significant improvement in earnings whereas the increase in working capital due to business expansion had a negative effect. Cash flow before acquisitions and dividends was € 91 million (Q1 2005: € 126 million). The acquisition of Renal Care Group was financed through bank debt.

Solid balance sheet structure

Total assets increased by 35 % to € 15,687 million (December 31, 2005: € 11,594 million). In constant currency, total assets grew 37 %. The substantial increase in assets is mainly related to the Renal Care Group acquisition which was consolidated in the balance sheet for the first time as of March 31, 2006. Current assets increased 28 % to € 4,506 million (December 31, 2005: € 3,531 million). Non-current assets were € 11,181 million (Q1 2005: € 8,063 million), an increase of 39 %. This was primarily due to an increase in goodwill.

Group debt increased to € 6,657 million (December 31, 2005: € 3,502 million) due to financing of the Renal Care Group acquisition.

Including Renal Care Group's EBITDA contribution the net debt/EBITDA ratio was 3.5 (December 31, 2005: 2.3).

Shareholders' equity including minority interest was € 5,546 million, 8 % above the figure of € 5,130 million as of December 31, 2005. This was due to the very good earnings development and the first-time consolidation of the Renal Care Group. As a result of the financing of the Renal Care Group acquisition the equity ratio (including minority interests) decreased to 35.4 % (December 31, 2005: 44.2 %).

Employee numbers exceeds 100,000

As of March 31, 2006, the Group had 100,934 employees worldwide (December 31, 2005: 91,971). The increase of 8,963 employees is principally due to the acquisition of the Renal Care Group.

Fresenius Biotech

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer as well as cell therapies for the treatment of the immune system. In the field of polyclonal antibodies, Fresenius Biotech has successfully marketed ATG-Fresenius S for many years. ATG-Fresenius S is an immunosuppressive agent used to prevent and treat graft rejection following organ transplantation.

Fresenius Biotech has successfully continued its clinical study program: In the field of the trifunctional antibody therapies for the treatment of cancer, Fresenius Biotech expects results from the ovarian cancer study in June 2006. The results from the malignant ascites study are expected at the end of this year.

A phase II study on malignant ascites has started in the US as planned. The U.S. Food and Drug Administration (FDA) granted Fast Track Status in the approval process for this indication. The Fast Track process provides a particularly close working relationship with the FDA in order to accelerate the development and approval of pharmaceuticals to treat potentially fatal diseases for which adequate therapies are not yet available.

A phase II study on breast cancer has started in March 2006. About 40 patients will be included in the trial. A phase II study for the treatment of gastric cancer with approximately 50 patients is scheduled to begin mid-2006.

For the full year 2006, Fresenius Biotech continues to expect an EBIT in the range of € -45 to -50 million, largely due to the expanded clinical study program.

GROUP OUTLOOK FOR 2006

Group outlook for 2006 confirmed
Based on the strong financial results for the first quarter, Fresenius fully confirms its positive outlook for 2006 and expects an increase of about 30 % in Group sales to approximately € 10.5 billion.

Net income is projected to grow by more than 30 % in constant currency. The net income guidance already includes an amount of approximately € 30 million (after tax) associated with expected one-time expenses as well as with expenses related to the stock option accounting change.

Investments in property, plant and equipment and intangible assets are projected to increase to approximately € 550 to 600 million.

For divisional outlook information please see pages 7 to 9 of this report.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

At the Annual General Meeting on May 10, 2006 the shareholders approved by a large majority the proposal of the Management Board and Supervisory Board to increase the dividend for the 2005 fiscal year. Ordinary shareholders received a dividend of 1.49 euros (2005: 1.35 euros), preference shareholders a dividend of 1.51 euros (2005: 1.38 euros) per share.

In addition, the Annual General Meeting approved by a large majority the revocation of the previous Approved Capital II and the creation of new Approved Capital I and II and a corresponding modification of the Articles of Association.

Furthermore, the Annual General Meeting approved by a large majority other changes in the Articles of association.

The separate meeting of preference shareholders by a large majority has given consent to the resolution of the Ordinary General Meeting on the same date concerning revocation of the previous Approved Capital II and the creation of new Approved Capital I and II and a corresponding modification of the Articles of association.

BUSINESS SEGMENT FRESENIUS MEDICAL CARE

Fresenius Medical Care is the world's leading provider of products and services for patients with chronic kidney failure. As of March 31, 2006, Fresenius Medical Care (incl. Renal Care Group and after divestitures) was serving approximately 158,700 patients in 2,045 dialysis clinics.

in million US$	**Q1/2006***	Q1 2006	Q1/2005	Change* in %
Sales	**1,747**	1,747	1,609	9
EBITDA	**309**	305	280	10
EBIT	**247**	244	220	12
Net income	**127**	116	107	18
Employees	**59,312**	59,312	50,250	18
	(Mar 31, 2006)	(Mar 31, 2006)	(Dec 31, 2005)	

* before one-time expenses and expenses related to the stock option accounting change

First quarter of 2006

- Excellent sales and earnings growth
- Renal Care Group acquisition successfully completed at the end of March 2006
- Outlook confirmed

Fresenius Medical Care achieved sales growth of 9 % to US$ 1,747 million (Q1 2005: US$ 1,609 million). In North America, Fresenius Medical Care increased sales by 10 % to US$ 1,194 million (Q1 2005: US$ 1,088 million). Sales outside North America ("International") grew by 6 % (12 % in constant currency) to US$ 553 million (Q1 2005: US$ 521 million). Sales in dialysis care increased by 9 % to US$ 1,273 million (Q1 2005: US$ 1,162 million). In dialysis products, Fresenius Medical Care achieved sales growth of 11 % in constant currency to US$ 474 million (Q1 2005: US$ 447 million).

Net income increased by 8 % to US$ 116 million (Q1 2005: US$ 107 million). Net income includes US$ 11 million of costs for the stock option accounting change and for one-time expenses related to the change of the company's legal form and the refinancing of Fresenius Medical Care debt. Excluding the above one-time expenses net income was up 18 % to US$ 127 million.

For the year 2006, Fresenius Medical Care confirms its outlook and expects to report revenue of more than US$ 8 billion. The company expects reported net income for 2006 to be between US$ 515 million and US$ 535 million. Guidance provided by the company does not take into effect any expected one-time items and the stock option accounting change - SFAS 123(R) in the fiscal year 2006. Fresenius Medical Care expects the after tax impact of the one-time items and SFAS 123(R) to be around US$ 60 million for the full year 2006.

For further information, please see Fresenius Medical Care's website: www.fmc-ag.com.

BUSINESS SEGMENT FRESENIUS KABI

Fresenius Kabi offers infusion therapies and clinical nutrition for seriously and chronically ill patients in the hospital and out-patient environments. The company is also a leading provider of transfusion technology products.

in million €	**Q1/2006**	Q1/2005	Change in %
Sales	**466**	398	17
EBITDA	**87**	71	23
EBIT	**68**	52	31
Net Income	**26**	24	8
Employees	**14,955**	14,453	3
	(Mar 31, 2006)	(Dec 31, 2005)	

First quarter of 2006

- Strong organic sales growth in all regions
- Excellent EBIT growth and further margin improvement achieved
- Outlook for 2006 confirmed

Fresenius Kabi's sales increased by 17 % to € 466 million (Q1 2005: € 398 million). The company achieved strong organic growth of 9 %, partially supported by an increased number of working days compared to the first quarter of 2005. Acquisitions, primarily Clinico and the first-time consolidation of Pharmatel, contributed 5 % to sales. Currency translation added 3 % to growth.

Sales in Europe (excluding Germany) increased by 10 % in constant currency. Sales in Germany rose 6 %. Fresenius Kabi continued to grow exceptionally outside of Europe and achieved a constant-currency sales growth of 38 % in Asia-Pacific, 25 % in Latin America and 40 % in Africa.

Fresenius Kabi showed an excellent performance at the EBIT level, with an increase of 31 % to € 68 million (Q1 2005: € 52 million). The EBIT margin improved to 14.6 %, which is fully in line with the forecast for the full year. Net profit rose to € 26 million versus € 24 million in Q1 2005. This includes one-time expenses of € 8 million for the redemption of the 2003 Eurobond.

Fresenius Kabi confirms its outlook for the full year 2006: Sales are expected to increase about 10 % in constant currency due to strong organic sales growth and the first-time consolidation of Clinico and Pharmatel. Cost reductions in production combined with the projected sales growth will result in a significant earnings improvement in 2006. Fresenius Kabi's EBIT-margin is projected to increase to 14.5 to 15.0 %.

BUSINESS SEGMENT FRESENIUS PROSERVE

Fresenius ProServe is a leading German hospital operator with more than 50 clinics. Moreover, the company offers engineering and services for hospitals and other health care facilities as well as for the pharmaceutical industry.

in million €	Q1/2006	Q1/2005 incl. HELIOS	Q1/2005 as reported	Change incl. HELIOS in %
Sales	**476**	469	171	1
EBITDA	**43**	40	9	8
EBIT	**30**	27	3	11
Net income	**11**	8	-1	38
Employees	**26,053**	26,664	26,664	-2
	(Mar 31, 2006)	(Dec 31, 2005)	(Dec 31, 2005)	

First quarter of 2006

- Sales and earnings get off to a good start in all segments
- Business performance fully in line with forecast
- Outlook for 2006 confirmed

In the first quarter of 2006, Fresenius ProServe achieved excellent financial results. Sales grew by 1 % to € 476 million (Q1 2005: incl. HELIOS Kliniken: € 469 million; as reported: € 171 million). Organic growth was 3 %.

EBIT increased by 11 % to € 30 million (Q1 2005: incl. HELIOS Kliniken: € 27 million, as reported: € 3 million;).

For greater transparency we are reporting sales and EBIT of the hospital operations business and the engineering & services business separately in future. The hospital operations business comprises the HELIOS Kliniken Group including Wittgensteiner Kliniken. The engineering & services business covers the activities of VAMED and Pharmaplan.

Sales in hospital operations (HELIOS Kliniken incl. Wittgensteiner Kliniken) were at previous year's level with € 383 million. Organic growth was 2 %. EBIT increased to € 27 million in Q1 2006. The EBIT margin improved to 7.0 % (Q1 2005 incl. HELIOS Kliniken: € 25 million, EBIT margin: 6.5 %).

In March 2006, HELIOS Kliniken has agreed to acquire a majority stake in HUMAINE Kliniken GmbH. HUMAINE operates six acute and post acute care hospitals with a total of 1,850 beds, thereof 1,530 in the acute care area. The group achieved sales of € 197 million and operating profit (EBIT) of € 14 million. The transaction is expected to be completed in mid-2006. The acquisition of HUMAINE will be accretive to Fresenius Group's earnings per share in the fiscal year 2006.

Sales in the engineering & services business (VAMED, Pharmaplan) increased by 8 % to € 93 million (Q1 2005: € 86 million). EBIT was up 67 % to € 5 million (Q1 2005: € 3 million). Order intake and order backlog continued to develop very positively: Order intake increased by 40 % to € 66 million in Q1 2006 (Q1 2005: € 47 million). Order backlog rose 2 % to € 367 million as of March 31, 2006 (Q1 2005: € 360 million).

For the full year 2006 Fresenius ProServe expects sales growth of 1 to 3 % before acquisitions, based on 2005 revenues including HELIOS of € 2,009 million. EBIT is forecast to rise to € 140 to150 million (2005 incl. HELIOS: € 125 million).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	Q1/2006	Q1/2005
Sales	2,388	1,787
Cost of goods sold	-1,652	-1,211
Gross profit	736	576
Selling, general and administrative expenses	-410	-331
Research and development expenses	-35	-33
Operating income (EBIT)	291	212
Net interest	-84	-47
Earnings before income taxes and minority interest	207	165
Income taxes	-76	-65
Minority interest	-66	-54
Net income	65	46
Basic earnings per ordinary share in €	1.28	1.11
Fully diluted earnings per ordinary share in €	1.26	1.10
Basic earnings per preference share in €	1.29	1.12
Fully diluted earnings per preference share in €	1.27	1.11

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

in million €	March 31, 2006	Dec 31, 2005
Cash and cash equivalents	448	252
Trade accounts receivable, less allowances for doubtful accounts	2,090	1,871
Accounts receivable and loans from related parties	9	15
Inventories	799	727
Prepaid expenses and other current assets	557	478
Assets held for sale	391	0
Deferred taxes	212	188
I. Total current assets	**4,506**	3,531
Property, plant and equipment	2,600	2,356
Goodwill	7,452	4,680
Other intangible assets	556	541
Other non-current assets	445	359
Deferred taxes	128	127
II. Total non-current assets	**11,181**	8,063
Total assets	**15,687**	11,594
Trade accounts payable	355	353
Short-term accounts payable to related parties	2	2
Short-term accrued expenses and other current liabilities	1,900	1,522
Short-term borrowings	427	224
Short-term liabilities and loans from related parties	1	1
Current portion of long-term debt and capital lease obligations	337	222
Accruals for income taxes	197	146
Deferred taxes	35	27
A. Total short-term liabilities	**3,254**	2,497
Long-term debt and capital lease obligations, less current portion	4,903	2,055
Long-term liabilities and loans from related parties	–	–
Long-term accrued expenses and other long-term liabilities	318	304
Pension obligations	306	305
Deferred taxes	371	303
Trust preferred securities of Fresenius Medical Care Capital Trusts	989	1,000
B. Total long-term liabilities	**6,887**	3,967
I. Total liabilities	**10,141**	6,464
II. Minority interest	**2,531**	2,289
Subscribed capital	130	130
Capital reserve	1,660	1,546
Other reserves	1,126	1,061
Accumulated other comprehensive income (loss)	99	104
III. Total shareholders' equity	**3,015**	2,841
Total liabilities and shareholders' equity	**15,687**	11,594

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

in million €	**Mar 31, 2006**	Mar 31, 2005
Cash provided by/used for operating activities		
Net income	**65**	46
Minority interest	**66**	54
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	**86**	72
Change in deferred taxes	**16**	4
Gain/loss on sale of fixed assets	**–**	-1
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	**11**	-17
Change in inventories	**-53**	-23
Change in prepaid expenses and other current and non-current assets	**-75**	-22
Change in accounts receivable from/payable to related parties	**4**	2
Change in trade accounts payable, accruals and other short-term and long-term liabilities	**42**	62
Change in accruals for income taxes	**24**	-9
Cash provided by operating activities	**186**	168
Cash provided by/used for investing activities		
Purchase of property, plant and equipment	**-100**	-48
Proceeds from the sale of property, plant and equipment	**5**	6
Purchase of shares in related companies and investments, net	**-3,290**	-135
Cash used for investing activities	**-3,385**	-177
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	**25**	92
Repayments of short-term borrowings	**-64**	-27
Proceeds from short-term and long-term borrowings from related parties	**3**	0
Repayments of short-term and long-term borrowings from related parties	**0**	-1
Proceeds from long-term debt and capital lease obligations	**4,142**	20
Repayments of long-term debt and capital lease obligations	**-1,230**	-22
Changes of accounts receivable facility	**246**	-54
Proceeds from exercise of stock options	**29**	5
Dividends paid	**260**	0
Change in minority interest	**-1**	0
Exchange rate effect due to corporate financing	**-7**	0
Cash provided by financing activities	**3,403**	13
Effect of exchange rate changes on cash and cash equivalents	**-8**	2
Net increase in cash and cash equivalents	**196**	6
Cash and cash equivalents at the beginning of the reporting period	**252**	140
Cash and cash equivalents at the end of the reporting period	**448**	146

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Ordinary shares		Preference Shares		Subscribed capitall	
	Number of shares (thousand)	Amount (thousand €)	Number of shares (thousand)	Amount (thousand €)	Amount (thousand €)	Amount (million €)
As of December 31, 2004	**20,486**	**52,443**	**20,486**	**52,443**	**104,886**	**105**
Issuance of bearer ordinary and bearer preference shares						
Proceeds from exercise of stock options	17	45	17	45	90	–
Compensation expense related to stock options						
Dividends paid						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to						
Cash flow hedges						
Foreign currency translation						
Minimum pension liability						
Comprehensive income (loss)						
As of March 31, 2005	**20,503**	**52,488**	**20,503**	**52,488**	**104,976**	**105**
As of December 31, 2005	**25,361**	**64,924**	**25,361**	**64,924**	**129,848**	**130**
Issuance of bearer ordinary and bearer preference shares						
Proceeds from conversion of FMC's preference shares into ordinary shares						
Proceeds from exercise of stock options	94	242	94	242	484	–
Compensation expense related to stock options						
Dividends paid						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to						
Cash flow hedges						
Foreign currency translation						
Minimum pension liability						
Comprehensive income (loss)						
As of March 31, 2006	**25,455**	**65,166**	**25,455**	**65,166**	**130,332**	**130**

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Reserves		Other comprehensive income			
in million €	Capital reserve	Other reserves	Foreign currency translation	Cash flow hedges	Pensions	Total
As of December 31, 2004	**645**	**895**	**20**	**-18**	**-44**	**1,603**
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from exercise of stock options	2					2
Compensation expense related to stock options	–					–
Dividends paid						0
Comprehensive income (loss)						
Net income		46				46
Other comprehensive income (loss) related to						
Cash flow hedges				5		5
Foreign currency translation adjustment			36			36
Minimum pension liability					-1	-1
Comprehensive income (loss)		46	36	5	-1	86
As of March 31, 2005	**647**	**941**	**56**	**-13**	**-45**	**1,691**
As of December 31, 2005	**1,546**	**1,061**	**161**	**14**	**-71**	**2,841**
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from conversion of FMC's preference shares into ordinary shares	94					94
Proceeds from exercise of stock options	18					18
Compensation expense related to stock options	2					2
Dividends paid						0
Comprehensive income (loss)						
Net income		65				65
Other comprehensive income (loss) related to						
Cashflow Hedges				25		25
Foreign currency translation adjustment			-31			-31
Minimum pension liability					1	1
Comprehensive income (loss)		65	-31	25	1	60
As of March 31, 2006	**1,660**	**1,126**	**130**	**39**	**-70**	**3,015**

See accompanying Notes to the unaudited consolidated financial statements.

SEGMENT REPORTING FIRST QUARTER

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
by business segments, in million €	**2006**	2005	Change	**2006**	2005	Change	**2006**	2005	Change	**2006**	2005	Change	**2006**	2005	Change
Sales	**1,453**	1,228	18%	**466**	398	17%	**476**	171	178%	**-7**	-10	30%	**2,388**	1,787	34%
thereof contribution to consolidated sales	**1,453**	1,222	19%	**457**	391	17%	**475**	170	179%	**3**	4	-25%	**2,388**	1,787	34%
thereof intercompany sales	**0**	6	-100%	**9**	7	29%	**1**	1	0 %	**-10**	-14	29%	**0**	0	
contribution to consolidated sales	**61%**	68%		**19%**	22%		**20%**	10%		**0%**	0%		**100%**	100%	
EBITDA	**254**	213	19%	**87**	71	23%	**43**	9	--	**-7**	-9	22%	**377**	284	33%
Depreciation and amortization	**51**	45	13%	**19**	19	0%	**13**	6	117%	**3**	2	50%	**86**	72	19%
EBIT	**203**	168	21%	**68**	52	31%	**30**	3	--	**-10**	-11	9%	**291**	212	37%
Net interest	**-47**	-32	-47%	**-26**	-12	-117%	**-10**	-3	--	**-1**	0	--	**-84**	-47	-79%
Net income	**97**	82	18%	**26**	24	8%	**11**	-1	--	**-69**	-59	-17%	**65**	46	41%
Operating cash flow	**135**	105	29%	**28**	38	-26%	**37**	18	106%	**-14**	7	--	**186**	168	11%
Cash flow before acquisitions and divdends	**81**	75	8%	**10**	31	-68%	**16**	16	0%	**-16**	4	--	**91**	126	-28%
Debt[1]	**5,054**	1,857	172%	**912**	903	1%	**832**	229	--	**-141**	513	-127%	**6,657**	3,502	90%
Total assets[1]	**10,859**	6,767	60%	**1,904**	1,867	2%	**2,897**	2,859	1%	**27**	101	-73%	**15,687**	11,594	35%
Capital expenditure	**58**	33	76%	**18**	11	64%	**21**	2	--	**3**	2	50%	**100**	48	108%
Acquisitions	**3,285**	17	--	**5**	163	-97%	**-**	1	-100%	**0**	0	--	**3,290**	181	--
Research and development expenses	**10**	10	0%	**15**	14	7%	**-**	0	--	**10**	9	11%	**35**	33	6%
Employees (per capita on balance sheet date)[1]	**59,312**	50,250	18%	**14,955**	14,453	3%	**26,053**	26,664	-2%	**614**	604	2%	**100,934**	91,971	10%
Key figures															
EBITDA margin	**17.5%**	17.4%		**18.7%**	17.8%		**9.0%**	5.3%					**15.8%**	15.9%	
EBIT margin	**14.0%**	13.7%		**14.6%**	13.1%		**6.3%**	1.8%					**12.2%**	11.9%	
ROOA[1]	**9.9%[2]**	12.6%		**16.4%**	14.5%		**5.1%**	3.6%[3]					**9.0%[2]**	11.7%[3]	
Depreciation and amortization in % of sales	**3.5%**	3.7%		**4.1%**	4.8%		**2.7%**	3.5%					**3.6%**	4.0%	

[1] 2005: December 31
[2] on pro forma basis (including Renal Care Group)
[3] operating assets excluding HELIOS Klinken

Notes – Contents

1. PRINCIPLES

I. Group structure

Fresenius is a 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 management as well as engineering and services for hospitals and health care facilities as well as the pharmaceutical industry. In addition to the activities of the Fresenius AG, the operating activities are split into the following legally-independent business segments (sub-groups) as of March 31, 2006:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius ProServe

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 one million euros after they have been rounded off are marked with “-“.

II. Transformation of Fresenius Medical Care AG’s legal form and conversion of its preference shares

On February 10, 2006, Fresenius Medical Care completed a transformation of its legal form under German law as approved by its shareholders during an Extraordinary General Meeting held on August 30, 2005 (EGM). Upon registration of the transformation of legal form in the commercial register of the local court in Hof an der Saale, on February 10, 2006, Fresenius Medical Care AG's legal form was changed from a stock corporation (Aktiengesellschaft) to a partnership limited by shares (Kommanditgesellschaft auf Aktien) with the name Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). Fresenius Medical Care as a KGaA is the same legal entity under German law, rather than a successor to the AG. Fresenius Medical Care Management AG, a wholly-owned subsidiary of Fresenius AG, the majority voting shareholder of Fresenius Medical Care AG prior to the transformation, is the general partner of FMC-AG & Co. KGaA. Upon effectiveness of the transformation of legal form, the share capital of Fresenius Medical Care AG became the share capital of FMC-AG & Co. KGaA, and persons who were shareholders of Fresenius Medical Care AG became shareholders of Fresenius Medical Care in its new legal form.

This transformation has no impact on the consolidation of Fresenius Medical Care in the consolidated financial statement of the Fresenius Group.

Prior to registration of the transformation of legal form, Fresenius Medical Care AG offered holders of its non-voting preference shares (including preference shares represented by American Depositary Shares (ADSs)) the opportunity to convert their shares into ordinary shares at a conversion ratio of one preference share plus a conversion premium of € 9.75 per ordinary share. Fresenius Medical Care received a total of € 260 million in premiums from the holders upon the conversion of their preference shares.

Several ordinary shareholders challenged the resolutions adopted at the EGM approving the conversion of the preference shares into ordinary shares, the adjustment of the employee participation programs, the creation of authorized capital and the transformation of the legal form of Fresenius Medical Care AG, with the objective of having the resolutions declared null and void. On December 19, 2005 Fresenius Medical Care AG and the claimants agreed to a settlement with the participation of Fresenius AG and Fresenius Medical Care Management AG, and all proceedings were terminated (see Note 15, Commitments and contingent liabilities).

III. Basis of presentation

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

From January 1, 2005 on, Fresenius AG as a stock exchange listed company in a member state of the European Union has to prepare and to publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying § 315a of the German Commercial Code (HGB). The Fresenius Group continues to prepare and publish the consolidated financial statements in accordance with US GAAP and in addition will prepare and publish the consolidated financial statements according to IFRS as legally required.

IV. Significant accounting principles

Consolidation principles

The consolidated financial statements for the first quarter ended March 31, 2006 have not been audited or reviewed and should be read in conjunction with the notes included in the consolidated financial statements as of December 31, 2005, published in the 2005 Annual Report. There have been no major other changes in the entities consolidated in addition to the reported acquisitions (see Note 2, Acquisitions).

The consolidated financial statements for the first quarter ended March 31, 2006 include all adjustments that, in the opinion of the Management Board, are of a normal and recurring nature, necessary to provide an appropriate view of the assets and liabilities, financial position and results of operations of the Fresenius Group.

The results of operations for the first quarter of 2006 are not necessarily indicative of the results of operations for the fiscal year 2006 ending December 31, 2006.

Classification

Certain items in the previous year's consolidated financial statements have been reclassified to conform with the current year's presentation. In the first quarter of 2005, the reclassification includes € 23 million relating to rents for clinics of Fresenius Medical Care which were removed from selling, general and administrative expenses and included in its cost of goods sold.

V. Change in accounting principles

In December 2004, the Financial Accounting Standards Board issued its final standard on accounting for share-based payments, SFAS No. 123(R) (Share-Based Payment (SBP) (revised 2004)). On April 14, 2005, the SEC delayed the implementation of SFAS No. 123(R) to the beginning of the next fiscal year that begins after June 15, 2005. SFAS No. 123(R) requires companies to recognize the cost in its financial statements resulting from the exchange of its equity shares, equity share options or other equity instruments in return for goods or services from suppliers or employees, a SBP, at fair value on the grant date of SBP awards. Fair value of the SBP awards will be estimated using an option-pricing model that appropriately reflects the specific circumstances and economics of the awards. Compensation cost for the SBP awards will be recognized over the vesting period based upon an estimate of the number of awards expected to vest. Effective January 1, 2006, the Fresenius Group adopted the provisions of SFAS No. 123(R) using the modified prospective method for all awards granted, modified or settled on or after January 1, 2006. Under this method, unvested SPB awards granted prior to the effective date of the new statement are accounted for under SFAS No. 123(R), and related costs are recognized in the income statement. Before January 1, 2006 awards were accounted for under the intrinsic value based recognition and measurement provisions of APB No. 25 (Accounting for Stock Issued to Employees), and related Interpretations. Under APB No. 25, compensation cost, if any, is measured based on the excess of the quoted market price at grant date over the amount an employee must pay to acquire the stock.

2. ACQUISITIONS

The Fresenius Group made acquisitions totaling € 3,290 million in the first quarter of 2006. This amount was paid in cash.

Acquisitions of Fresenius Medical Care in the first quarter of 2006 in an amount of € 3,285 million related mainly to the purchase of Renal Care Group, Inc. (RCG).

On March 31, 2006, Fresenius Medical Care completed the acquisition of Renal Care Group, Inc. (RCG), a Delaware corporation with principal offices in Nashville, Tennessee, for an all cash purchase price, net of cash acquired, of approximately US$ 3,944 million for all of the outstanding common stock, the retirement of RCG stock options and the concurrent repayment of approximately US$ 658 million indebtedness of RCG. RCG provides dialysis and ancillary services to over 32,360 patients through more than 450 owned outpatient dialysis centers in 34 states within the United States, in addition to providing acute dialysis services to more than 200 hospitals.

In order to finance the RCG acquisition, Fresenius Medical Care borrowed a total of US$ 4,493 million consisting of long-term borrowings of US$ 3,863 million from its new credit agreement, short-term borrowing US$ 390 million from its accounts receivable facility (see Note 10, Debt and capital lease obligations) and short-term borrowings of US$ 240 million from Fresenius AG. These borrowings were used to: (a) pay US$ 85 million fees related to the new credit agreement, (b) retire Fresenius Medical Care 2003 Senior Credit Agreement in the amount of US$ 245 million, (c) retire RCG's debt and related fees in the amount of US$ 658 million, and (d) pay the purchase price, less cash acquired, for RCG's equity and related fees in the amount of US$ 3,283 million with the remaining US$ 222 million increasing cash and cash equivalents to be used to reduce other indebtedness or for general corporate purposes.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This preliminary allocation of the purchase price is based upon the best information available to management. Any adjustments to the preliminary allocation, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

The preliminary purchase price allocation is as follows:

in million US$

Current assets	729
Property, plant and equipment	311
Intangible assets and other assets	90
Goodwill	3,464
Trade accounts payable, accrued expenses and other current liabilities	-463
Accruals for income taxes and deferred taxes	-102
Long-term debt and capital lease obligations	-5
Other liabilities	-80
Aggregate purchase price (net of cash received)	**3,944**

In connection with the acquisition of RCG, Fresenius Medical Care performed a detailed review of the identification of intangible assets related to its dialysis clinic operations in the United States. In connection with this review, Fresenius Medical Care considered the conditions for recognition as an intangible asset apart from goodwill and practices in the dialysis care industry. The amortizable intangible assets acquired included US$ 67 million for non-compete agreements and US$ 4 million for acute care agreements. As a result of this review Fresenius Medical Care and Fresenius Group concluded that its past practice of identifying a separate intangible asset associated with patient relationships should be discontinued. Accordingly, the carrying amount of patient relationships that had been identified as separate intangible assets in prior business combinations involving clinics in the U.S. and related income tax effects have been reallocated to goodwill. These changes result in an increase of goodwill as of January 1, 2006 of US$ 35 million, a corresponding decrease of intangible assets of US$ 37 million and deferred income tax liabilities of US$ 2 million. The amortization recorded in prior periods on such intangible assets that should have been included in goodwill did not result in a material understatement of Fresenius Medical Care's and Fresenius Group’s results of operations for any prior period, the aggregate effect does not materially understate Fresenius Medical Care's and Fresenius Group’s shareholders' equity.

Fresenius Medical Care believes the RCG acquisition will be earnings neutral to slightly accretive in 2006 after excluding the transaction related expenses and accretive from 2007 onward.

In the first quarter of 2006 Fresenius Kabi made acquisitions of € 5 million, referring to subsequent costs for the acquisition of Endomed Laboratório Farmacéutico Ltda., Brazil.

In March 2006, HELIOS Kliniken GmbH, a company of the business segment Fresenius ProServe, has agreed to acquire a majority stake in HUMAINE Kliniken GmbH. The acquisition still requires approval by the antitrust authorities and is expected to be closed by mid 2006.

Impacts on the Fresenius Group resulting from acquisitions
The acquisitions placed in the first quarter of 2006 had no material impact on the Group's income statement. The operations of RCG will be included in Fresenius Medical Care's consolidated statements of income and cash flows from April 1, 2006.

The acquisitions increased the total assets of the Fresenius Group by € 3.9 billion.

The following financial information, on a pro forma basis, reflects the consolidated results of operations as if the acquisition of RCG and the divestitures (see Note 3, Divestitures) had been consummated at the beginning of 2006. The pro forma information includes adjustments mainly for interest expense on acquisition debt and income taxes. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the acquisition of RCG been consummated at the beginning of the respective periods.

in million €	as reported	pro forma
Sales	2,388	2,647
Net income	65	62
Basic earnings per ordinary share in €	1.28	1.22
Fully diluted earnings per ordinary share in €	1.26	1.20
Basic earnings per preference share in €	1.29	1.23
Fully diluted earnings per preference share in €	1.27	1.21

3. DIVESTITURES

Fresenius Medical Care was required to divest a total of 105 renal dialysis centers in order to complete the acquisition of RCG in accordance with a consent order issued by the United States Federal Trade Commission (FTC) on March 31, 2006. Fresenius Medical Care sold 96 of such centers on April 7, 2006, to a wholly owned subsidiary of DSI Holding Company, Inc. (DSI) and entered into an agreement to sell DSI an additional 9 centers which is expected to close in the second quarter of 2006. Fresenius Medical Care will receive cash consideration of approximating US$ 512 million for all centers divested, subject to customary post-closing adjustments. Fresenius Medical Care expects, that the sale of Fresenius Medical Care's legacy clinics which form part of the divestitures results in a gain of approximately US$ 38 million before income taxes, representing the excess of the sales price over the carrying amount of the assets being sold. The amount allocated in purchase accounting to the former RCG clinics that are part of the divested clinics corresponds to the expected proceeds; Fresenius Medical Care will not recognize a gain on such former RCG clinics sold. The 105 divested dialysis centers were reported as "Assets held for sale" at March 31, 2006.

As a result of estimated income taxes of US$ 44 million related to the gain on the sale of Fresenius Medical Care's legacy clinics, Fresenius Medical Care expects the disposal to result in a loss of approximately US$ 6 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME AND ON THE CONSOLIDATED BALANCE SHEET

4. SALES

Sales by activity are as follows:

in million €	Q1/2006	Q1/2005
Sales of products and related goods	1,490	1,018
Sales of services	838	716
Sales from long-term production contracts	60	53
Other sales	–	–
Sales	2,388	1,787

5. EARNINGS PER SHARE

The following table is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

in million €, except amounts per share (€)	Q1/2006	Q1/2005
Numerators		
Net income	65	46
less preference on preference shares	–	–
Income available to all class of shares	65	46
Denominators (number of shares)		
Weighted number of ordinary shares outstanding	25,392,611	20,491,423
Weighted number of preference shares outstanding	25,392,611	20,491,423
Total weighted-average number of shares outstanding of all classes	50,785,222	40,982,846
Potentially dilutive ordinary shares	278,198	144,031
Potentially dilutive preference shares	278,198	144,031
Total weighted-average shares outstanding of all classes assuming dilution	51,341,618	41,270,908
Total weighted-average ordinary shares assuming dilution	25,670,809	20,635,454
Total weighted-average preference shares assuming dilution	25,670,809	20,635,454
Basic earnings per ordinary share	1.28	1.11
Preference per preference share	0.01	0.01
Basic earnings per preference share	1.29	1.12
Fully diluted earnings per ordinary share	1.26	1.10
Preference per preference share	0.01	0.01
Fully diluted earnings per preference share	1.27	1.11

The owners of preference shares are entitled to an additional dividend of € 0.01 for each bearer preference share for the first quarter.

Earnings per share amount to € 1.28 and € 1.11 for each bearer ordinary share and € 1.29 and € 1.12 for each bearer preference share for the first quarter of 2006 and the first quarter of 2005, respectively.

6. CASH AND CASH EQUIVALENTS

As of March 31, 2006 and December 31, 2005, cash and cash equivalents are as follows:

in million €	March 31, 2006	December 31, 2005
Cash	441	209
Securities (with a maturity of up to 90 days)	7	43
Cash and cash equivalents	**448**	252

7. TRADE ACCOUNTS RECEIVABLE

As of March 31, 2006 and December 31, 2005, trade accounts receivable are as follows:

in million €	March 31, 2006	December 31, 2005
Trade accounts receivable	2,306	2,071
less allowance for doubtful accounts	216	200
Trade accounts receivable, net	**2,090**	1,871

8. INVENTORIES

As of March 31, 2006 and December 31, 2005, inventories consist of the following:

in million €	March 31, 2006	December 31, 2005
Raw materials and purchased components	179	176
Work in process	140	116
Finished goods	480	435
Inventories	**799**	727

9. GOODWILL AND OTHER INTANGIBLE ASSETS

As of March 31, 2006 and December 31, 2005 intangible assets, split into regularly amortizable and non-regularly amortizable intangible assets, consist of the following:

Regularly amortizable intangible assets

	March 31, 2006			December 31, 2005		
in million €	Acquisition cost	Accumulated amortization	Carrying amounts	Acquisition cost	Accumulated amortization	Carrying amounts
Non-compete agreements	**165**	**88**	**77**	0	0	0
Patents	**51**	**39**	**12**	46	33	13
Distribution rights	**21**	**11**	**10**	24	14	10
Other	**268**	**201**	**67**	339	210	129
Total	**505**	**339**	**166**	409	257	152

Non-regularly amortizable intangible assets

	March 31, 2006			December 31, 2005		
in million €	Acquisition cost	Accumulated amortization	Carrying amounts	Acquisition cost	Accumulated amortization	Carrying amounts
Tradenames	**199**	**0**	**199**	204	0	204
Management contracts	**191**	**0**	**191**	185	0	185
Subtotal	**390**	**0**	**390**	389	0	389
Goodwill	**7,456**	**4**	**7,452**	4,684	4	4,680
Total	**7,846**	**4**	**7,842**	5,073	4	5,069

The accumulated amortization of non-amortizable intangible assets is due to impairment as a result of the implementation of SFAS No. 142 (Goodwill and Other Intangible Assets).

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

in million €	Q2-Q4/2006	2007	2008	2009	2010	Q1/2011
Estimated amortization expenses for the next five fiscal years	31	38	31	26	23	5

The carrying amount of goodwill has developed as follows:

in million €

Carrying amount as of January 1, 2006	**4,680**
Additions/disposals, net	2,914
Foreign currency translation	-142
Carrying amount as of March 31, 2006	**7,452**

The increase in the carrying amount mainly results from the addition of the goodwill due to the RCG acquisition in an amount of approximately € 2.9 billion.

10. DEBT AND CAPITAL LEASE OBLIGATIONS

Short-term borrowings

Lines of credit and short-term borrowings

Short-term borrowings of € 427 million and € 224 million at March 31, 2006 and December 31, 2005, respectively, represent amounts borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks.

Accounts receivable facility

Fresenius Medical Care has an asset securitization facility (accounts receivable facility), which provides borrowings up to a maximum of US$ 460 million (€ 390 million). Under the facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns undivided 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 undivided interests are recorded as short-term borrowings.

At March 31, 2006 there are outstanding short-term borrowings under the facility of US$ 390 million (€ 322 million). On October 20, 2005 Fresenius Medical Care amended the accounts receivable facility to extend the maturity date to October 19, 2006.

Long-term debt and liabilities from capital lease obligations

As of March 31, 2006 and December 31, 2005, long-term debt and capital lease obligations consist of the following:

in million €	March 31, 2006	December 31, 2005
Fresenius Medical Care 2006 Credit Agreement	3,192	0
Euro Bonds	1,184	400
Euro Notes	460	460
European Investment Bank agreement	41	41
Capital lease obligations	43	40
Bridge loan facility	0	600
Fresenius Medical Care 2003 Senior Credit Agreement	0	399
Other	320	337
Subtotal	5,240	2,277
less current portion	337	222
Long-term debt and capital lease obligations, less current portion	4,903	2,055

Fresenius Medical Care 2006 Credit Agreement

Fresenius Medical Care entered into a new US$ 4.6 billion syndicated credit facility with Bank of America, N.A. (BofA); Deutsche Bank AG New York Branch; The Bank of Nova Scotia, Credit Suisse, Cayman Islands Branch; JPMorgan Chase Bank, National Association; and certain other lenders (collectively, Fresenius Medical Care 2006 Credit Agreement) on March 31, 2006 which replace the existing credit facility (Fresenius Medical Care 2003 Senior Credit Agreement).

The Fresenius Medical Care 2006 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-U.S. currencies, up to US$ 150 million is available as swing lines in U.S. dollars, up to US$ 250 million is available as a competitive loan facility and up to US$ 50 million is available as swing lines in certain non-U.S. 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 (Loan A) of US$ 1,850 million, also scheduled to expire on March 31, 2011. The terms of the Fresenius Medical Care 2006 Credit Agreement require 20 quarterly payments that permanently reduce the term loan facility. The repayment begins June 30, 2006 and amounts to US$ 30 million per quarter. The remaining amount outstanding is due on March 31, 2011.

- a 7-year term loan facility (Loan B) of US$ 1,750 million scheduled to expire on March 31, 2013. The terms of the Fresenius Medical Care 2006 Credit Agreement require 28 quarterly payments that permanently reduce the term loan facility. The repayment begins 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 the new credit agreements will be at Fresenius Medical Care's option - depending on the interest periods chosen - at a rate equal to either (i) LIBOR plus an applicable margin or (ii) the higher of (a) BofA's prime rate or (b) the Federal Funds rate plus 0.5%, plus an applicable margin.

The applicable margin is variable and depends on 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 held by Fresenius Medical Care to Consolidated EBITDA of Fresenius Medical Care (as these terms are defined in the Fresenius Medical Care 2006 Credit Agreement).

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

The Fresenius Medical Care 2006 Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. Additionally, the Fresenius Medical Care 2006 Credit Agreement provides for a dividend restriction which is US$ 220 million for dividends paid in 2006, and increases in subsequent years. In default, the outstanding balance under the Fresenius Medical Care 2006 Credit Agreement becomes immediately due and payable at the option of the Lenders. As of March 31, 2006, Fresenius Medical Care is in compliance with all financial covenants under the Fresenius Medical Care 2006 Credit Agreement.

Upon closing of the Fresenius Medical Care 2006 Credit Agreement, Fresenius Medical Care borrowed US$ 263 million on the Revolver at 6.3% interest through the period ending April 11, 2006, US$ 1,850 million on Term Loan A at an average interest of 6.43% for the period ending June 30, 2006, and US$ 1,750 million on Term Loan B at an average interest of 6.43% for the period ending June 30, 2006, the proceeds of which were used in conjunction with the RCG Acquisition (see Note 2, Acquisitions), to refinance the Fresenius Medical Care 2003 Senior Credit Agreement and for general corporate purposes.

In conjunction with the new Fresenius Medical Care 2006 Credit Agreement and the related variable rate based interest payments, Fresenius Medical Care entered into interest rate swaps in the notional amount of US$ 2,465 million. These instruments, designated as cash flow hedges, effectively convert forecasted LIBOR based interest payments into fixed rate based interest payments which fix the interest rate on US$ 2,465 million of the financing under the new Fresenius Medical Care 2006 Credit Agreement at 4.32% plus applicable margin. These swaps are denominated in U.S. dollars and expire at various dates between 2008 and 2012.

Fresenius Medical Care incurred fees of approximately US$ 85 million in conjunction with the Fresenius Medical Care 2006 Credit Agreement which will be amortized over the life of the credit agreement and wrote off approximately US$ 15 million in unamortized fees related to its prior Fresenius Medical Care 2003 Senior Credit Agreement at March 31, 2006.

Euro Bonds

In April 2003, Fresenius Finance B.V. issued Euro Bonds for a total amount of € 400 million in two tranches in order to repay short-term bank loans. Both tranches have a maturity of six years. The first tranche of € 300 million bears interest at 7.75% p.a. and is callable by the issuer for the first time on April 30, 2006. If the company decides to apply its right to give notice to redeem the Euro Bonds early, the redemption will be effected at different price levels which, depending on the date on which notice is given, could exceed the issue price. The redemption prices were fixed at the date of issue. The Fresenius Group issued a tender offer to repurchase the bonds in January 2006 and 71% of the volume of the first tranche were actually repurchased. Fresenius Finance B.V. has given notice to exercise its option to redeem the remaining outstanding amount. The repurchase price is 103.875% or € 1,038.75 per € 1,000 nominal value of the Notes, plus accrued interest. The redemption will become effective on April 30, 2006 and payment will be made on May 2, 2006. The second tranche of € 100 million bears interest at 7.5% p.a. and is not callable before maturity.

In October 2005, Fresenius AG entered into an agreement pursuant to which two banks agreed to provide a loan facility in the amount of € 700 million with a term of 364 days to bridge the issuance of the Notes. The bridge financing facility is shown under the balance sheet caption long-term debt as of December 31, 2005, as it belongs to this long-term Note. The loan facility was guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH and was used in addition to the proceeds from the capital increase placed at the end of 2005 to fund the acquisition of HELIOS Kliniken GmbH and the business of Clinico GmbH. From December 1, 2005, the bridge loan facility was reduced by € 100 million to € 600 million because the proceeds from the capital increase exceeded the amount according to the original finance concept. At the end of December 2005, the loan facility was fully used for the payment of the purchase prices of the acquisitions.

In January 2006, Fresenius issued a bond with a total value of € 1 billion through its wholly-owned subsidiary Fresenius Finance B.V. The new bond comprises one tranche with a nominal value of € 500 million, a maturity of 7 years and an annual coupon of 5.0% and a second tranche with a nominal value of € 500 million, a maturity of 10 years and an annual coupon of 5.5% as well as a call option for the issuer after five years. The above mentioned bridge loan facility was repaid by the proceeds of this bond issuance.

The Euro Bonds of Fresenius Finance B.V. are guaranteed by Fresenius AG, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius AG has given a number of commitments to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius AG and its subsidiaries (excluding FMC-AG & Co. KGaA and their subsidiaries). These commitments include, amongst other things, restrictions in the amount of 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 the company reaches investment grade. In the event of non-compliance with the terms of the Euro Bonds, the bondholders (owning in aggregate more than 25% of the outstanding Euro Bonds) are entitled to call the Euro Bonds and demand immediate repayments plus interest. As of March 31, 2006, the Fresenius Group is in compliance with all of its commitments.

Euro Notes

As of March 31, 2006, Euro Notes (Schuldscheindarlehen) issued by Fresenius Finance B.V. amounting to € 260 million have residual terms to maturity of up to 3 years. Interest rates are linked to EURIBOR. The Euro Notes (Schuldscheindarlehen), which are mostly hedged through interest swaps, carried interest rates of between 4.30% and 5.61 % during the first quarter of 2006.

On July 27, 2005, Fresenius Medical Care issued new Euro Notes (Schuldscheindarlehen) totaling € 200 million with a € 126 million tranche at a fixed interest rate of 4.57 % and a € 74 million tranche with a floating rate at EURIBOR plus applicable margin resulting in an average interest rate of 4.38% for the first quarter of 2006. The Euro Notes mature on July 27, 2009. The proceeds were used to liquidate € 129 million of Euro Notes issued in 2001 that were due in July 2005 and for working capital.

11. PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit pension plans

More than half of the pension obligations totaling € 306 million relate to the “Versorgungsordnung der Fresenius-Unternehmen“ established in 1988, which applies for most of the German entities of the Group. Approximately one tenth of the pension obligations relates to the Fresenius Medical Care Retention Plan in the United States. The rest, approximately one third of the pension obligations, relates to individual pension plans.

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

Fresenius Medical Care currently has two principal pension plans, one for German employees, and the other covering employees in the United States. Each year Fresenius Medical Care Holdings, Inc. (FMCH) contributes to the pension plan in the United States at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. There is no minimum funding requirement for FMCH for the defined benefit plan in 2006. FMCH made US$ 5 million (€ 4 million) in contributions accumulated as of March 31, 2006.

Transfers to the Group's pension fund in the first quarter of 2006 amounted to € 5 million. Expected transfers to the pension fund in the full year 2006 amount to € 22 million.

Net periodic benefit cost is allocated as personnel expense to each of the income statement function lines.

The following table provides the calculation of net periodic benefit cost:

in million €	**Q1/2006**	Q1/2005
Components of net periodic benefit cost		
Service costs	**4**	3
Interest cost	**7**	6
Expected return on plan assets	**-4**	-3
Amortization of unrealized losses, net	**2**	1
Amortization of prior service costs	**–**	–
Amortization of transition obligations	**–**	0
Realized gains/losses	**–**	0
Net periodic benefit cost	**9**	7

The following assumptions for net periodic benefit cost are applied:

in %	**Q1/2006**	Q1/2005
Weighted-average assumptions for the net periodic benefit cost		
Discount rate	**4.71**	5.39
Expected return on plan assets	**6.03**	6.13
Rate of compensation increase	**3.24**	3.16

Pension obligations at March 31, 2006 and December 31, 2005 relate to the following geographical regions:

in million €	**March 31, 2006**	December 31, 2005
Germany	**233**	229
Europe (excluding Germany)	**49**	49
North America	**24**	27
Asia-Pacific	**0**	0
Latin America	**0**	0
Africa	**0**	0
Total pension obligations	**306**	305

The pension obligations relate mainly to Europe and North America, with approximately three quarters relating to Germany and approximately one quarter relating to the rest of Europe and North America.

12. TRUST PREFERRED SECURITIES

The trust preferred securities agreements contain affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit the Fresenius Medical Care's indebtedness and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. Some of these covenants are subordinated to the Fresenius Medical Care 2003 Senior Credit Agreement covenants. As of March 31, 2006, Fresenius Medical Care is in compliance with all financial covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of March 31, 2006 and December 31, 2005 are as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**Mar 31, 2006 in million €**	Dec 31, 2005 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7 7/8 %	Feb 1, 2008	**359**	366
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7 3/8 %	Feb 1, 2008	**154**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7 7/8 %	Jun 15, 2011	**178**	183
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7 3/8 %	Jun 15, 2011	**297**	297
Trust preferred securities					**989**	1,000

13. MINORITY INTEREST

Minority interest in the Group has developed as follows:

in million €	**March 31, 2006**	December 31, 2005
Minority interest in FMC-AG & Co. KGaA	**2,350**	2,144
Minority interest in the business segments		
Fresenius Medical Care	**58**	12
Fresenius Kabi	**26**	25
Fresenius ProServe	**97**	108
Corporate / Other	**–**	–
Total minority interest	**2,531**	2,289

Minority interest increased in the first quarter of 2006 by € 242 million to € 2,531 million. The change resulted on the one hand from the minorities' share of profit (€ 66 million) and on the other from positive currency effects as well as first-time consolidations (€ 176 million).

14. SHAREHOLDERS' EQUITY

Subscribed capital

The subscribed capital of Fresenius AG is divided into 25,455,552 bearer ordinary shares and 25,455,552 non-voting bearer preference shares. The shares are issued as non-par value shares and have a calculated nominal value of € 2.56. During the first quarter of 2006 188,824 stock options were exercised.

Conditional capital

By resolution of the Annual General Meeting on May 28, 2003, the previous conditional capital (Conditional Capital I) of € 4,448,010.24 was reduced to € 3,296,010.24, divided into 643,752 bearer ordinary shares and 643,752 bearer preference shares. This amount was required to secure the subscription rights in connection with the stock options on bearer ordinary shares and bearer preference shares authorized by the Annual General Meeting on June 18, 1998.

In order to enable the Fresenius AG 2003 Stock Option Plan to be executed, the subscribed capital was increased conditionally (Conditional Capital II) by up to € 4,608,000.00 through the issue of up to 900,000 bearer ordinary shares and 900,000 non-voting bearer preference shares. The issue of bearer ordinary shares and non-voting bearer preference shares is made at the specified conversion price. The conditional capital increase can only be carried out to the extent that the convertible bonds are issued and the owners of the convertible bonds exercise their conversion right.

The conditional capital has developed as follows:

in €	Ordinary Shares	Preference Shares	Total
Conditional Capital I Fresenius AG Stock Option Plan 1998	1,246,248.96	1,246,248.96	2,492,497.92
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,254,433.28	2,254,433.28	4,508,866.56
Total conditional capital as of January 1, 2006	**3,500,682.24**	**3,500,682.24**	**7,001,364.48**
Fresenius AG Stock Option Plan 1998 - options exercised	-241,694.72	-241,694.72	-483,389.44
Fresenius AG Stock Option Plan 2003 - options exercised	0.00	0.00	0.00
Total conditional capital as of March 31, 2006	**3,258,987.52**	**3,258,987.52**	**6,517,975.04**

Dividends

According to German Stock Corporation Act, the basis for distributing dividends to shareholders is based upon the unconsolidated retained earnings of Fresenius AG as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

At the Annual General Meeting on May 10, 2006, a resolution was passed to pay a dividend of € 1.48 per bearer ordinary share and € 1.51 per bearer preference share, i.e. a total dividend of € 76 million was resolved.

OTHER NOTES

15. COMMITMENTS AND CONTINGENT LIABILITIES

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 (the Merger) dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG. 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.

Pre-Merger tax claims or tax claims that would arise if events were to violate the tax-free nature of the Merger, could ultimately be Fresenius Medical Care's obligation. In particular, W.R. Grace & Co. has disclosed in its filings with the Securities and Exchange Commission that: its tax returns for the 1993 to 1996 tax years are under audit by the US tax authorities Internal Revenue Service (the Service); W.R. Grace & Co. has received the Service's examination report on tax periods 1993 to 1996; that during those years W.R. Grace & Co. deducted approximately US$ 122 million in interest attributable to corporate owned life insurance (COLI) policy loans; and that a U.S. District Court ruling has denied interest deductions of a taxpayer in a similar situation W.R. Grace & Co. has paid US$ 21 million of tax and interest related to COLI deductions taken in tax years prior to 1993.

In October 2004, W.R. Grace & Co. obtained bankruptcy court approval to settle its COLI claims with the Service. In January 2005, W.R. Grace & Co., FMCH and Sealed Air Corporation executed a settlement agreement with respect to the Service's COLI-related claims and other tax claims.

On April 14, 2005, W.R. Grace & Co. paid the Service approximately US$ 90 million in connection with taxes owed for the tax periods 1993 to 1996 pursuant to a bankruptcy court order directing W.R. Grace & Co. to make such payment. Subject to certain representations made by W.R. Grace & Co., Fresenius Medical Care and Fresenius AG, W.R. Grace & Co. and certain of its affiliates had agreed to indemnify Fresenius Medical Care against this and other pre-Merger and Merger-related tax liabilities.

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 (the 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. final bankruptcy reorganization plan that contains such provisions. 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. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). 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, (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 touch screens, conductivity alarms, power failure data storage, and balance chambers for hemodialysis machines. Baxter has filed counterclaims against FMCH seeking monetary damages and injunctive relief, and alleging that FMCH will fully infringed on Baxter's patents. Both parties have filed multiple dispositive motions, some of which have been decided by the court. Trial is currently scheduled for June 2006. FMCH believes its claims are meritorious, although the ultimate outcome of any such proceedings cannot be predicted at this time and an adverse result could have a material adverse effect on Fresenius Medical Care's business, financial condition, and results of operations.

Other litigation and potential exposures

Several ordinary shareholders challenged the resolutions adopted at the EGM approving the conversion of the preference shares into ordinary shares, the adjustment of the employee participation programs, the creation of authorized capital and the transformation of the legal form of Fresenius Medical Care AG, with the objective of having the resolutions declared null and void. On December 19, 2005 Fresenius Medical Care AG and the claimants agreed to a settlement with the participation of Fresenius AG and Fresenius Medical Care Management AG and all proceedings were terminated.

Pursuant to the settlement, Fresenius Medical Care Management AG undertook to (i) make an ex gratia payment to the ordinary shareholders of Fresenius Medical Care (other than Fresenius AG), of € 0.12 for every share issued as an ordinary share up to August 30, 2005 and (ii) to pay to ordinary shareholders who, at the EGM of August 30, 2005, voted against the conversion proposal, an additional € 0.69 per ordinary share. Ordinary shareholders who were shareholders at the close of business on the day of registration of the conversion and transformation with the commercial register were entitled to a payment under (i) above. Ordinary shareholders who voted against the conversion resolution in the extraordinary general meeting on August 30, 2005, as evidenced by the voting cards held by FMC-AG & Co. KGaA, were entitled to a payment under (ii) above, but only in respect of shares voted against the conversion resolution. The right to receive payment under (ii) has lapsed as to any shareholder who did not make a written claim for payment with Fresenius Medical Care by February 28, 2006.

Fresenius Medical Care also agreed to bear court fees and shareholder legal expenses in connection with the settlement.

The total costs of the settlement were estimated to be approximately € 5.9 million. A further part of the settlement agreement and German law require that these costs be borne by Fresenius AG and Fresenius Medical Care Management AG. The actual total costs of the settlement were approximately € 5.2 million. The difference of € 0.7 million was recorded as a Selling, General and Administrative expense reduction during the period ending March 31, 2006.

As part of the settlement, Fresenius Medical Care, with the participation of Fresenius AG and Fresenius Medical Care Management AG, also agreed to establish, at the first ordinary general meeting after registration of the transformation of legal form, a joint committee (the Joint Committee) (gemeinsamer Ausschuss) of the supervisory boards of Fresenius Medical Care Management AG and FMC-AG & Co. KGaA with authority to advise and decide on certain significant transactions between FMC-AG & Co. KGaA and Fresenius AG and to approve certain significant acquisitions, dispositions, spin-offs and similar matters. FMC-AG & Co. KGaA also agreed to establish an Audit and Corporate Governance Committee of the FMC-AG & Co. KGaA Supervisory Board to review the report of Fresenius Medical Care Management AG on relations with related parties and report to the overall supervisory board thereon. Additionally, Fresenius Medical Care Management AG undertook in this settlement to provide data on the individual remuneration of its management board members according to provisions of the German Commercial Code, commencing with remuneration paid for the year ending December 31, 2006.

On May 11, 2005, RCG was served with a complaint in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Plumbers Local No. 65 Pension Fund, on behalf of itself and all others similarly situated, Plaintiff, vs. Renal Care Group, Inc., William P. Johnston, Gary Brukardt, Peter J. Grua, Joseph C. Hutts, Harry R. Jacobson, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray and C. Thomas Smith, Defendants. On May 26, 2005, RCG was served with a complaint in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Hawaii Structural Ironworkers Pension Trust Fund, on behalf of itself and all others similarly situated, Plaintiff, vs. Renal Care Group, Inc., William P. Johnston, Gary Brukardt, Peter J. Grua, Joseph C. Hutts, Harry R. Jacobson, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray and C. Thomas Smith, Defendants. On May 31, 2005, RCG was served with a complaint in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and others similar situated, Plaintiff, vs. Renal Care Group, Inc., William P. Johnston, Gary Brukardt, Peter J. Grua, Joseph C. Hutts, Harry R. Jacobson, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray and C. Thomas Smith, Defendants. The original complaints in these three lawsuits were substantially identical. Each complaint was brought by the plaintiff shareholder as a purported class action on behalf of all shareholders similarly situated. The complaints allege that RCG and its directors engaged in self-dealing and breached their fiduciary duties to RCG's shareholders in connection with the merger agreement between RCG and Fresenius Medical Care because, among other things, RCG used a flawed process, the existence of the previously disclosed subpoena from the Department of Justice, the lack of independence of one of RCG's financial advisors and the existence of RCG's supplemental executive retirement plan. RCG removed these cases to federal court in June 2005.

The plaintiffs in the first two cases dismissed them without prejudice in July 2005, and the third plaintiff filed an amended complaint. The amended complaint asserts the same grounds articulated in the original complaint adding more specific allegations regarding the termination fee, the no solicitation clause and the matching rights provision in the Merger Agreement, and it adds allegations that RCG's Proxy Statement makes material misrepresentations and omissions regarding the process by which the Merger Agreement was negotiated. Specifically, the Amended Complaint asserts that the Proxy Statement makes material misstatements or omissions regarding: (1) the reason why RCG's management and Board engaged in a closed process of negotiating a potential merger with Fresenius Medical Care and did not solicit potential competing bids from alternative purchasers; (2) the reason why RCG's Board did not appoint a special committee to evaluate the fairness of the merger; (3) the alternatives available to RCG, including potential alternative transactions and other strategic business opportunities, which purportedly were considered by RCG's Board during the strategic planning process the Board engaged in during the second half of 2004; (4) all information regarding conflicts of interest suffered by defendants and their financial and legal advisors as alleged herein; (5) all information regarding past investment banking services Bank of America has performed for RCG and Fresenius Medical Care and the compensation Bank of America received for those services; (6) the forecasts and projections prepared by RCG's management for fiscal years 2005 through 2008 that were referenced in the fairness opinions by Morgan Stanley; (7) the estimates of transaction synergies provided by RCG's management that were referenced in the fairness opinions by Morgan Stanley; and (8) information concerning the amount of money Bank of America and Morgan Stanley received in connection with the Acquisition. Fresenius Medical Care believes that the allegations in the pending complaint are without merit. The pending complaint sought to enjoin and prevent the parties from completing the merger. The pending complaint was remanded to Tennessee state court in September 2005.

FMCH and its subsidiaries received subpoenas from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. The subpoenas require production of a broad range of documents relating to the FMCH’s operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relations, joint ventures and anemia management programs. Fresenius Medical Care is cooperating with the government’s requests for information. An adverse determination in this investigation could have a material adverse effect on Fresenius Medical Care’s business, financial condition and results of operations.

RCG received a subpoena from the U.S. Department of Justice, Eastern District of Missouri in connection with a joint civil and criminal investigation. The subpoena requires the production of documents related to numerous aspects of RCG's business and operations. The areas covered by the subpoena include RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, RCG's relationships with physicians, medical director compensation and joint ventures with physicians and its purchase of dialysis equipment from Fresenius Medical Care. Fresenius Medical Care is cooperating with the government's investigation.

FMCH and its subsidiaries have 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 the FMCH'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.

RCG received a subpoena from the U.S. Department of Justice, Eastern District of New York. The subpoena requires the production of documents related to numerous aspects of RCG's business and operations, including those of RenaLab, Inc., its laboratory. The subpoena includes specific requests for documents related to testing for parathyroid hormone (PTH) levels and vitamin D therapies. Fresenius Medical Care is cooperating with the government's request for information.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge 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. While Fresenius Medical Care believes that its remaining accruals reasonably estimate its currently anticipated costs related to the continued defense and resolution of the remaining matters, 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, we do not expect any material adverse effects on the business, financial condition and results of operations of the Group.

16. FINANCIAL INSTRUMENTS

Market risk

General

In order to finance its business operations the Fresenius Group issues bonds, trust preferred securities and commercial papers and concludes 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 caused by changes in fixed interest rates.

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

As of March 31, 2006 the notional amounts of Fresenius Group's foreign exchange derivatives amounted to € 1,775 million and the notional amounts of interest rate derivatives amounted to € 3,304 million. In the case of interest rate derivatives it should be voted that the notional amounts generally only represent the base for contract specific computations and not necessarily the exchange of amounts by the parties. A potential risk resulting from the use of interest rate derivatives therefore cannot be measured solely on the bases of the notional amounts of the contracts.

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 matched the critical terms of the underlying exposures.

Accounting for and reporting of derivative financial instruments (and hedge accounting)

General

Deferred gain from cash flow hedges in accumulated other comprehensive income (loss) at € 14 million as of December 31, 2005 increased by € 25 million to € 39 million at March 31, 2006.

The after tax gain of € 14 million deferred in accumulated other comprehensive income (loss) at December 31, 2005 had no material currency impact.

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 maintained, have an impact on results of operations and financial position reported in the consolidated financial statements.

For the purpose of hedging the existing and foreseeable foreign exchange transaction risks 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.

In connection with intercompany loans in foreign currency the Fresenius Group normally uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

As of March 31, 2006, the notional volume and fair value of foreign exchange contracts relating to foreign currency intercompany loans amounted to € 1,392 million and € 13 million, respectively. Hedge accounting is not applied to these foreign exchange contracts. Accordingly, the foreign exchange contracts are recognized as assets and liabilities and changes in fair values are recognized against earnings.

As of March 31, 2006 the notional amounts of foreign exchange forward contracts in place to hedge risks from operational business totalled € 383 million with a fair value of € -3 million.

As of March 31, 2006, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 39 months.

Interest rate risk management
The Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the subgroup parent company in connection with the financing of the business segments Fresenius ProServe, Fresenius Kabi and the subgroup Fresenius Medical Care. Interest rate hedging transactions are therefore primarily concluded by Fresenius AG 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 and accounts receivable securitization programs at variable rates by swapping them into fixed rates and to hedge against fluctuations in market interest rates by swapping fixed interest rates against variable interest rates.

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, Euro Notes (Schuldscheindarlehen) and an accounts receivable facility mainly denominated in US dollar or euro, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 800 million bear an average interest rate of 5.26% and expire at various dates between 2006 and 2009, while the Euro interest rate swaps with a notional volume of € 222 million bear an average interest rate of 3.18% and expire at various dates between 2007 and 2009.

In conjunction with the proposed acquisition of Renal Care Group, Inc. and the forecasted variable rate based interest payments for its financing, Fresenius Medical Care has entered into forward starting interest rate swaps in the notional amount of US$ 2,465 million. These instruments, designated as cash flow hedges, effectively convert forecasted variable rate based interest payments into fixed rate based interest payments with an average fixed rate of 4.32% plus an applicable margin. These swaps are denominated in US dollars and expire at various dates between 2008 and 2012.

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 fixed interest 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. At March 31, 2006, the notional volume of these swaps at Fresenius Medical Care was US$ 450 million (€ 372 million).

Credit risk
The Fresenius Group is exposed to potential losses in the event of non-performance by counterparties to financial instruments but does not expect any counterparties to fail to meet their obligations. The current credit exposure of derivatives is represented by the fair value of contracts with a positive fair value at the reporting date.

17. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

The following summaries provide additional information with regard to the consolidated cash flow statement:

in million €	**Q1/2006**	Q1/2005
Interest paid	**66**	44
Income taxes paid	**30**	63

The increase in interest paid related mainly to payments in connection with the issuance of the Eurobond 2006 the repurchase of the Eurobond 2003 as well as interest payments for the financing of the acquisition of HELIOS Kliniken.

The comparatively high income taxes paid in the first quarter of 2005 referred mainly to taxes in an amount of € 33 million (US$ 43 million) paid by Fresenius Medical Care in the United States.

in million €	**Q1/2006**	Q1/2005
Assets acquired	**3,877**	196
Liabilities assumed	**-487**	-48
Minority interest	**-47**	4
Notes assumed in connections with acquisitions	**-4**	-16
Cash paid	**3,339**	136
Cash acquired	**-49**	-1
Cash paid for acquisitions, net	**3,290**	135

The free cash flow is an important management key figure in the Group. It is calculated as follows:

in million €	**Q1/2006**	Q1/2005
Operating cash flow	**186**	168
Purchase of property, plant and equipment	**-100**	-48
Proceeds from sale of property, plant and equipment	**5**	6
Cash flow before acquisitions and dividends	**91**	126
Purchase/sale of shares in related companies and investments, net	**-3,290**	-135
Cash flow before dividends	**-3,199**	-9
Dividends paid	**0**	0
Free cash flow after dividends	-3,199	-9

18. SUPPLEMENTARY INFORMATION ON SEGMENT REPORTING

General Information
The segment reporting table shown on page 15 of this 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 March 31, 2006.

The key data disclosed in conjunction with segment reporting correspond to the key data of the internal reporting system in place across 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 SFAS No. 131 (Disclosures about Segments of an Enterprise and Related Information), which defines the segment reporting requirements in 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 about 133,100 patients in its 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. Within the scope of this care chain, the company offers products for fluid and blood volume replacement, generic intravenously administered drugs, parenteral and enteral nutrition products and medical devices. Fresenius Kabi is also a leading provider of transfusion technology products in Europe.

Fresenius ProServe focuses on hospital operations as well as on engineering and services for hospitals, health care facilities and the pharmaceutical industry.

The segment Corporate/Other mainly comprises the holding functions of Fresenius AG 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.

Notes on the business segments

Explanations regarding the notes on the business segments can be found in the consolidated financial statements in the 2005 Annual Report.

In connection with the issuance of the Euro bond in January 2006 und the refinancing of the bridge financing used in December 2005 the debt for the acquisition of HELIOS Kliniken in an amount of € 600 million is stated in the business segment Fresenius ProServe from the first quarter 2006 onwards. In the year end segment reporting this debt was stated in the business segment Corporate/Other.

Reconciliation of key figures to consolidated earnings

in million €	**Q1/2006**	Q1/2005
Total EBITDA of reporting segments	**384**	293
Depreciation and amortization	**-86**	-72
General corporate expenses Corporate/Other	**-7**	-9
Net interest	**-84**	-47
Total earnings before income taxes and minority interest	**207**	165
Total EBIT of reporting segments	**301**	223
General corporate expenses Corporate/Other	**-10**	-11
Net interest	**-84**	-47
Total earnings before income taxes and minority interest	**207**	165
Depreciation and amortization of reporting segments	**83**	70
Depreciation and amortization Corporate/Other	**3**	2
Total depreciation and amortization	**86**	72

Reconciliation of net debt

in million €	**March 31, 2006**	December 31, 2005
Short-term borrowings	**427**	224
Short-term liabilities and loans from related parties	**1**	1
Current portion of long-term debt and capital lease obligations	**337**	222
Long-term debt and liabilities from capital lease obligations, less current portion	**4,903**	2,055
Trust preferred securities of Fresenius Medical Care Trusts	**989**	1,000
Debt	**6,657**	3,502
less cash and cash equivalents	**448**	252
Net debt	**6,209**	3,250

19. STOCK OPTIONS

Change in accounting for stock options

Effective January 1, 2006, the Fresenius Group adopted the provisions of Statement of SFAS No. 123(R) (Share-Based Payment (SBP) (revised 2004)) using the modified prospective transition method. Under this transition method, compensation cost recognized in the quarter ended March 31, 2006, includes 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 SFAS No. 123 and previously presented in the Fresenius Group’s pro forma footnote disclosures), and (b) compensation cost for all stock-based payments subsequent to January 1, 2006 (based on the grant-date fair value estimated in accordance with the new provisions of SFAS No. 123(R)).

Personnel expenses in connection with stock option plans of the Fresenius Group

Effective January 1, 2006, the Fresenius Group applies SFAS No. 123(R) in accounting for stock compensation and recognized compensation expenses in an amount of € 4 million for stock options granted since 1998.

Fair Value of Stock Options

The Fresenius Group elected to adopt SFAS No. 123(R) prospectively. Compensation expense in the first quarter of 2005 has been recorded in accordance with Accounting Principles board APB No. 25 (Accounting for Stock Issued to Employee).

Fresenius Group's determination of the fair value of grants is based on the Black-Scholes option pricing Model. No options have been granted in 2006. The fair value of grants made during the years ended December 31, 2005 and 2004 is as follows:

Weighted-average assumptions of Fresenius AG	**2005**	2004
Expected dividend yield	**2.10 %**	2.05 %
Risk-free interest rate	**2.50 %**	3.50 %
Expected volatility	**40.00 %**	40.00 %
Expected life of options	**5.3 years**	5.3 years
Estimated weighted-average fair value per option in €	**31.89**	25.31
Fair value of total options granted during year in million €	**10**	6

Weighted-average assumptions of Fresenius Medical Care	**2005**	2004
Expected dividend yield	**2.87%**	2.60%
Risk-free interest rate	**3.50 %**	3.80 %
Expected volatility	**40.00 %**	40.00 %
Expected life of options	**5.3 years**	5.3 years
Estimated weighted-average fair value per option in €	**18.70**	12.92
Fair value of total options granted during year in million €	**20**	13

The Black-Scholes option valuation model was developed for use in estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of highly subjective assumptions including the 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 and discussions with third parties with valuation experience. Fresenius Group's stock options may have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The following table illustrates the effect on net income and earnings per share if the Fresenius Group had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation in 2005:

in million €, except amounts per share (€)	Q1/2005
Net income	
As reported	46
Net income as reported less preference on preference shares	46
plus share-based employee compensation expense according to APB No. 25	–
less share-based employee compensation expense according to SFAS No. 123	-4
Pro forma less preference on preference shares	42
Pro forma	42
Basic earnings per ordinary share	
As reported	1.11
Pro forma	1.01
Basic earnings per preference share	
As reported	1.12
Pro forma	1.02
Fully-diluted earnings per ordinary share	
As reported	1.10
Pro forma	1.00
Fully-diluted earnings per preference share	
As reported	1.11
Pro forma	1.01

Fresenius AG stock option plans

On March 31, 2006, Fresenius AG has two stock option plans in place. Besides the stock option based program of 1998, the currently active plan from the year 2003 is based on convertible bonds. The latter is currently the only plan under which options in the form of convertible bonds are granted.

Under the Fresenius AG 1998 Stock Option Plan, the members of the Fresenius AG Management Board held 91,736 stock options and other employees held 619,882 stock options as of March 31, 2006. Under the Fresenius AG 2003 Stock Option Plan the members of the Fresenius AG Management Board held 134,018 stock options and other employees held 484,470 stock options as of March 31, 2006.

During the first quarter of 2006, Fresenius AG received € 18 million from the exercise of 188,824 stock options. The intrinsic value of options exercised in the first quarter of 2006 was € 7 million.

Stock option transactions are summarized as follows:

Options for ordinary shares	Number of options	Average exercise price in €	Number of options exercisable
Balance at December 31, 2005	765,295	73.67	361,980
Exercised	94,412	85.26	
Forfeited	5,830	78.11	
Balance at March 31, 2006	665,053	73.33	268,849

Options for preference shares	Number of options	Average exercise price in €	Number of options exercisable
Balance at December 31, 2005	765,295	80.91	361,980
Exercised	94,412	104.11	
Forfeited	5,830	66.26	
Balance at March 31, 2006	665,053	77.74	268,849

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at March 31, 2006:

	Number of options	Average remaining contractual life in years	Average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	268,849	4.77	78.58	17
Options for preference shares	268,849	4.77	92.48	15

At March 31, 2006, there was € 9 million of total unrecognized compensation costs related to non-vested SBP awards granted under the Fresenius AG plans. These costs are expected to be recognized over a weighted-average period of 2.1 years.

The table below provides a reconciliation of the nonvested outstanding options for preference and ordinary shares at March 31, 2006.

Options for ordinary shares	Number of options	Weighted-average grant-date fair value in €*
Nonvested at December 31, 2005	403,315	26.72
Forfeited	7,111	28.14
Nonvested at March 31, 2006	396,204	26.69

Options for preference shares	Number of options	Weighted-average grant-date fair value in €*
Nonvested at December 31, 2005	403,315	25.37
Forfeited	7,111	26.94
Nonvested at March 31, 2006	396,204	25.34

*Considering the reduction of the exercise and conversion price due to the capital increase in December 2005.

Fresenius Medical Care stock option plans

At March 31, 2006, Fresenius Medical Care has awards outstanding under the terms of various stock-based compensation plans. The Management Board members of the Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, held 475,730 stock options for ordinary shares and other employees of Fresenius Medical Care held 2,248,542 stock options for ordinary shares and 192,917 stock options for preference shares as of March 31, 2006.

In connection with the conversion of the Fresenius Medical Care’s preference shares into ordinary shares, holders of options to acquire preference shares had the opportunity to convert their options so that they would be exercisable to acquire ordinary shares. Holders of 234,311 options elected not to convert. Holders of 3,863,470 options converted resulting in 2,849,318 options for ordinary shares.

The table below provides reconciliations for options outstanding at March 31, 2006, as compared to December 31, 2005 taking in consideration the conversion, options exercised and forfeited.

	Number of options in thousand	Average exercise price in €
Balance at December 31, 2005	4,103	47.88
Forfeited prior to conversion	5	41.00
Eligible for conversion	4,098	47.94
Options not converted	235	49.18
Options converted	3,863	
Reduction due to impact of conversion ratios	1,014	
Balance of options outstanding after conversion into ordinary shares as of February 10, 2006	2,849	64.22
Exercised	114	72.83
Forfeited	11	78.00
Balance at March 31, 2006 (options for ordinary shares)	2,724	63.80
Balance of options not converted as of February 10, 2006	235	49.18
Exercised	38	49.38
Forfeited	4	59.56
Balance at March 31, 2006 (options for preference shares)	193	48.96

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at March 31, 2006.

	Number of options	Average remaining contractual life in years	Average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	791,741	4.84	59.53	31
Options for preference shares	120,093	3.67	47.86	6

At March 31, 2006, there was € 19 million of total unrecognized compensation costs related to non-vested SBP awards granted under the Fresenius Medical Care 2001 Plan. These costs are expected to be recognized over a weighted-average period of 1.8 years.

The table below provides a reconciliation of the nonvested outstanding options for preference and ordinary shares at March 31, 2006:

Options for ordinary shares	Number of options in thousand	Weighted-average grant-date fair value in €
Nonvested at February 10, 2006	1,870	19.73
Forfeited	11	22.25
Nonvested at March 31, 2006	1,859	19.71

Options for preference shares	Number of options in thousand	Weighted-average grant-date fair value in €
Balance at January 1, 2006	2,566	14.84
Options not converted	76	
Options converted	2,490	
Reduction due to impact of conversion ratios	620	
Balance of options outstanding after conversion into ordinary shares as of February 10, 2006	1,870	19.73
Balance at February 10, 2006	76	14.94
Forfeited	3	17.04
Balance at March 31, 2006	73	14.84

During the period ended March 31, 2006, Fresenius Medical Care received € 11 million from the exercise of stock options. The intrinsic value of options exercised in the first quarter of 2006 was € 3 million.

20. SUBSEQUENT EVENTS

At the Annual General Meeting on May 10, 2006, the previous Approved Capital II was abolished and a new Approved Capital I in an amount of € 12,800,000 as well as a new Approved Capital II in an amount of € 6,400,000 was resolved.

There have been no further significant changes in the group position or environment sector since the end of the first quarter of 2006. 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.

21. CORPORATE GOVERNANCE

The Management Boards and the Supervisory Boards of Fresenius AG and Fresenius Medical Care AG have submitted the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) in accordance with the German Corporate Governance Code dated June 2, 2005 and made this permanently available to the shareholders.

Financial Calendar

Report on the first six months 2006 Analysts' Meeting, Bad Homburg v.d.H. Live webcast	August 4, 2006
Report on 1st - 3rd quarters 2006 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	October 31, 2006

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