Quarterly Financial Report of Fresenius Group

applying United States Generally Accepted Accounting Principles

(US-GAAP)

1st Quarter 2007

Fresenius
health care worldwide

Contents

FRESENIUS GROUP FIGURES AT A GLANCE

in million €	**Q1 2007**	Q1 2006	Change in %
Sales	**2,767**	2,388	16
EBIT	**380**	291	31
EBIT margin	**13.7 %**	12.2 %	
Net income	**93**	65	43
Earnings per ordinary share in € [1]	**0.60**	0.43	40
Earnings per preference share in € [1]	**0.60**	0.43	40
Operating cash flow	**287**	186	54
Operating cash flow in % of sales	**10.4 %**	7.8 %	
Investments [2]	**295**	3,390	-91

in million €	**March 31, 2007**	December 31, 2006	Change in %
Total assets	**15,159**	15,024	1
Non-current assets	**10,994**	10,918	1
Net debt	**5,478**	5,611	-2
Equity [3]	**5,873**	5,728	3
Equity ratio	**38.7 %**	38.1 %	
Employees	**107,348**	104,872	2

Fresenius shares [1]	**Q1 2007**	2006	Change in %
Number of ordinary shares (March 31/December 31)	**77,271,093**	77,176,938	
Quarter-end quotation in €	**60.13**	50.57	20
High in €	**60.13**	51.32	17
Low in €	**50.17**	35.47	41
∅ Trading volume (number of shares per trading day)	**76,548**	61,023	25
Number of preference shares (March 31/December 31)	**77,271,093**	77,176,938	
Quarter-end quotation in €	**59.60**	54.27	10
High in €	**59.60**	55.32	8
Low in €	**52.57**	37.41	41
∅ Trading volume (number of shares per trading day)	**521,481**	362,595	44
Market capitalization (in million €, Mar 31/Dec 31)	**9,252**	8,091	14

[1] Previous year´s figure adjusted for share split in February 2007

[2] Investments in property, plant and equipment and intangible assets, acquisitions

[3] Equity including minority interests

MANAGEMENT DISCUSSION AND ANALYSIS

- **Sales: € 2.77 billion, +16 % at actual rates, +22 % in constant currency**
- **EBIT: € 380 million, +31 % at actual rates, +37 % in constant currency**
- **Net income: € 93 million, +43 % at actual rates, +48 % in constant currency**

Q1 2007: Successful start to 2007

- All business segments in line with forecast
- Continued strong sales and earnings growth
- Fresenius ProServe to focus on hospital business – agreement reached to sell Pharmatec to Robert Bosch GmbH

Sales – Very good organic growth

Group sales increased by 16 % to € 2,767 million in the first quarter of 2007 (Q1 2006: € 2,388 million). Organic growth was 7 %. Acquisitions contributed 17 %, in particular Renal Care Group which was consolidated for the first time as from the second quarter of 2006. Divestitures reduced sales by 2 %. Currency translation effects had a negative impact of 6 %. This was mainly attributable to the average dollar depreciation of 9 % against the euro in the first quarter of 2007 compared to previous year’s period.

In North America sales grew significantly due to the Renal Care Group consolidation and an excellent organic growth rate of 9 %. In Europe sales increased by 8 % in constant currency, with organic growth of 4 %. Strong growth rates were achieved in the emerging markets with organic growth of 12 % in Asia-Pacific, 10 % in Latin America and 25 % in Africa.

Sales in million €	**Q1 2007**	Q1 2006	Change at actual rates	Currency translation effects	Change at constant rates	Organic growth	Acquisitions/ Divestitures	% of total sales
Europe	**1,150**	1,070	7 %	0 %	8 %	4 %	4 %	41 %
North America	**1,267**	1,009	26 %	-11 %	37 %	9 %	28 %	46 %
Asia-Pacific	**186**	155	20 %	-6 %	26 %	12 %	14 %	7 %
Latin America	**108**	105	3 %	-7 %	10 %	10 %	0 %	4 %
Afrika	**56**	49	16 %	-14 %	30 %	25 %	5 %	2 %
Total	**2,767**	2,388	16 %	-6 %	22 %	7 %	15 %	100 %

Excellent earnings growth

EBITDA increased by 34 % in constant currency and by 27 % at actual rates to € 479 million (Q1 2006: € 377 million). Group operating income (EBIT) increased by 37 % in constant currency and by 31 % at actual rates to € 380 million (Q1 2006: € 291 million). This growth was driven by the successful operating results in all business segments. The Group's EBIT margin improved to 13.7 % (Q1 2006: 12.2 %).

Group net interest was € -95 million (Q1 2006: € -84 million, including one-time expenses of € 25 million for the early refinancing of Group debt). This increase was primarily driven by debt financing of the Renal Care Group acquisition as from Q2 2006.

The tax rate further improved to 36.1 % from 36.7 % in Q1 2006.

Minority interest was € 89 million (Q1 2006: € 66 million), of which 93 % was attributable to the minority interest in Fresenius Medical Care.

Group net income grew strongly by 48 % in constant currency and by 43 % at actual rates to € 93 million (Q1 2006: € 65 million, including one-time expenses of € 11 million).

Earnings per ordinary share were € 0.60 and earnings per preference share were € 0.60 (Q1 2006 adjusted for the share split in February 2007: ordinary share € 0.43 and preference share € 0.43). This is an increase of 40 %.

Investments at high level

Fresenius Group spent € 140 million for property, plant and equipment and intangible assets (Q1 2006: € 100 million). Acquisition spending was € 155 million (Q1 2006: € 3,290 million).

Strong cash flow

Operating cash flow increased by 54 % to € 287 million (Q1 2006: € 186 million), mainly driven by the strong increase in earnings. Cash flow before acquisitions and dividends increased to € 155 million (Q1 2006: € 91 million). The free cash flow after acquisitions (€ 63 million) and dividends (€ 4 million) was € 88 million (Q1 2006: € -3,199 million).

Cash flow statement (Summary, unaudited)

in million €	Q1 2007	Q1 2006	Change in %
Net income before minority interest	182	131	39
Depreciation and amortization	99	86	15
Change in accruals for pensions	3	1	--
Cash flow	**284**	**218**	**30**
Change in working capital	3	-32	--
Operating cash flow	**287**	**186**	54
Capital expenditure, net	-132	-95	-39
Free cash flow before acquisitions and dividends	**155**	**91**	**70**
Cash used for acquisitions, net	-63	-3,290	--
Dividends paid	-4	0	--
Free cash flow after acquisitions and dividends	**88**	**-3,199**	--
Cash provided by/used for financing activities	-47	3,403	--
Effect of exchange rates on change in cash and cash equivalents	-2	-8	75
Net increase in cash and cash equivalents	**39**	**196**	**-80**

Solid balance sheet structure

Total assets increased in constant currency and at actual rates by 1 % to € 15,159 million (December 31, 2006: € 15,024 million). Current assets increased by 1 % to € 4,165 million (December 31, 2006: € 4,106 million). Non-current assets were € 10,994 million (December 31, 2005: € 10,918 million).

Shareholders' equity including minority interest grew by 3 % to € 5,873 million (December 31, 2006: € 5,728 million). The equity ratio (including minority interest) was 38.7 % (December 31, 2006: 38.1 %).

The Group's debt was € 5,778 million (December 31, 2006: € 5,872 million). Given the excellent earnings growth and a strong cash flow the net debt/EBITDA ratio improved to 2.8 as of March 31, 2007 (December 31, 2006: 3.0).

Employees

As of March 31, 2007, the Group had 107,348 employees (December 31, 2006: 104,872), an increase of 2 %.

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.

In March 2007, encouraging results in the non-ovarian cancer patient stratum of a phase II/III pivotal study on malignant ascites were published, including treatment data of 129 patients. The results showed a clear advantage of the therapy with the trifunctional antibody removab® over a therapy with puncture alone. Data on overall survival of all 258 patients for both strata of the study are expected in the second quarter of 2007.

The Phase II studies with the antibody rexomun® to treat breast cancer and with the antibody removab® to treat gastric cancer are ongoing. These studies started in March 2006 and June 2006 respectively. A phase II study with removab® is due to start in Europe in the first half of 2007 for the treatment of patients with ovarian cancer.

Fresenius Biotech's operating income (EBIT) was € -11 million in Q1 2007. For 2007, Fresenius Biotech expects an EBIT of approximately € -50 million (2006: € -45 million).

OPPORTUNITIES AND RISK REPORT

Compared to the presentation in the 2006 annual report, there have been no material changes in Fresenius´ opportunities and risk situation.

In addition, we report on legal proceedings, currency, interest and liquidity risks on pages 32 to 39 in the Notes of this report.

GROUP OUTLOOK 2007

Outlook for 2007 confirmed

Based on the Group's strong financial results in the first quarter, Fresenius fully confirms its positive outlook for 2007 issued at the end of February. Group sales are expected to grow by 8 to 10 % in constant currency. Net income is expected to increase by 20 to 25 % in constant currency. Further margin improvements in all business segments are expected to contribute to this growth.

For divisional outlook information please see pages 8 to 10 of this report.

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, 2007, Fresenius Medical Care was serving 169,216 patients in 2,194 dialysis clinics.

in million US$	Q1 2007	Q1 2006	Change in %
Sales	2,321	1,747	33
EBITDA	450	305	48
EBIT	365	244	50
Net income	160	116	38
Employees	62,262 (Mar 31, 2007)	59,996 (Dec 31, 2006)	4

First quarter of 2007

- Excellent sales increase and high organic growth in all regions
- Continued strong earnings growth
- Outlook for 2007 fully confirmed

Fresenius Medical Care achieved strong sales growth of 33 % to US$ 2,321 million (Q1 2006: US$ 1,747 million), mainly driven by the excellent organic growth of 9 % and by the consolidation of Renal Care Group.

Sales in dialysis care increased by 38 % to US$ 1,760 million (Q1 2006: US$ 1,273 million). In dialysis products Fresenius Medical Care achieved sales of US$ 560 million (Q1 2006: US$ 474 million), an increase of 18 %.

In North America Fresenius Medical Care's sales increased by 37 % to US$ 1,637 million (Q1 2006: US$ 1,194 million). Sales outside North America ("International") grew by 24 % (17 % in constant currency) to US$ 684 million (Q1 2006: US$ 553 million). This was primarily driven by the positive operating performance in Europe and the Asia-Pacific region.

Fresenius Medical Care increased EBIT by 50 % to US$ 365 million (Q1 2006: US$ 244 million), the EBIT margin was 15.7 % (Q1 2006: 14.0 %). Net income increased by 38 % to US$ 160 million (Q1 2006: US$ 116 million, including one-time expenses of US$ 9 million).

Full-year 2007 outlook

For the full year 2007, Fresenius Medical Care confirms its outlook and expects sales of about US$ 9.4 billion. The net income is expected to be between US$ 675 million and US$ 695 million.

For further information, please see Fresenius Medical Care's Investor News at 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 2007	Q1 2006	Change in %
Sales	**483**	466	4
EBITDA	**96**	87	10
EBIT	**77**	68	13
Net income	**42**	26	62
Employees	**16,147 (Mar 31, 2007)**	15,591 (Dec 31, 2006)	4

First quarter of 2007

- Very good organic sales growth
- Continued strong earnings development
- Outlook for 2007 fully confirmed

In the first quarter of 2007, Fresenius Kabi's sales increased by 4 % to € 483 million (Q1 2006: € 466 million). Currency translation effects had an impact of -3 %. This was mainly due to the depreciation of the currencies in China, Brazil, Mexico and Canada against the euro. Organic growth was 6 %, acquisitions contributed 1 % to growth.

Organic sales in Europe (excluding Germany) increased by 5 %. In Germany organic sales decreased by 1 %. Outside Europe, Fresenius Kabi achieved organic sales growth of 22 % in the Asia-Pacific region. In Latin America organic sales growth was 7 % and in other regions 8 %.

Fresenius Kabi achieved a very good EBIT growth, with an increase of 13 % to € 77 million (Q1 2006: € 68 million). The EBIT margin was 15.9 % (Q1 2006: 14.6 %). Net income rose by 62 % to € 42 million (Q1 2006: € 26 million, including one-time expenses for early debt refinancing of € 8 million).

Full-year 2007 outlook

Fresenius Kabi confirms its outlook for the full year 2007. The company expects a further successful sales and earnings performance. Organic sales growth is projected to be 6 to 8 %. Continued strong sales growth is anticipated from the regions outside Europe. Based on the positive sales projection and further manufacturing and logistics improvements Fresenius Kabi expects an EBIT margin of 16.0 to 16.5 % in 2007.

BUSINESS SEGMENT FRESENIUS PROSERVE

Fresenius ProServe is a leading German private hospital operator. Moreover, the company offers engineering and services for hospitals and other health care facilities.

in million €	Q1 2007	Q1 2006	Change in %
Sales	521	476	9
EBITDA	49	43	14
EBIT	36	30	20
Net income	14	11	27
Employees	28,268 (Mar 31, 2007)	28,615 (Dec 31, 2006)	-1

First quarter of 2007

- Strong operating results achieved
- Divestiture of Pharmaplan finalized, agreement signed to sell Pharmatec to Robert Bosch GmbH
- Outlook for 2007 fully confirmed

Fresenius ProServe's sales grew by 9 % to € 521 million in Q1 2007 (Q1 2006: € 476 million). Organic growth was 3 %. EBIT increased by 20 % to € 36 million (Q1 2006: € 30 million).

Sales in hospital operations (HELIOS Kliniken Group) increased by 15 % to € 439 million (Q1 2006: € 383 million). The sales growth is mainly attributable to the acquisition of HUMAINE Kliniken, which was consolidated as of July 1, 2006. HELIOS also achieved strong organic growth of 3 %. EBIT increased by 19 % to € 32 million, the EBIT margin was 7.3 % (Q1 2006: € 27 million and 7.0 %).

In 2007, HELIOS continued its growth strategy in the German hospital market. The company acquired two hospitals in North Rhine-Westphalia with approximately 330 beds and revenues of € 32 million in 2006. A further hospital was acquired on Lake Constance with 170 beds and revenues of € 22 million in 2005 and was consolidated as from January 1, 2007. In addition, the option to acquire the outstanding equity stake (40 %) in HUMAINE Kliniken GmbH was exercised.

Sales in the engineering and services business was € 82 million (Q1 2006: € 93 million). The decrease was due to the sale of Pharmaplan, which was deconsolidated as of January 1, 2007. Organic growth was 2 %. EBIT of € 5 million was at previous year's level. Order intake continued to develop very positively and increased by 18 % to € 78 million (Q1 2006:
€ 66 million). Order backlog was € 431 million (December 31, 2006: € 428 million).

On May 1, 2007, Fresenius ProServe agreed to sell its subsidiary Pharmatec to Robert Bosch GmbH. With the divestiture of Pharmaplan and Pharmatec, Fresenius ProServe completes its strategy to focus on its business with hospitals and other healthcare facilities. Pharmatec manufactures high quality pure steam, pure water and sterilization equipment for the pharmaceutical industry. In 2006, the company had sales of about € 30 million. The transaction requires antitrust approval. Fresenius ProServe anticipates the closing of the transaction mid-year 2007.

Full-year 2007 outlook

Fresenius ProServe confirms its outlook for the full year 2007 and expects organic sales growth of 2 to 3 %. EBIT is expected to increase to € 160 to 170 million.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	Q1/2007	Q1/2006
Sales	2,767	2,388
Cost of sales	-1,879	-1,652
Gross profit	**888**	736
Selling, general and administrative expenses	-467	-410
Research and development expenses	-41	-35
Operating income (EBIT)	**380**	291
Net interest	-95	-84
Earnings before income taxes and minority interest	**285**	207
Income taxes	-103	-76
Minority interest	-89	-66
Net income	**93**	65

Basic earnings per ordinary share in €	**0.60**	0.43
Fully diluted earnings per ordinary share in €	**0.59**	0.42
Basic earnings per preference share in €	**0.60**	0.43
Fully diluted earnings per preference share in €	**0.59**	0.42

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

in million €	March 31, 2007	Dec 31, 2006
Cash and cash equivalents	**300**	261
Trade accounts receivable, less allowance for doubtful accounts	**2,101**	2,088
Accounts receivable from and loans to related parties	**4**	8
Inventories	**822**	761
Prepaid expenses and other current assets	**694**	730
Deferred taxes	**244**	258
I. Total current assets	**4,165**	4,106
Property, plant and equipment	**2,744**	2,712
Goodwill	**7,162**	7,107
Other intangible assets	**558**	548
Other non-current assets	**357**	378
Deferred taxes	**173**	173
II. Total non-current assets	**10,994**	10,918
Total assets	**15,159**	15,024
Trade accounts payable	**416**	464
Short-term accounts payable to related parties	**3**	2
Short-term accrued expenses and other short-term liabilities	**1,926**	1,808
Short-term borrowings	**358**	330
Short-term loans from related parties	**1**	1
Current portion of long-term debt and liabilities from capital lease obligations	**261**	265
Short-term accruals for income taxes	**128**	159
Deferred taxes	**32**	29
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	**486**	0
A. Total short-term liabilities	**3,611**	3,058
Long-term debt and liabilities from capital lease obligations, less current portion	**4,211**	4,330
Long-term liabilities and loans from related parties	**–**	–
Long-term accrued expenses and other long-term liabilities	**285**	300
Pension liabilities	**314**	310
Long-term accruals for income taxes	**75**	0
Deferred taxes	**329**	352
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	**461**	946
B. Total long-term liabilities	**5,675**	6,238
I. Total liabilities	**9,286**	9,296
II. Minority interest	**2,631**	2,560
Subscribed capital	**155**	132
Capital reserve	**1,709**	1,724
Other reserves	**1,408**	1,315
Accumulated other comprehensive income (loss)	**-30**	-3
III. Total shareholders' equity	**3,242**	3,168
Total liabilities and shareholders' equity	**15,159**	15,024

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

in million €	Q1/2007	Q1/2006
Cash provided by/used for operating activities		
Net income	93	65
Minority interest	89	66
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	99	86
Change in deferred taxes	30	16
Gain on sale of fixed assets	-2	–
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	-12	11
Change in inventories	-60	-53
Change in prepaid expenses and other current and non-current assets	36	-75
Change in accounts receivable from/payable to related parties	2	4
Change in trade accounts payable, accruals and other short-term and long-term liabilities	-9	42
Change in accruals for income taxes	21	24
Cash provided by operating activities	287	186
Cash provided by/used for investing activities		
Purchase of property, plant and equipment	-150	-100
Proceeds from the sale of property, plant and equipment	18	5
Acquisitions and investments, net of cash acquired	-78	-3,290
Proceeds from divestitures	15	0
Cash used for investing activities	-195	-3,385
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	42	25
Repayments of short-term borrowings	-41	-64
Proceeds from borrowings from related parties	1	3
Repayments of borrowings from related parties	–	0
Proceeds from long-term debt and liabilities from capital lease obligations	1	4,142
Repayments of long-term debt and liabilities from capital lease obligations	-87	-1,230
Changes of accounts receivable facility	27	246
Proceeds from the exercise of stock options	8	29
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares	0	260
Dividends paid	-4	0
Change in minority interest	0	-1
Exchange rate effect due to corporate financing	2	-7
Cash provided by/used for financing activities	-51	3,403
Effect of exchange rate changes on cash and cash equivalents	-2	-8
Net increase in cash and cash equivalents	39	196
Cash and cash equivalents at the beginning of the reporting period	261	252
Cash and cash equivalents at the end of the reporting period	300	448

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Ordinary shares		Preference shares		Subscribed capital	
	Number of shares (thousand)	Amount (thousand €)	Number of shares (thousand)	Amount (thousand €)	Amount (thousand €)	Amount (million €)
As of December 31, 2005	**25,361**	**64,924**	**25,361**	**64,924**	**129,848**	**130**
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares						
Proceeds from the exercise of stock options	94	242	94	242	484	–
Compensation expense related to stock options						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to						
Cash flow hedges						
Foreign currency translation						
Adjustments relating to pension obligation						
Comprehensive income (loss)						
As of March 31, 2006	**25,455**	**65,166**	**25,455**	**65,166**	**130,332**	**130**
As of December 31, 2006	**25,726**	**65,858**	**25,726**	**65,858**	**131,716**	**132**
Capital increase from the company's funds	51,451	11,319	51,451	11,319	22,638	23
Proceeds from the exercise of stock options	94	94	94	94	188	–
Compensation expense related to stock options						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to						
Cash flow hedges						
Foreign currency translation						
Adjustments relating to pension obligation						
Comprehensive income (loss)						
As of March 31, 2007	**77,271**	**77,271**	**77,271**	**77,271**	**154,542**	**155**

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Reserves		Other comprehensive income (loss)			
	Capital reserve (million €)	Other reserves (million €)	Foreign currency translation (million €)	Cash flow hedges (million €)	Pensions (million €)	Total (million €)
As of December 31, 2005	**1,546**	**1,061**	**161**	**14**	**-71**	**2,841**
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares	94					94
Proceeds from the exercise of stock options	18					18
Compensation expense related to stock options	2					2
Comprehensive income (loss)						
Net income		65				65
Other comprehensive income (loss) related to						
Cash flow hedges				25		25
Foreign currency translation			-31			-31
Adjustments relating to pension obligation					1	1
Comprehensive income (loss)		65	-31	25	1	60
As of March 31, 2006	**1,660**	**1,126**	**130**	**39**	**-70**	**3,015**
As of December 31, 2006	**1,724**	**1,315**	**34**	**30**	**-67***	**3,168**
Capital increase from the company's funds	-23					0
Proceeds from the exercise of stock options	5					5
Compensation expense related to stock options	3					3
Comprehensive income (loss)						
Net income		93				93
Other comprehensive income (loss) related to						
Cash flow hedges				-6		-6
Foreign currency translation			-23			-23
Adjustments relating to pension obligation					2	2
Comprehensive income (loss)		93	-23	-6	2	66
As of March 31, 2007	**1,709**	**1,408**	**11**	**24**	**-65**	**3,242**

* Including the effect of the first-time adoption of FAS 158 at December 31, 2006 in an amount of € -19 million

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 segment, in million €	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change
Sales	**1,771**	1,453	22 %	**483**	466	4 %	**521**	476	9 %	**-8**	-7	-14 %	**2,767**	2,388	16 %
thereof contribution to consolidated sales	**1,771**	1,453	22 %	**472**	457	3 %	**520**	475	9 %	**4**	3	33 %	**2,767**	2,388	16 %
thereof intercompany sales	**0**	0		**11**	9	22 %	**1**	1	0 %	**-12**	-10	-20 %	**0**	0	
contribution to consolidated sales	**64 %**	61 %		**17 %**	19 %		**19 %**	20 %		**0 %**	0 %		**100 %**	100 %	
EBITDA	**343**	254	35 %	**96**	87	10 %	**49**	43	14 %	**-9**	-7	-29 %	**479**	377	27 %
Depreciation and amortization	**65**	51	27 %	**19**	19	0 %	**13**	13	0 %	**2**	3	-33 %	**99**	86	15 %
EBIT	**278**	203	37 %	**77**	68	13 %	**36**	30	20 %	**-11**	-10	-10 %	**380**	291	31 %
Net interest	**-72**	-47	-53 %	**-12**	-26	54 %	**-11**	-10	-10 %	**0**	-1	100 %	**-95**	-84	-13 %
Net income	**122**	97	26 %	**42**	26	62 %	**14**	11	27 %	**-85**	-69	-23 %	**93**	65	43 %
Operating cash flow	**216**	135	60 %	**19**	28	-32 %	**62**	37	68 %	**-10**	-14	29 %	**287**	186	54 %
Cash flow before acquisitions and dividends	**133**	81	64 %	**-11**	10	--	**43**	16	169 %	**-10**	-16	38 %	**155**	91	70 %
Debt[1]	**4,182**	4,236	-1 %	**899**	880	2 %	**875**	932	-6 %	**-178**	-176	-1 %	**5,778**	5,872	-2 %
Total assets[1]	**9,949**	9,905	0 %	**2,004**	1,965	2 %	**3,091**	3,108	-1 %	**115**	46	150 %	**15,159**	15,024	1 %
Capital expenditure	**89**	58	53 %	**20**	18	11 %	**31**	21	48 %	**0**	3	-100 %	**140**	100	40 %
Acquisitions	**71**	3,285	-98 %	**0**	5	-100 %	**75**	–	--	**9**	0	--	**155**	3,290	-95 %
Research and development expenses	**10**	10	0 %	**19**	15	27 %	**0**	–	--	**12**	10	20 %	**41**	35	17 %
Employees (per capita on balance sheet date)[1]	**62,262**	59,996	4 %	**16,147**	15,591	4 %	**28,268**	28,615	-1%	**671**	670	0 %	**107,348**	104,872	2 %
Key figures															
EBITDA margin	**19.4 %**	17.5 %		**19.9 %**	18.7 %		**9.4 %**	9.0 %					**17.3 %**	15.8 %	
EBIT margin	**15.7 %**	14.0 %		**15.9 %**	14.6 %		**6.9 %**	6.3 %					**13.7 %**	12.2 %	
ROOA[1]	**11.7 %**	11.3 %[2]		**17.7 %**	17.3 %		**5.5 %**	6.9 %					**10.9 %**	10.4 %[2]	
Depreciation and amortization in % of sales	**3.7 %**	3.5 %		**3.9 %**	4.1 %		**2.5 %**	2.7 %					**3.6 %**	3.6 %	

[1] 2006: December 31
[2] Calculation is based on the pro forma EBIT excluding the gain on the sale of Fresenius Medical Care's dialysis clinics

Notes – Contents

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals. In addition to the activities of the Fresenius AG, the operating activities are split into the following legally-independent business segments (subgroups) as of March 31, 2007:

- 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 are marked with "–".

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

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

Furthermore, Fresenius AG's shareholders approved at the Extraordinary General Meeting to conduct a new division of the subscribed capital of Fresenius AG (share split) in connection with a capital increase from the company's funds without the issuance of new shares. As a result, the number of ordinary shares and preference shares issued tripled. The share split in connection with an increase of the subscribed capital became effective upon the registration in the commercial register on January 24, 2007. The subscribed capital of Fresenius AG amounted to € 131,715,307.52 before the registration in the commercial register and was divided into 25,725,646 ordinary shares and 25,725,646 preference shares. Through a conversion of capital reserves, the subscribed capital was first increased by € 22,638,568.48 to € 154,353,876.00 and then divided into 77,176,938 ordinary shares and 77,176,938 preference shares. The new proportionate amount of the subscribed capital is € 1,00 per share. After the share split, every holder of an ordinary share holds three ordinary shares and every holder of a preference share holds three preference shares.

III. BASIS OF PRESENTATION

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

Since the fiscal year 2005, Fresenius AG as a stock exchange listed company with a domicile in a member state of the European Union has the obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). 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 simultaneously.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements for the first quarter ended March 31, 2007 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, 2006, published in the 2006 Annual Report. There have been no major changes in the entities consolidated.

The consolidated financial statements for the first quarter ended March 31, 2007 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 ended March 31, 2007 are not necessarily indicative of the results of operations for the fiscal year 2007 ending December 31, 2007.

Classification

Certain items in the prior year's quarterly financial reports and the prior year's consolidated financial statements have been reclassified to conform with the current year's presentation. The calculation of earnings per share (see Note 4, Earnings per share) has been adjusted due to the share split of Fresenius AG recorded in the commercial register on January 24, 2007, for the increased number of shares in the fiscal year 2006. Furthermore, for any information relating to the transactions regarding stock options, the number of stock options granted until December 31, 2006 has been tripled. Thus, the number of potentially issued shares is shown according to the relation after the share split (see Note 19, Stock options).

Use of estimates

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

V. NEW ACCOUNTING STANDARDS

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

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

The fair value option:

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

This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FAS 157. The Fresenius Group is currently evaluating the impact of this standard on its consolidated financial statements.

2. ACQUISITIONS AND DIVESTITURES

The Fresenius Group made acquisitions amounting to € 155 million and € 3,290 million in the first quarter of 2007 and the first quarter of 2006, respectively. Of this amount, € 78 million were paid in cash and € 2 million were assumed obligations in the first quarter of 2007. Futhermore, € 75 million were paid in April 2007.

The acquisitions in the first quarter of 2006 related mainly to Renal Care Group, Inc. (RGC), United States, with a purchase price in an amount of US$ 4,158 million. The operations of RCG are included in Fresenius Group's consolidated statements of income and cash flows from April 1, 2006, therefore, the current quarter's results are not comparable with the first quarter's results for 2006.

In the first quarter of 2007, acquisitions of Fresenius Medical Care in an amount of € 71 million related mainly to the purchase of dialysis clinics.

In the first quarter of 2007, Fresenius Kabi did not make any acquisitions. In September 2006, Fresenius Kabi has agreed to acquire all stakes in Filaxis, Argentina. The acquisition was closed in April 2007.

In the first quarter of 2007, Fresenius ProServe made acquisitions of € 75 million, which mainly refers to the acquisition of the remaining 40 % of the shares of HUMAINE Kliniken GmbH (HUMAINE), Germany,. HUMAINE has already been consolidated since July 1, 2006.

On March 31, 2007, Fresenius ProServe has closed the divestiture of its subsidiary Pharmaplan GmbH, Germany, to NNE A/S, Denmark.

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

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SALES

Sales by activity were as follows:

in million €	Q1/2007	Q1/2006
Sales of services	1,828	1,490
Sales of products and related goods	889	838
Sales from long-term production contracts	50	60
Other sales	–	–
Sales	**2,767**	2,388

4. EARNINGS PER SHARE

The following table is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations and shows the basic and fully diluted earnings per ordinary and preference share, retroactively considering the share split of Fresenius AG entered into the commercial register on January 24, 2007, for the quarter ending March 31.

	Q1/2007	Q1/2006
Numerators in million €		
Net income	93	65
less preference on preference shares	–	–
less effect from dilution due to Fresenius Medical Care shares	–	–
Income available to all classes of shares	93	65
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	77,226,469	76,177,833
Weighted-average number of preference shares outstanding	77,226,469	76,177,833
Weighted-average number of shares outstanding of all classes	154,452,938	152,355,666
Potentially dilutive ordinary shares	958,005	834,594
Potentially dilutive preference shares	958,005	834,594
Weighted-average number of shares outstanding of all classes assuming dilution	156,368,948	154,024,854
Weighted-average number of ordinary shares outstanding assuming dilution	78,184,474	77,012,427
Weighted-average number of preference shares outstanding assuming dilution	78,184,474	77,012,427
Basic earnings per ordinary share in €	0.60	0.43
Preference per preference share in €	0.00	0.00
Basic earnings per preference share in €	0.60	0.43
Fully diluted earnings per ordinary share in €	0.59	0.42
Preference per preference share in €	0.00	0.00
Fully diluted earnings per preference share in €	0.59	0.42

5. INCOME TAXES

The Fresenius Group adopted FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FAS 109) as of January 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109. FIN 48 prescribes a two step approach to the recognition and measurement of all tax positions taken or expected to be taken in a tax return. The enterprise must determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50 % likely of being realized upon ultimate settlement and is recognized in the financial statements. The implementation of this interpretation had no impact on the assets and liabilities of the Fresenius Group.

The Fresenius AG and its subsidiaries are mainly subject to tax audits in Germany and the United States, on a regular basis.

In Germany, tax audit for the years 1998 until 2001 is substantially finalized with all results of this tax audit sufficiently recognized in the financial statements as of December 31, 2006. With respect to HELIOS Kliniken Group, a tax audit for the years 2001 to 2004 is still running. All further fiscal years for the Group are open for future tax audits. Fresenius Medical Care is appealing the disallowance of certain deductions taken for fiscal year 1997 and has included the related unrecognized tax benefit in the total unrecognized tax benefit noted below.

In the United States, except for refund claims Fresenius Medical Care has filed relative to the disallowance of tax deductions with respect to certain civil settlement payments for 2000 and 2001, the federal tax audit for the years 1999 through 2001 is completed. The tax has been paid and all results are recognized in the financial statements as of December 31, 2006. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted below. Fiscal years 2002 through 2004 are currently under federal audit, and 2005 and 2006 are open to audit. There are a number of state audits in progress and various years are open to audit in various states. All expected results have been recognized in the financial statements.

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

At adoption of FIN 48, the Fresenius Group had € 230 million of unrecognized tax benefits including the amounts relating to the tax audit items for Germany and the United States noted above. The vast majority of these unrecognized tax benefits would reduce the effective tax rate if recognized. There have been no material changes to unrecognized tax benefits during the first quarter of 2007. The Fresenius Group is currently not in the position to forecast timing and magnitude of changes in the unrecognized tax benefits. It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. At January 1, 2007, the Fresenius Group had total accruals of € 44 million for such interest and penalties.

NOTES ON THE CONSOLIDATED BALANCE SHEET

6. CASH AND CASH EQUIVALENTS

As of March 31, 2007 and December 31, 2006, cash and cash equivalents were as follows:

in million €	March 31, 2007	December 31, 2006
Cash	296	259
Securities (with a maturity of up to 90 days)	4	2
Cash and cash equivalents	**300**	261

7. TRADE ACCOUNTS RECEIVABLE

As of March 31, 2007 and December 31, 2006, trade accounts receivable were as follows:

in million €	March 31, 2007	December 31, 2006
Trade accounts receivable	2,315	2,306
less allowance for doubtful accounts	214	218
Trade accounts receivable, net	**2,101**	2,088

The following table shows the development of the allowance for doubtful accounts in the first quarter:

	March 31, 2007		December 31, 2006	
in million €	Germany	Abroad	Germany	Abroad
Allowance for doubtful accounts at the beginning of the year	32	186	23	177
Change in valuation allowances as recorded in the consolidated statement of income	2	41	10	138
Write-offs and recoveries of amounts previously written-off	-10	-35	–	-113
Foreign currency translation	–	-2	–	-15
Allowance for doubtful accounts at the end of the reporting period	24	190	32	186

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

in million €	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	1,267	439	218	153	238	**2,315**
less allowance for doubtful accounts	19	13	20	32	130	**214**
Trade accounts receivable, net	1,248	426	198	122	108	**2,101**

8. INVENTORIES

As of March 31, 2007 and December 31, 2006, inventories consisted of the following:

in million €	March 31, 2007	December 31, 2006
Raw materials and purchased components	196	182
Work in process	121	101
Finished goods	505	478
Inventories	**822**	761

9. GOODWILL AND OTHER INTANGIBLE ASSETS

As of March 31, 2007 and December 31, 2006, intangible assets, split into regularly amortizable and non-regularly amortizable intangible assets, consisted of the following:

REGULARLY AMORTIZABLE INTANGIBLE ASSETS

	March 31, 2007			December 31, 2006		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Non-compete agreements	155	90	65	154	90	64
Technology	48	1	47	49	0	49
Other	354	255	99	331	246	85
Total	**557**	**346**	**211**	534	336	198

NON-REGULARLY AMORTIZABLE INTANGIBLE ASSETS

	March 31, 2007			December 31, 2006		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	183	0	183	185	0	185
Management contracts	164	0	164	165	0	165
Subtotal	347	0	347	350	0	350
Goodwill	7,166	4	7,162	7,111	4	7,107
Total	**7,513**	**4**	**7,509**	7,461	4	7,457

The accumulated amortization of non-amortizable intangible assets is due to impairment as a result of the implementation of FAS 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 €	Q2-4/2007	2008	2009	2010	2011	Q1/2012
Estimated amortization expenses for the next five fiscal years	19	29	26	24	22	5

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2007	**7,107**
Additions/disposals, net	103
Reclassifications	6
Foreign currency translation	-54
Carrying amount as of March 31, 2007	**7,162**

10. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM BORROWINGS

Short-term borrowings of € 358 million and € 330 million at March 31, 2007 and December 31, 2006, respectively, consisted of the accounts receivable facility described below and € 132 million 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 is typically renewed in October of each year and was most recently renewed and increased in October 2006. The accounts receivable facility currently provides borrowings up to a maximum of US$ 650 million (€ 488 million). Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding then assigns 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, 2007, there are outstanding short-term borrowings under the accounts receivable facility of US$ 301 million (€ 226 million). NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

As of March 31, 2007 and December 31, 2006, long-term debt and liabilities from capital lease obligations consisted of the following:

in million €	March 31, 2007	December 31, 2006
Fresenius Medical Care 2006 Senior Credit Agreement	2,616	2,707
Euro Bonds	1,100	1,100
Euro Notes	366	366
European Investment Bank Agreements	189	169
Capital lease obligations	39	39
Other	162	214
Subtotal	4,472	4,595
less current portion	261	265
Long-term debt and liabilities from capital lease obligations, less current portion	4,211	4,330

Fresenius Medical Care 2006 Senior Credit Agreement

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

The following table shows the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at March 31, 2007 and December 31, 2006:

	Maximum Amount Available		Balance Outstanding	
in million US$	March 31, 2007	Dec 31, 2006	March 31, 2007	Dec 31, 2006
Revolving Credit	1,000	1,000	21	68
Term Loan A/A-1	1,730	1,760	1,730	1,760
Term Loan B	1,733	1,737	1,733	1,737
Total	4,463	4,497	3,484	3,565

In addition, at March 31, 2007, US$ 85 million and at December 31, 2006, US$ 85 million were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

The obligations under the Fresenius Medical Care 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the lenders.

As of March 31, 2007, Fresenius Medical Care is in compliance with all covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

Euro Bonds

In April 2003, Fresenius Finance B.V. issued Euro Bonds for a total amount of € 400 million in two tranches. Both tranches have a tenor of six years. 71 % of the volume of the first tranche of € 300 million were repurchased in January 2006. At the end of March 2006, Fresenius Finance B.V. has exercised its option to redeem the remaining outstanding amount. The second tranche of € 100 million bears interest at 7.5 % p. a. and is not callable before maturity.

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 tenor of seven years and an annual coupon of 5.0 % and a second tranche with a nominal value of € 500 million, a tenor of ten years and an annual coupon of 5.5 % as well as a call option for the issuer after five years.

The Euro Bonds of Fresenius Finance B.V. are guaranteed by Fresenius AG, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius AG has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius AG and its subsidiaries (excluding FMC-AG & Co. KGaA and its subsidiaries). These covenants 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, 2007, the Fresenius Group is in compliance with all of its covenants.

Euro Notes

The Euro Notes (Schuldscheindarlehen) issued by Fresenius Finance B.V. amounting to € 166 million will mature in 2007 and 2008. The Euro Notes bear variable interest rates and are fully hedged by means of interest rate swaps.

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. The Euro Notes mature on July 27, 2009.

European Investment Bank Agreements

Fresenius Medical Care entered into various credit agreements with the European Investment Bank (EIB) in July 2005 and December 2006 amounting to € 131 million and € 90 million. The July 2005 agreements consist of a term loan of € 41 million (US$ 49 million) and a revolving facility of € 90 million (US$ 116 million). Both agreements have a maturity of 8 years. The December 2006 term loan allows distribution of proceeds for up to six separate tranches until June 2008. Each tranche will mature 6 years after the disbursement of proceeds for the respective tranche. Fresenius Medical Care had borrowings under the July 2005 agreements of € 41 million (US$ 49 million) and € 28 million (US$ 36 million) under the term loan and the revolving facility, respectively at March 31, 2007. All advances under these agreements can be denominated in certain foreign currencies including US dollars. As of March 31, 2007, a subsidiary of Fresenius ProServe had borrowings of € 80 million under a term loan agreement with the EIB. The total amount of this term loan agreement is € 100 million which can be drawn down in several tranches. The term loan will mature in December 2019 and will be permanently reduced with constant half-yearly payments starting in December 2007. In addition, Fresenius AG has a revolving credit line of € 96 million provided by the EIB which had been utilized as of March 31, 2006 with € 40 million. This revolving credit facility is available until June 2013.

11. PENSIONS AND SIMILAR OBLIGATIONS

DEFINED BENEFIT PENSION PLANS

More than half of the pension obligations totaling € 320 million relates to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988, which applies for most of the German entities of the Fresenius Group. The rest of the benefit obligations relates to individual plans from mostly non-German Group entities.

As of March 31, 2007, the current portion of the pension liability in an amount of € 6 million is recognized as a current liability in the line item "short-term accrued expenses and other current liabilities" in the balance sheet. The non-current portion of € 314 million is recorded as non-current pension liability in the balance sheet.

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, which has been curtailed since 2002. Each year, Fresenius Medical Care Holdings, Inc. (FMCH) contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in 2007. FMCH voluntarily contributed US$ 0.3 million (€ 0.2 million) during the first quarter of 2007.

Transfers to the Group's pension fund in the first quarter of 2007 amounted to € 1 million. In the full year 2007, expected transfers to the pension fund amount to approximately € 5 million.

Defined benefit pension plans gave rise to a net periodic benefit cost of € 8 million for the Fresenius Group, comprising the following components:

in million €	**Q1/2007**	Q1/2006
Service cost	**4**	4
Interest cost	**7**	7
Expected return on plan assets	**-4**	-4
Loss component, net	**1**	2
Amortization of prior service costs	**–**	–
Amortization of transition obligations	**–**	–
Settlement loss	**–**	–
Net periodic benefit cost	**8**	9

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

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

in %	**Q1/2007**	Q1/2006
Discount rate	**4.62**	4.71
Expected return of plan assets	**5.72**	6.03
Rate of compensation increase	**3.28**	3.24

Pension obligations at March 31, 2007 and December 31, 2006 relate to the following geographical regions:

in million €	**March 31, 2007**	December 31, 2006
Germany	**266**	260
Europe (excluding Germany)	**50**	53
North America	**4**	5
Asia-Pacific	**0**	0
Latin America	**0**	0
Africa	**0**	0
Total pension liabilities	**320**	318

12. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts. The sole asset of each trust is a senior subordinated note of FMC-AG & Co. KGaA or a wholly-owned subsidiary of FMC-AG & Co. KGaA. The indentures governing the notes held by the Fresenius Medical Care Capital Trusts contain affirmative and negative covenants with respect to Fresenius Medical Care and its subsidiaries and other payment restrictions. Some of the covenants limit Fresenius Medical Care's indebtedness and its investments, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. As of March 31, 2007, 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, 2007 and December 31, 2006 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**March 31, 2007 in million €**	Dec 31, 2006 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7⅞%	Feb 1, 2008	**332**	330
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7⅜%	Feb 1, 2008	**154**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7⅞%	Jun 15, 2011	**164**	165
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7⅜%	Jun 15, 2011	**297**	297
Trust preferred securities					**947**	946

The trust preferred securities of the Fresenius Medical Care Capital Trust II and III are due within the next year and are therefore shown as current portion under the short-term liabilities in an amount of € 486 million.

13. MINORITY INTEREST

Minority interest in the Group has developed as follows:

in million €	March 31, 2007	December 31, 2006
Minority interest in FMC-AG & Co. KGaA	2,424	2,362
Minority interest in the business segments		
Fresenius Medical Care	73	57
Fresenius Kabi	25	23
Fresenius ProServe	111	119
Corporate/Other	-2	-1
Total minority interest	**2,631**	2,560

In the first quarter of 2007, minority interest increased by € 71 million to € 2,631 million. The change resulted from the minorities' share of profit of € 89 million less dividends paid in an amount of € 4 million and from negative currency effects as well as first-time consolidations in a total amount of € -14 million.

14. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

On December 4, 2006, at the Extraordinary General Meeting, Fresenius AG's shareholders approved a new division of the subscribed capital in connection with a capital increase from the company's funds. The registration in the commercial register took place on January 24, 2007. Through a conversion of capital reserves, the subscribed capital was first increased by € 22,638,568.48 to € 154,353,876.00 and then divided into 77,176,938 ordinary shares and 77,176,938 preference shares (see Note 1.II, Conversion of Fresenius AG into a European Company (SE) and new division of the subscribed capital). The new proportionate amount of the subscribed capital is € 1.00 per share.

During the first quarter of 2007, 188,310 stock options were exercised. Accordingly, at March 31, 2007, the subscribed capital of Fresenius AG is divided into 77,271,093 bearer ordinary shares and 77,271,093 non-voting bearer preference shares. All shares are issued as non-par value shares.

APPROVED CAPITAL

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

- to increase Fresenius AG's subscribed capital by a nominal total amount of up to € 12,800,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions (Approved Capital I). A subscription right must be granted to shareholders.
- to increase Fresenius AG's subscribed capital by a nominal total amount of up to € 6,400,000.00 through a single or multiple issue of new bearer ordinary shares and/or non-voting bearer preference shares against cash contributions and/or contributions in kind (Approved Capital II). The Management Board is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (Sections 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG)).

As of December 31, 2006, the Approved Capital II decreased by € 903,884.80 to € 5,496,115.20 due to the payment in shares in connection with the aquisition of HUMAINE.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the conditional capital of the Fresenius Group is divided into Conditional Capital I and Conditional Capital II. Both exist to secure the subscription rights in connection with already issued stock options on bearer ordinary shares and bearer preference shares of the stock option plans of 1998 and 2003 (see Note 19, Stock Options).

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

The conditional capital has developed as follows:

in €	Ordinary Shares	Preference Shares	Total
Conditional Capital I Fresenius AG Stock Option Plan 1998	985,983.00	985,983.00	1,971,966.00
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,552,481.00	2,552,481.00	5,104,962.00
Total conditional capital as of January 1, 2007	**3,538,464.00**	**3,538,464.00**	**7,076,928.00**
Fresenius AG Stock Option Plan 1998 - options exercised	-94,155.00	-94,155.00	-188,310.00
Total conditional capital as of March 31, 2007	**3,444,309.00**	**3,444,309.00**	**6,888,618.00**

DIVIDENDS

Under the German Stock Corporation Act, the amount of dividends available for distribution 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).

For the fiscal year 2006, Management Board and Supervisory Board proposed a dividend of € 0.57 per bearer ordinary share and € 0.58 per bearer preference share, i. e. a total dividend of € 88.8 million.

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.

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

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. 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 filed counterclaims against FMCH seeking monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgement in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art. On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and retry certain aspects of the case. Fresenius Medical Care will appeal the court's rulings. An adverse judgment in any new trial could have a material adverse impact on the business, financial condition and results of operations of Fresenius Medical Care.

Fresenius Medical Care AG & Co. KGaA's Australian subsidiary, Fresenius Medical Care Australia Pty Limited (hereinafter referred to as Fresenius Medical Care Australia) and Gambro Pty Limited and Gambro AB (hereinafter referred to as the Gambro Group) are in litigation regarding infringement and damages with respect to the Gambro AB patent protecting intellectual property in relation to a system for preparation of dialysis or replacement fluid, the Gambro bicart device in Australia (Gambro Patent). As a result of the commercialisation of a system for the preparation of dialysis fluid based on the Fresenius Medical Care Bibag device in Australia, the Australian courts concluded that Fresenius Medical Care Australia infringed the Gambro Patent. The parties are still in legal dispute with respect to the issue of potential damages related to the patent infringement. As the infringement proceedings have solely been brought in the Australian jurisdiction any potential damages to be paid by Fresenius Medical Care Australia will be limited to the potential losses of the Gambro Group caused by the patent infringement in Australia.

Other litigation and potential exposures

RCG has been named as a nominal defendant in a second amended complaint filed September 13, 2006, in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville against former officers and directors of RCG which purports to constitute a class action and derivative action relating to alleged unlawful actions and breaches of fiduciary duty in connection with the RCG Acquisition and in connection with alleged improper backdating and/or timing of stock option grants. The amended complaint is styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and all others similarly situated and derivatively on behalf of RCG, Plaintiff, vs. RCG, Gary Brukardt, William P. Johnston, Harry R. Jacobson, Joseph C. Hutts, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray, Peter J. Grua, C. Thomas Smith, Ronald Hinds, Raymond Hakim, and R. Dirk Allison, Defendants. The complaint seeks damages against former officers and directors and does not state a claim for money damages directly against RCG. Fresenius Medical Care anticipates that the individual defendants may seek to claim indemnification from RCG. Fresenius Medical Care is unable at this time to assess the merits of any such claim for indemnification.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Attorney's office for the Eastern District of Texas have also confirmed that they are participating in the review of the anemia management program issues raised by the U.S. Attorney's office for the Eastern District of Missouri. On March 29, 2007, the United States District Court for the Eastern District of Missouri partially unsealed a qui tam complaint relating to RCG's supply company. 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.

In October 2004, FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of New York, in connection with a civil and criminal investigation, which requires production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents relating to laboratory testing for parathyroid hormone (PTH) levels and vitamin D therapies. Fresenius Medical Care is cooperating with the government's requests for information. While Fresenius Medical Care believes that it has complied with applicable laws relating to PTH testing and use of vitamin D therapies, an adverse determination in this investigation could have a material adverse effect on Fresenius Medical Care's business, financial condition, and results of operations.

In May 2006, RCG received a subpoena from the U.S. Department of Justice, Southern District of New York, in connection with an investigation into RCG's administration of its stock option programs and practices, including the procedure under which the exercise price was established for certain of the option grants. The subpoena requires production of a broad range of documents relating to the RCG stock option program prior to the RCG acquisition. Fresenius Medical Care is cooperating with the government's requests for information. The outcome and impact of this investigation cannot be predicted at this time.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$ 258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$ 115 million (€ 87 million) payment under the Settlement Agreement, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

Furthermore, the Fresenius Group is involved in various legal disputes arising from the ordinary course of its business. Although the ultimate outcome of these legal disputes cannot be predicted, the Fresenius Group does not expect any material adverse effects on the business, financial condition and results of operations of the Group.

16. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

The Fresenius Group classifies its financial instruments in categories. The following categories are recognized at amortized acquisition costs: non-derivative assets, trade accounts receivable and payable, income taxes payable, long-term debt (excluding the separate category trust preferred securities), Euro Notes, Euro Bonds and short-term borrowings. The category of derivatives is recognized at fair value. Cash and cash equivalents are considered a separate category and are stated at nominal value. With the exception of the derivative financial instruments, all categories are included in the balance sheet under the corresponding line item. Derivatives are recognized at gross values as other current assets and other liabilities.

The following table shows the effect on net income of the Group of the financial instruments recognized at amortized acquisition cost:

in million €	**Q1/2007**	Q1/2006
Assets		
Allowance for doubtful accounts, net	**43**	39
Liabilities and shareholders' equity		
Interest on debt, net	**95**	84

MARKET RISK

General

The Fresenius Group is inevitably exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues 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 bearing 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, 2007, the notional amounts of Fresenius Group's foreign exchange derivatives amounted to € 899 million and the notional amounts of interest rate derivatives amounted to € 2,776 million. In the case of interest rate derivatives, it should be noted that the notional amounts generally only represent the base for contract specific computations and not necessarily the exchange of those amounts by the parties. Therefore, a potential risk resulting from the use of interest rate derivatives cannot be measured solely on the bases of the notional amounts of the contracts.

The after-tax losses of € 30 million deferred in accumulated other comprehensive income (loss) at December 31, 2006 had a low negative currency impact.

In the first quarter of 2007, earnings of the Fresenius Group were not materially affected by hedge ineffectiveness since the critical terms of the interest and foreign exchange derivatives matched the critical terms of the underlying exposures. The effect of hedged underlyings recognized in the income statement amounted to € 6 million (Q1 2006: € 3 million) and was mainly offset by the effect of the hedging instruments recognized in the income statement in an amount of € 6 million (Q1 2006: € 3 million).

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

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 positions reported in the consolidated financial statements.

Fresenius Group's foreign exchange transaction risks mainly relate to transactions such as sales and purchases as well as project business denominated in foreign currency. 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. As of March 31, 2007, the Fresenius Group had no foreign exchange options.

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, 2007, the notional volume and fair value of foreign exchange contracts relating to foreign currency intercompany loans amounted to € 418 million and € 2 million, respectively. Hedge accounting is not applied to these foreign exchange contracts. Accordingly, the respective foreign exchange contracts are recognized as assets or liabilities and changes in fair values are recognized against earnings, thus offsetting with changes in fair values of the underlying foreign currency denominated intercompany loans.

As of March 31, 2007, the notional amounts of foreign exchange forward contracts in place to hedge risks from operational business totalled € 481 million with a fair value of € 5 million.

As of March 31, 2007, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 33 months.

In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis.

For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of reporting date would be negatively impacted by 10 %.

By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be € 9 million.

Interest rate risk management
Fresenius Group’s interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities. Interest rate hedging transactions are primarily concluded by Fresenius 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 or to hedge against changes of the fair value of the underlying fixed rate financial liabilities.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group’s results of operations, the Group calculates the portion of financial debt which bears variable interest rate and which has not been hedged by means of interest rate swaps or options against rising interest rates, plus the portion of financial debt which bears fixed interest rates and which has been converted into floating rate debt by using interest rate swaps. For this particular part of its liabilities, Fresenius Group assumes an increase in the reference rates of 0.5 % compared to the actual rates as of reporting date. The corresponding additional annual interest expense is then compared to the Group's net income. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of less than 1 % on the Group’s net income.

Cash Flow Hedge
The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges effectively converting certain variable interest rate payments, resulting from existing revolving loans, 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$ 3,015 million expire at various dates between 2007 and 2012. The Euro interest rate swaps with a notional volume of € 166 million expire in 2007 and 2008. The US dollar interest rate swaps bear an average interest rate of 4.55 % and the Euro interest rate swaps bear an average interest rate of 3.06 %, plus an applicable margin each.

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 rate borrowings. These interest rate swaps effectively convert the fixed interest payments on Fresenius Medical Care Capital Trust II trust preferred securities denominated in US dollars into variable interest rate payments. At March 31, 2007, the notional volume of these swaps at Fresenius Medical Care was US$ 450 million (€ 338 million).

CREDIT RISK
The Fresenius Group is exposed to potential losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparty to fail to meet its obligations as the counterparties are highly rated financial institutions. In the opinion of Fresenius Group’s Management, the maximum credit risk resulting from the use of non-derivative financial instruments, defined as the carrying amount of all receivables, is covered by the allowance for doubtful accounts in an amount of € 214 million. In order to control this credit risk, the Management of the Fresenius Group carries out an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see Note 7, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see Note 10, Debt and liabilities from capital lease obligations).

17. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

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

in million €	Q1/2007	Q1/2006
Interest paid	121	66
Income taxes paid	45	30

The increase in interest paid related mainly to higher interest payments in connection with the acquisition of RCG and interest payments for the financing of the acquisition of HELIOS Kliniken GmbH.

Cash paid for acquisitions consisted of the following:

in million €	Q1/2007	Q1/2006
Assets acquired	129	3,877
Liabilities assumed	-40	-487
Minority interest	0	-47
Notes assumed in connection with acquisitions	-2	-4
Cash paid	87	3,339
Cash acquired	-9	-49
Cash paid for acquisitions, net	**78**	3,290

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

in million €	Q1/2007	Q1/2006
Operating cash flow	**287**	186
Purchase of property, plant and equipment	-150	-100
Proceeds from sale of property, plant and equipment	18	5
Cash flow before acquisitions and dividends	**155**	91
Purchase/sale of shares in related companies and investments, net	-63	-3,290
Cash flow before dividends	**92**	-3,199
Dividends paid	-4	0
Free cash flow after dividends	**88**	-3,199

18. SUPPLEMENTARY INFORMATION ON SEGMENT REPORTING

GENERAL

The segment reporting table shown on page 16 is 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, 2007.

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 FAS 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 169,216 patients in its 2,194 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. Fresenius Kabi is also a leading provider of transfusion technology products in Europe.

Fresenius ProServe is a leading German hospital operator. Moreover, the company offers engineering and services for hospitals and other health care facilities.

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 2006 Annual Report.

Reconciliation of key figures to consolidated earnings

in million €	Q1/2007	Q1/2006
Total EBITDA of reporting segments	488	384
Depreciation and amortization	-99	-86
General corporate expenses Corporate/Other	-9	-7
Net interest	-95	-84
Total earnings before income taxes and minority interest	**285**	207
Total EBIT of reporting segments	391	301
General corporate expenses Corporate/Other	-11	-10
Net interest	-95	-84
Total earnings before income taxes and minority interest	**285**	207
Depreciation and amortization of reporting segments	97	83
Depreciation and amortization Corporate/Other	2	3
Total depreciation and amortization	**99**	86

Reconciliation of net debt

in million €	March 31, 2007	December 31, 2006
Short-term borrowings	358	330
Short-term liabilities and loans from related parties	1	1
Current portion of long-term debt and liabilities from capital lease obligations	261	265
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	486	0
Long-term debt and liabilities from capital lease obligations, less current portion	4,211	4,330
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	461	946
Debt	**5,778**	5,872
less cash and cash equivalents	300	261
Net debt	**5,478**	5,611

19. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH STOCK OPTION PLANS OF THE FRESENIUS GROUP

In the first quarter of 2007, the Fresenius Group recognized compensation cost in an amount of € 6 million for stock options granted since 1998. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, starting at the grant date, based on the current market values of the underlying stock.

FAIR VALUE OF STOCK OPTIONS

Fresenius Group's determination of the fair value of grants is based on the Black-Scholes option pricing model. The Black-Scholes option pricing model was developed for use in estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants made during the year ending December 31, 2006 are as follows:

Weighted-average assumptions of Fresenius AG	2006
Expected dividend yield	1.50 %
Risk-free interest rate	3.80 %
Expected volatility	35.50 %
Expected life of options	5.3 years
Exercise price per option in €	121.36

FRESENIUS AG STOCK OPTION PLANS

On March 31, 2007, Fresenius AG has two stock option plans in place – the stock option based plan of 1998 and the currently active plan of 2003 which is based on convertible bonds. The latter is currently the only plan under which options in the form of convertible bonds are granted.

Changes due to capital measures

At December 4, 2006, the Extraordinary General Meeting of Fresenius AG resolved to newly divide the subscribed capital of Fresenius AG at a ratio of 1 (previously) : 3 (in the future) (share split). Furthermore, the General Meeting agreed to a capital increase from the company's funds in order to attain, after the share split, a proportionate nominal value of € 1.00 per ordinary and preference share to the subscribed capital. The entry of both measures into the commercial register on January 24, 2007 resulted in the following consequences for the two stock option plans:

Under the 1998 Plan, upon exercise, one granted option now entitles to receipt of three instead of one ordinary or preference share of Fresenius AG, respectively. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or senior employees of Fresenius AG is adjusted accordingly. The calculation of the exercise price remains unaffected.

Under the 2003 Plan, a convertible bond granted prior to entry of the share split in the commercial register but converted after the commercial registration, now entitles to receipt of three instead of one ordinary or preference share of Fresenius AG, respectively. The calculation of the conversion price remains unaffected for all convertible bonds without stock price target.

Regarding convertible bonds with stock price target, the stock price target is reached if the applicable stock price target has been reached prior to the commercial register entry of the share split, or if, after the commercial registration, the stock exchange quoted average price of the ordinary and preference shares reaches on one day a 25 % increase against one third of the average stock exchange rate of the ordinary and preference shares on the grant date. The calculation of the conversion price remains unaffected if the stock price target has been reached prior to the date of entry into the commercial register. If the stock price target is reached for the first time after the commercial registration the conversion price for receipt of three ordinary shares or preference shares, respectively, per each convertible bond, shall be the triple of one third of the initial value.

After entry of the share split into the commercial register, each convertible bond granted has a nominal value of € 1.00, instead of previously € 2.56. The number of convertible bonds with a nominal value of € 1.00 each, still to be issued under the 2003 Plan, increases to 1,080,000, of which 240,000 are attributable to the members of the Management Board and 840,000 to senior employees.

In the following, the number of stock options that originally entitle to receipt of three ordinary shares or preference shares, respectively, has been tripled in order to show the number of shares potentially issued according to the ratio after the share split. Consequently, the number of stock options is shown as if one stock option always entitles to receipt of one ordinary or preference share, respectively.

Transactions during the first quarter of 2007

At March 31, 2007, of 2,888,550 outstanding options iussed under the 2003 Plan, 419,658 were exercisable and 394,740 were held by the members of the Fresenius AG Management Board. The number of outstanding and exercisable stock options issued under the 1998 Plan was 1,103,952, of which 51,600 were held by the members of the Fresenius AG Management Board.

During the first quarter of 2007, Fresenius AG received € 6 million from the exercise of 188,310 stock options. The intrinsic value of options exercised in the first quarter of 2007 was € 5 million.

Options for ordinary shares	Number of options	Average exercise price in €
Balance at December 31, 2006	**2,090,406**	**27.97**
Exercised	94,155	26.98
Balance at March 31, 2007	**1,996,251**	**28.01**

Options for preference shares	Number of options	Average exercise price in €
Balance at December 31, 2006	**2,090,406**	**29.21**
Exercised	94,155	31.84
Balance at March 31, 2007	**1,996,251**	**29.09**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at March 31, 2007:

	Number of options	Average remaining contractual life in years	Average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	761,805	4.55	23.74	28
Options for preference shares	761,805	4.55	26.48	25

At March 31, 2007, there was € 12 million of total unrecognized compensation costs related to non-vested options granted under the Fresenius AG plans. These costs are expected to be recognized over a weighted-average period of 2 years.

FRESENIUS MEDICAL CARE STOCK OPTION PLANS

On March 31, 2007, Fresenius Medical Care has two stock option plans in place – the Fresenius Medical Care 2001 International Stock Incentive Plan which is based on convertible bonds and the stock option based Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006. The latter is currently the only plan under which stock options are granted.

During the first quarter of 2007, Fresenius Medical Care received € 3 million from the exercise of 40,985 stock options for ordinary shares and 2,879 stock options for preference shares.

20. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius AG, is the Chief Executive Officer of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius AG, is a member of the Supervisory Board of Allianz Private Krankenversicherungs-AG. In the first quarter of 2007, the Fresenius Group paid € 1.5 million for insurance premiums to Allianz.

Dr. Gerd Krick is also a member of the Advisory Board of HDI Haftpflichtverband der deutschen Industrie V. a. G. that, just as the Gerling Insurance Group, belongs to the Talanx Group. In the first quarter of 2007, this group received € 2.1 million for insurance premiums.

Dr. Dieter Schenk is a member of the Supervisory Board of Fresenius AG and a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In the first quarter of 2007, the Fresenius Group paid this law firm € 0.3 million.

21. SUBSEQUENT EVENTS

In April 2007, Fresenius Kabi entered into an agreement with Kyorin Pharmaceutical Co. Ltd., Tokyo, Japan, to acquire its artificial colloid product business.

On May 1, 2007, Fresenius ProServe agreed to sell its subsidiary Pharmatec to Robert Bosch GmbH. The transaction requires antitrust approval. Fresenius ProServe anticipates the closing of the transaction mid-year 2007.

There have been no further significant changes in the Group position or environment sector since the end of the first quarter of 2007. Furthermore, with the exception of the conversion of Fresenius AG into a European Company (SE) mentioned in Note 1.II, Conversion of Fresenius AG into a European Company (SE) and new division of the subscribed capital, presently, 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.

22. CORPORATE GOVERNANCE

The members of the Management Board and the Supervisory Board of Fresenius AG and the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA have submitted the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in accordance with the German Corporate Governance Code dated June 12, 2006 and made this permanently available to the shareholders.

Financial Calendar

Annual General Meeting, Frankfurt am Main (Germany) Live webcast of the speech of the Chairman of the Management Board of Fresenius AG	May 16, 2007
Payment of dividend*	May 17, 2007
Report on the first half 2007 Conference call	August 2, 2007
Report on 1st - 3rd quarters 2007 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	October 31, 2007

* subject to the prior approval by the AGM

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Chairman of the Supervisory Board: Dr. Gerd Krick