Interim Report
1st Nine Months and 3rd Quarter 2005

Fresenius
health care worldwide

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

- **Sales: € 5.7 billion, +7 % in constant currency, +6 % at actual rates**
- **EBIT: € 703 million, +13 % in constant currency, +12 % at actual rates**
- **Net income: € 161 million, +30 % in constant currency, +29 % at actual rates**

Excellent financial results in the 1st-3rd quarter of 2005; full-year outlook confirmed

- Fresenius Medical Care continues strong sales and earnings growth
- Fresenius Kabi achieves excellent operating income and strong organic growth
- Fresenius ProServe increases order intake by 20 %

Compared to the preliminary figures announced on October 14, 2005, EBIT improved by € 1 million to € 703 million and net income by € 2 million to € 161 million.

Sales - high organic growth

In the first nine months of 2005, Group sales increased 7 % in constant currency. Organic growth contributed 6 % and acquisitions 2 % to this increase. Currency translation had a -1 % and divestments a -1 % effect on sales. Sales were € 5,712 million, an increase of 6 % at actual rates (Q1-3 2004: € 5,399 million).

Remarkable constant-currency sales growth was achieved in the main markets North America and Europe of 7 % each. Strong growth rates were achieved in Latin America (+20 %) and in Africa (+29 %). In Asia-Pacific, Fresenius Kabi achieved excellent sales growth. The lower project volume at Fresenius ProServe impacted the sales development in this region.

Sales in million €	**Q1-3/2005**	Q1-3/2004	Change	Change at constant rates	Organic growth effects	Currency translations	Acquisitions/ Divestitures sales	% of total
Europe	**2,216**	2,071	7%	7%	6%	0%	1%	39%
North America	**2,729**	2,620	4%	7%	6%	-3%	1%	48%
Asia-Pacific	**381**	405	-6%	-6%	-6%	0%	0%	7%
Latin America	**252**	200	26%	20%	16%	6%	4%	4%
Africa	**134**	103	30%	29%	28%	1%	1%	2%
Total	**5,712**	5,399	6%	7%	6%	-1%	1%	100 %

Sales contribution of the three business segments:

	Q1-3/2005	Q1-3/2004
Fresenius Medical Care	**69%**	69%
Fresenius Kabi	**21%**	20%
Fresenius ProServe	**10%**	11%

Excellent earnings growth

EBITDA increased 11 % in constant currency and 9 % at actual rates to € 937 million (Q1-3 2004: € 857 million). Group EBIT rose 13 % in constant currency and 12 % at actual rates to € 703 million (Q1-3 2004: € 628 million). The Group EBIT margin further improved to 12.3 % in the first nine months of 2005 (Q1-3 2004: 11.6 %).

Group net interest was € -146 million in the first nine months of 2005 (Q1-3 2004: € -156 million). This improvement was mainly the result of a lower debt level compared to the first nine months of 2004 in combination with lower interest rates.

The tax rate for the first nine months of 2005 was 39.3% (Q1-3 2004: 40.3 %), in line with the full-year expectation.

Minority interest increased to € 177 million (Q1-3 2004: € 157 million). 96 % was attributable to minority interest of Fresenius Medical Care.

Group net income grew strongly by 30 % in constant currency and by 29 % at actual rates to € 161 million (Q1-3 2004: € 125 million). Excellent operating results of the two largest business segments Fresenius Medical Care and Fresenius Kabi, lower interest expenses and a lower tax rate contributed to this increase.

Earnings per ordinary share were € 3.92 (Q1-3 2004: € 3.04). Earnings per preference share were € 3.94 (Q1-3 2004: € 3.06). EPS increased 29 % for both share classes.

Investments considerably increased

In the first nine months of 2005, Group investments increased considerably to € 460 million (Q1-3 2004: € 253 million). € 196 million was spent for property, plant and equipment and intangible assets (Q1-3 2004: € 174 million) and € 264 million for acquisitions (Q1-3 2004: € 79 million). The increase in acquisition spending was mainly driven by Fresenius Kabi.

Solid cash flow performance

Fresenius achieved a very good operating cash flow of € 592 million in the first nine month of 2005 (Q1-3 2004: € 580 million). This positive performance was driven by improved earnings whereas higher income tax payments of Fresenius Medical Care in North America had a negative effect. Free cash flow before acquisitions and dividends was € 412 million (Q1-3 2004: € 423 million). Free cash flow after acquisitions (€ 213 million) and dividends (€ 132 million) was € 67 million (Q1-3 2004: € 232 million). This figure was driven by significantly higher acquisition-spending and higher dividend payments.

Solid balance sheet structure

Total assets increased 12% to € 9,196 million (December 31, 2004: € 8,188 million). In constant currency, total assets grew 5 %. Current assets increased 15 % to € 3,163 million (December 31, 2004: € 2,755 million). In constant currency, current assets grew 9 %. This increase was driven by acquisitions and growth of operations.

Group debt rose 3 % to € 2,821 million as of September 30, 2005 (December 31, 2004: € 2,735 million). In constant currency, debt was 1 % below previous year-end's figure.

The net debt/EBITDA ratio was 2.1 as of September 30, 2005 (December 31, 2004: 2.2).

Shareholders' equity including minority interest rose 17 % to € 3,932 million compared to € 3,347 million on December 31, 2004 (at constant currency: +6 %). The equity ratio including minority interest improved to 42.8 % due to strong increase in earnings and currency translation effects (December 31, 2004: 40.9 %).

Employee numbers continue to grow

As of September 30, 2005, the Group had 72,484 employees worldwide, an increase of 6 % (December 31, 2004: 68,494).

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 the field of trifunctional antibody therapies, the current studies for ovarian cancer (Phase IIa), malignant ascites (Phase II/III) and malignant pleural effusion (Phase I) are continuing according to plan. Results of those studies will be presented for ovarian cancer in the first half of 2006 and for malignant ascites as well as malignant pleural effusion in the second half of 2006. Two phase II studies are in preparation to investigate the treatment of gastric cancer and breast cancer following positive results from two phase I studies for the treatment of peritoneal carcinomatosis and breast cancer. In addition, Fresenius Biotech acquired from its partner Trion the exclusive worldwide clinical development, registration, marketing and sales rights for the trifunctional antibody lymphomun. With this antibody Fresenius Biotech extends its range of indications from solid tumors to malignancies of the blood. The antibody is in preclinical development.

THIRD QUARTER 2005

Fresenius Group increased constant-currency sales by 8 % in the third quarter of 2005. At actual rates, sales increased by 9 % to € 2,010 million (Q3 2004: € 1,846 million).

EBIT increased 16 % in constant currency and at actual rates to € 250 million (Q3 2004: € 216 million). Fresenius achieved a significant increase of 33 % in net income from € 45 million to € 60 million. In constant currency, the increase was also 33 %. Earnings per ordinary and per preference share were € 1.46 (Q3 2004: € 1.09). This was an increase of 33 % per ordinary and preference share.

In the third quarter of 2005, Fresenius increased spending for property, plant and equipment and intangible assets by 29 % from € 63 million to € 81 million. Investments for acquisitions more than doubled from € 18 million in the third quarter of 2004 to € 37 million in the third quarter of 2005.

GROUP OUTLOOK FOR 2005

2005 Group outlook confirmed

Fresenius confirms its increased earnings guidance as announced in the preliminary nine-month results release on October 14, 2005 as well as its sales expectation for the full-year 2005 (before the announced acquisitions).

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 September 30, 2005, Fresenius Medical Care was serving approximately 130,400 patients (+6 %) in 1,670 dialysis clinics (+5 %). The company delivered about 14.7 million treatments in the first nine months of 2005 (+5 %).

in million US$	**Q3/2005**	Q3/2004	Change in %	**Q1-3/2005**	Q1-3/2004	Change in %
Sales	**1,716**	1,577	9	**4,999**	4,588	9
EBITDA	**299**	271	10	**878**	796	10
EBIT	**237**	214	11	**695**	625	11
Net income	**116**	102	14	**339**	294	16
Employees				**49,756**	46,949	6
				(Sep 30, 2005)	(Dec 31, 2004)	

First nine months 2005

- Strong sales and earnings growth continued
- Excellent performance in North America and Europe
- 2005 outlook confirmed

In the first nine months of 2005, Fresenius Medical Care achieved sales growth of 9 % to US$ 4,999 million (Q1-3 2004: US$ 4,588 million). In constant currency, sales rose 8 %. Organic growth was 7 %.

In North America Fresenius Medical Care achieved a strong sales increase of 7 % to US$ 3,383 million (Q1-3 2004: US$ 3,149 million). Sales outside North America ("International") showed an even stronger growth of 12 % to US$ 1,616 million (Q1-3 2004: US$ 1,439 million). Sales in dialysis care increased 8 % to US$ 3,610 million (Q1-3 2004: US$ 3,334 million). In dialysis products, Fresenius Medical Care achieved sales growth of 11 % to US$ 1,389 million (Q1-3 2004: US$ 1,254 million).

EBIT rose 11 % to US$ 695 million (Q1-3 2004: US$ 625 million) and the EBIT margin was 13.9 % (Q1-3 2004: 13.6 %). EBIT includes one-time costs of US$ 8 million related to the transformation of Fresenius Medical Care's legal form into a KGaA. As previously announced, the company expects one-time costs for the full year 2005 to be approximately US$ 10 million for the transformation. Net income grew by 16 % to US$ 339 million in the first nine months of 2005.

For the year 2005, the Fresenius Medical Care reconfirms its outlook. This guidance does not take into effect the impact of the Renal Care Group acquisition or the one-time costs for the full year 2005 in connection with the transformation of the company's legal form, nor the conversion of the preference shares into ordinary shares.

Third quarter of 2005

Sales in the third quarter of 2005 increased 9 % (8 % in constant currency) to US$ 1,716 million (Q3 2004: US$ 1,577 million).

EBIT increased 11 % to US$ 237 million (Q3 2004: US$ 214 million). This resulted in an operating margin of 13.8 % compared to 13.6 % for the same quarter of 2004. Net income in the third quarter of 2005 was US$ 116 million, an increase of 14 % (Q3 2004: US$ 102 million).

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

BUSINESS SEGMENT FRESENIUS KABI

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

in million €	**Q3/2005**	Q3/2004	Change in %	**Q1-3/2005**	Q1-3/2004	Change in %
Sales	**421**	367	15	**1,239**	1,105	12
EBITDA	**84**	64	31	**234**	190	23
EBIT	**60**	44	36	**170**	129	32
Net income	**30**	19	58	**81**	57	42
Employees				**12,773**	11,577	10
				(Sep 30, 2005)	(Dec 31, 2004)	

First nine months 2005

- New record EBIT margin of 14.3 % in the third quarter of 2005
- Excellent organic growth of 7 % in the first nine months of 2005
- 2005 outlook confirmed

In the first nine months of 2005, Fresenius Kabi's sales rose 12 % to € 1,239 million (Q1-3 2004: € 1,105 million). The company achieved an excellent organic growth of 7 %. Acquisitions, primarily the generic I.V. drug company Labesfal, contributed 5 % to sales. Currency translation added 1 % to sales growth. Divestments had a -1 % effect on sales.

Sales in Germany rose 2 %. Sales in Europe (excluding Germany) increased 14 %. Acquisitions contributed significantly to this growth. Fresenius Kabi continued to grow at double-digit rates outside of Europe: In Asia-Pacific Fresenius Kabi achieved strong growth of 15 %, in Latin America of 20 % and in Africa of 18 %.

EBIT of Fresenius Kabi significantly increased by 32 % in the first nine months to € 170 million (Q1-3 2004: € 129 million). The EBIT margin was 13.7 % (Q1-3 2004: 11.7 %). In Q3 2005, the EBIT margin improved by 50 basis points to 14.3 % compared to Q2 2005.

Fresenius Kabi confirms its full-year 2005 outlook.

Third quarter of 2005

Sales in the third quarter of 2005 increased by 15 % to € 421 million (Q3 2004: € 367 million).

EBIT increased 36 % to € 60 million (Q3 2004: € 44 million). Fresenius Kabi reached a quarterly all-time high EBIT margin of 14.3 % (Q3 2004: 12.0 %).

BUSINESS SEGMENT FRESENIUS PROSERVE

Fresenius ProServe offers services for the international health care sector including hospital management and hospital planning and construction as well as planning and construction of pharmaceutical and medical-technical production sites.

in million €	**Q3/2005**	Q3/2004	Change in %	**Q1-3/2005**	Q1-3/2004	Change in %
Sales	**201**	198	2	**551**	581	-5
EBITDA	**10**	9	11	**29**	23	26
EBIT	**4**	3	33	**11**	3	--
Net income	**-3**	-2	-50	**-4**	-11	64
Employees				**9,354**	9,398	0
				(Sep 30, 2005)	(Dec 31, 2004)	

First three quarters of 2005

- Order intake increased by 20 % in the first nine months of 2005
- Strong 4th quarter in project business expected
- 2005 outlook confirmed

In the first nine months of 2005, Fresenius ProServe achieved sales of € 551 million (Q1-3 2004: € 581 million). On a comparable basis (excluding the nursing home business sold in 2004 and the discontinued international hospital management business), sales were at previous year's level. Sales growth of 2 % to € 260 million was achieved in the hospital management business (Wittgensteiner Kliniken). In the hospital engineering and services business (VAMED) sales rose by 1 % to € 236 million. In the pharmaceutical engineering and services business (Pharmaplan) the order intake improved and Pharmaplan's sales increased in the third quarter 2005.

EBIT was € 11 million in the first nine months of 2005 (Q1-3 2004: € 3 million; before one-time expenses: € 11 million) and in line with the company's expectations.

Order intake and order backlog developed very positively: Order intake in the first nine months of 2005 increased 20 % to € 239 million (Q1-3 2004: € 199 million). Order backlog as of September 30, 2005 rose 19 % to € 399 million (December 31, 2004: € 335 million). Fresenius ProServe expects a strong fourth quarter 2005 in its project business.

Fresenius ProServe confirms its full-year outlook for 2005.

Third quarter of 2005

In the third quarter of 2005, Fresenius ProServe achieved sales growth of 2 % to € 201 million (Q3 2004: € 198 million). On a comparable basis (excluding the nursing home business sold in 2004 and the discontinued international hospital management business), sales would have increased by 7 %.

EBIT increased to € 4 million (Q3 2004: € 3 million).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	**Q3/2005**	Q3/2004	**Q1-3/2005**	Q1-3/2004
Sales	**2,010**	1,846	**5,712**	5,399
Cost of goods sold	**-1,325**	-1,245	**-3,765**	-3,638
Gross profit	**685**	601	**1,947**	1,761
Selling, general and administrative expenses	**-399**	-354	**-1,140**	-1,038
Research and development expenses	**-36**	-31	**-104**	-95
Operating income (EBIT)	**250**	216	**703**	628
Net interest	**-49**	-52	**-146**	-156
Earnings before income taxes and minority interest	**201**	164	**557**	472
Income taxes	**-79**	-65	**-219**	-190
Minority interest	**-62**	-54	**-177**	-157
Net income	**60**	45	**161**	125
Basic earnings per ordinary share in €	**1.46**	1.09	**3.92**	3.04
Fully diluted earnings per ordinary share in €	**1.45**	1.09	**3.89**	3.03
Basic earnings per preference share in €	**1.46**	1.09	**3.94**	3.06
Fully diluted earnings per preference share in €	**1.45**	1.09	**3.91**	3.05

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	in million €	Sep 30, 2005	Dec 31, 2004
	Cash and cash equivalents	168	140
	Trade accounts receivables, less allowances for doubtful accounts	1,704	1,528
	Accounts receivable from related parties	14	17
	Inventories	719	619
	Prepaid expenses and other current assets	353	283
	Deferred taxes	205	168
I.	**Total current assets**	**3,163**	2,755
	Property, plant and equipment	1,784	1,696
	Goodwill	3,385	2,905
	Other intangible assets	528	480
	Other non-current assets	234	234
	Deferred taxes	102	118
II.	**Total non-current assets**	**6,033**	5,433
	Total assets	**9,196**	8,188
	Trade accounts payable	273	273
	Accounts payable to related parties	3	1
	Accrued expenses and other current liabilities	1,247	986
	Short-term borrowings	267	391
	Short-term liabilities and loans from related parties	1	2
	Current portion of long-term debt and capital lease obligations	161	190
	Accruals for income taxes	180	195
	Deferred taxes	49	18
A.	**Total short-term liabilities**	**2,181**	2,056
	Long-term debt and capital lease obligations, less current portion	1,398	1,219
	Long-term liabilities and loans from related parties	–	–
	Other long-term liabilities	153	160
	Pensions and similar obligations	237	228
	Deferred taxes	301	245
	Trust preferred securities of Fresenius Medical Care Capital Trusts	994	933
B.	**Total long-term liabilities**	**3,083**	2,785
I.	**Total liabilities**	**5,264**	4,841
II.	**Minority interest**	**2,071**	1,744
	Subscribed capital	106	105
	Capital reserves	665	645
	Other reserves	1,000	895
	Accumulated other comprehensive income (loss)	90	-42
III.	**Total shareholders’ equity**	**1,861**	1,603
	Total liabilities and shareholders’ equity	**9,196**	8,188

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

in million €	**Q1-3/2005**	Q1-3/2004
Cash provided by/used for operating activities		
Net income	**161**	125
Minority interest	**177**	157
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Cash inflow from hedging	**0**	7
Depreciation and amortization	**234**	229
Change in deferred taxes	**17**	24
Gain on sale of fixed assets	**-1**	-2
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	**-6**	-30
Change in inventories	**-51**	-32
Change in prepaid expenses and other current and non-current assets	**-81**	7
Change in accounts receivable from/payable to related parties	**7**	6
Change in trade accounts payable, accruals and other short-term and long-term liabilities	**164**	112
Change in accruals for income taxes	**-29**	-23
Cash provided by operating activities	**592**	580
Cash provided by/used for investing activities		
Purchase of property, plant and equipment	**-196**	-174
Proceeds from the sale of property, plant and equipment	**16**	17
Purchase of shares in related companies and investments, net	**-213**	-73
Proceeds from the sale of shares in related companies and investments, net	**0**	1
Cash used for investing activities	**-393**	-229
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	**61**	90
Repayments of short-term borrowings	**-60**	-33
Proceeds from short-term and long-term borrowings from related parties	**0**	–
Repayments of short-term and long-term borrowings from related parties	**-3**	-1
Proceeds from long-term debt and capital lease obligations	**367**	440
Repayments of long-term debt and capital lease obligations	**-293**	-621
Changes of accounts receivable securization program	**-175**	-74
Proceeds from exercise of stock options	**57**	2
Dividends paid	**-132**	-119
Change in minority interest	**-1**	–
Payments on hedge contracts for intercompany loans in foreign currency	**-2**	-1
Cash used for financing activities	**-181**	-317
Effect of exchange rate changes on cash and cash equivalents	**10**	2
Net increase in cash and cash equivalents	**28**	36
Cash and cash equivalents at beginning of the reporting period	**140**	125
Cash and cash equivalents at end of the reporting period	**168**	161

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 at December 31, 2003	**20,485**	**52,441**	**20,485**	**52,441**	**104,882**	**105**
Issuance of bearer ordinary and bearer preference shares						
Proceeds from exercise of stock options						
Compensation expense related to stock options						
Dividends paid						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to:						
Cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income (loss)						
As at September 30, 2004	**20,485**	**52,441**	**20,485**	**52,441**	**104,882**	**105**
As at December 31, 2004	**20,486**	**52,443**	**20,486**	**52,443**	**104,886**	**105**
Issuance of bearer ordinary and bearer preference shares						
Proceeds from exercise of stock options	127	327	127	327	654	1
Compensation expense related to stock options						
Dividends paid						
Comprehensive income (loss)						
Net income						
Other comprehensive income (loss) related to:						
Cash flow hedges						
Foreign currency translation adjustment						
Minimum pension liability						
Comprehensive income (loss)						
As at September 30, 2005	**20,613**	**52,770**	**20,613**	**52,770**	**105,540**	**106**

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

	Reserves		Other comprehensive income			
in million €	Capital reserves	Other reserves	Currency translation differences	Cash flow hedges	Pensions	Total
As at December 31, 2003	**644**	**778**	**40**	**4**	**-35**	**1,536**
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from exercise of stock options						0
Compensation expense related to stock options	1					1
Dividends paid		-51				-51
Comprehensive income (loss)						
Net income		125				125
Other comprehensive income (loss) related to:						
Cash flow hedges				-27		-27
Foreign currency translation adjustment			49			49
Minimum pension liability					-	-
Comprehensive income (loss)		125	49	-27	-	147
As at September 30, 2004	**645**	**852**	**89**	**-23**	**-35**	**1,633**
As at December 31, 2004	**645**	**895**	**20**	**-18**	**-44**	**1,603**
Issuance of bearer ordinary and bearer preference shares						0
Proceeds from exercise of stock options	17					18
Compensation expense related to stock options	3					3
Dividends paid		-56				-56
Comprehensive income (loss)						
Net income		161				161
Other comprehensive income (loss) related to:						
Cash flow hedges				-13		-13
Foreign currency translation adjustment			148			148
Minimum pension liability					-3	-3
Comprehensive income (loss)		161	148	-13	-3	293
As at September 30, 2005	**665**	**1,000**	**168**	**-31**	**-47**	**1,861**

See accompanying Notes to the unaudited consolidated financial statements.

SEGMENT REPORTING FIRST THREE QUARTERS

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
by business segments, in million €	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change
Sales	**3,959**	3,744	6%	**1,239**	1,105	12%	**551**	581	-5%	**-37**	-31	-19%	**5,712**	5,399	6%
thereof contribution to consolidated sales	**3,940**	3,722	6%	**1,217**	1,085	12%	**544**	580	-6%	**11**	12	-8%	**5,712**	5,399	6%
thereof intercompany sales	**19**	22	-14%	**22**	20	10%	**7**	1	--	**-48**	-43	-12%	**0**	0	
contribution to consolidated sales	**69%**	69%		**21%**	20%		**10%**	11%		**0%**	0%		**100%**	100%	
EBITDA	**695**	650	7%	**234**	190	23%	**29**	23	26%	**-21**	-6	--	**937**	857	9%
Depreciation and amortization	**145**	140	4%	**64**	61	5%	**18**	20	-10%	**7**	8	-13%	**234**	229	2%
EBIT	**550**	510	8%	**170**	129	32%	**11**	3	--	**-28**	-14	-100%	**703**	628	12%
Net interest	**-100**	-112	11%	**-38**	-35	-9%	**-7**	-9	22%	**-1**	-0	--	**-146**	-156	6%
Net income	**269**	240	12%	**81**	57	42%	**-4**	-11	64%	**-185**	-161	-15%	**161**	125	29%
Operating cash flow	**372**	457	-19%	**185**	118	57%	**35**	34	3%	**0**	-29	100%	**592**	580	2%
Free cash flow before acquisitions and divdends	**244**	340	-28%	**151**	96	57%	**28**	18	56%	**-11**	-31	65%	**412**	423	-3%
Debt*	**1,879**	1,820	3%	**863**	709	22%	**188**	222	-15%	**-109**	-16	--	**2,821**	2,735	3%
Total assets*	**6,618**	5,845	13%	**1,787**	1,518	18%	**742**	742	0%	**49**	83	-41%	**9,196**	8,188	12%
Capital expenditure	**139**	128	9%	**39**	27	44%	**8**	17	-53%	**10**	2	--	**196**	174	13%
Acquisitions	**73**	66	11%	**189**	9	--	**1**	4	-75%	**1**	0	--	**264**	79	--
Research and development expenses	**32**	31	3%	**44**	42	5%	**–**	1	-100%	**28**	21	33%	**104**	95	9%
Employees (per capita on balance sheet date)*	**49,756**	46,949	6%	**12,773**	11,577	10%	**9,354**	9,398	0%	**601**	570	5%	**72,484**	68,494	6%
Key figures															
EBITDA margin	**17.6%**	17.4%		**18.9%**	17.2%		**5.3%**	4.0%					**16.4%**	15.9%	
EBIT margin	**13.9%**	13.6%		**13.7%**	11.7%		**2.0%**	0.5%					**12.3%**	11.6%	
ROOA*	**12.6%**	11.8%		**14.8%**	13.4%		**2.6%**	1.5%					**11.6%**	11.1%	
Depreciation and amortization in % of sales	**3.7%**	3.7%		**5.2%**	5.5%		**3.3%**	3.4%					**4.1%**	4.2%	

* 2004: December 31

SEGMENT REPORTING THIRD QUARTER

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
by business segment, in million €	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change	**2005**	2004	Change
Sales	**1,404**	1,290	9%	**421**	367	15%	**201**	198	2%	**-16**	-9	-78%	**2,010**	1,846	9%
thereof contribution to consolidated sales	**1,398**	1,284	9%	**413**	361	14%	**196**	197	-1%	**3**	4	-25%	**2,010**	1,846	9%
thereof intercompany sales	**6**	6	0%	**8**	6	33%	**5**	1	--	**-19**	-13	-46%	0	0	
contribution to consolidated sales	**69%**	69%		**21%**	20%		**10%**	11%		**0%**	0%		**100%**	100%	
EBITDA	**244**	222	10%	84	64	31%	**10**	9	11%	**-5**	-2	-150%	**333**	293	14%
Depreciation and amortization	**51**	47	9%	**24**	20	20%	**6**	6	0%	**2**	4	-50%	**83**	77	8%
EBIT	**193**	175	10%	**60**	44	36%	**4**	3	33%	**-7**	-6	-17%	**250**	216	16%
Net interest	**-34**	-37	8%	**-12**	-12	0%	**-2**	-4	50%	**-1**	1	-200%	**-49**	-52	6%
Net income	**95**	84	13%	**30**	19	58%	**-3**	-2	-50%	-62	-56	-11%	**60**	45	33%
Operating cash flow	**163**	171	-5%	**80**	58	38%	**3**	2	50%	**17**	9	89%	**263**	240	10%
Free cash flow before acquisitions and divdends	**111**	131	-15%	**65**	47	38%	**1**	-3	133%	**11**	9	22%	**188**	184	2%
Capital expenditure	**58**	46	26%	**16**	11	45%	**2**	6	-67%	**5**	0	--	**81**	63	29%
Acquisitions	**33**	17	94%	**3**	0	--	**–**	1	-100%	**1**	0	--	**37**	18	106%
Research and development expenses	**11**	9	22%	**16**	13	23%	**–**	1	-100%	**9**	8	13%	**36**	31	16%
Key figures															
EBITDA margin	**17.4%**	17.2%		**20.0%**	17.4%		**5.0%**	4.5%					**16.6%**	15.9%	
EBIT margin	**13.8%**	13.6%		**14.3%**	12.0%		**2.0%**	1.5%					**12.4%**	11.7%	
Depreciation and amortization in % of sales	**3.6%**	3.6%		**5.7%**	5.4%		**3.0%**	3.0%					**4.1%**	4.2%	

Notes – Contents

1. PRINCIPLES

I. Group structure

Fresenius is a health care Group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital management as well as engineering and services for hospitals and health care facilities as well as the pharmaceutical industry. In addition to the activities of the Fresenius AG, the operating activities are split into the following legally-independent business segments (sub-groups) as of September 30, 2005:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius ProServe

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

II. Basis of presentation

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

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

III. Significant accounting principles

a) Consolidation principles

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2005 have not been audited and should be read in conjunction with the notes included in the consolidated financial statements as of December 31, 2004, published in the 2004 Annual Report. There have been no major other changes in the entities consolidated in addition to the reported acquisitions (see Note 3, Acquisitions).

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2005 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 three quarters and the third quarter of 2005 are not necessarily indicative of the results of operations for the fiscal year 2005 ending December 31, 2005.

b) Classification

Certain items in the previous year's consolidated financial statements have been reclassified to conform with the current year's presentation.

IV. Recently issued accounting standards

In December 2004, the Financial Accounting Standards Board issued its final standard on accounting for share-based payments, SFAS No. 123R (Share-Based Payment (SBP) (revised)), that requires companies to expense the cost of employee stock options and similar awards. SFAS No. 123R requires determining the cost that will be measured at fair value on the date of the SBP awards based upon an estimate of the number of awards expected to vest. There will be no right of reversal of cost if the awards expire without being exercised. Fair value of the SBP awards will be estimated using an option-pricing model that appropriately reflects the specific circumstances and economics of the awards. Compensation cost for the SBP awards will be recognized as they vest. The Fresenius Group will have three alternative transition methods, each having a different reporting implication. The effective date is for interim and annual periods beginning after June 15, 2005. Fresenius Group is in the process of determining the transition method that it will adopt and the potential impact on the Group's consolidated financial statements.

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 (FIN 47) that clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143 (Accounting for Asset Retirement Obligations) refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred – generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. SFAS No. 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective for fiscal years ending after December 15, 2005. Fresenius Group is in the process of determining the potential impact, if any, on its consolidated financial statements.

In June 2005, the FASB ratified EITF No. 05-5 (Accounting for Early Retirement or Postemployment Programs with Specific Features (Such As Terms Specified in Altersteilzeit Early Retirement Arrangements)). EITF No. 05-5 provides guidance on the accounting for the German early retirement program providing an incentive for employees, within a certain age group, to transition from full or part-time employment into retirement before their legal retirement age. The program provides the employee with a bonus which is reimbursed by subsidies from the German government if certain conditions are met. According to EITF No. 05-5, the bonuses provided by the employer should be accounted for as postemployment benefits under SFAS No. 112 (Employer's Accounting for Postretirement Benefits), with compensation cost recognized over the remaining service period beginning when the individual agreement is signed by the employee and ending when the active service period ends. The government subsidy should be recognized when the employer meets the necessary criteria and is entitled to the subsidy. The effect of applying EITF No. 05-5 should be recognized prospectively as a change in accounting estimate in fiscal years beginning after December 15, 2005. Fresenius Group is currently determining the effect of EITF No. 05-5 on the Group's consolidated financial statements.

2. TRANSFORMATION OF FRESENIUS MEDICAL CARE AG'S LEGAL FORM

Fresenius Medical Care AG announced that it intends to change it's legal form from an Aktiengesellschaft (AG) to a KGaA, which is a German partnership limited by shares (the transformation of legal form). Fresenius Medical Care AG as a KGaA will be the same legal entity under German law, rather than a successor to the AG. Fresenius Medical Care Management AG, a subsidiary of Fresenius AG, the ultimate parent of Fresenius Medical Care AG, will be the general partner of Fresenius Medical Care KGaA. The transformation of legal form was approved by a vote of the Fresenius Medical Care AG's ordinary shareholders during an Extraordinary General Meeting (EGM) held on August 30, 2005.

Fresenius Medical Care AG also announced that it intends to offer its preference shareholders the opportunity to convert their preference shares into ordinary shares on a one-to-one basis pursuant to a conversion offer to be conducted after the EGM. Preference shareholders who decide to convert their shares will be required to pay a premium of € 9.75 per preference share and will lose their preferential dividend rights. The conversion was approved by the ordinary shareholders at the EGM and was also approved by a separate vote of Fresenius Medical Care AG's preference shareholders during a separate meeting of the preference shareholders held immediately following the EGM on August 30, 2005 (for contesting shareholder lawsuits see Note 15, Legal proceedings).

Fresenius Medical Care AG intends to apply for registration of the Transformation of Legal Form with the commercial register in Germany upon completion of the conversion of preference shares to ordinary shares.

This transformation will have no impact on the consolidation of Fresenius Medical Care.

3. ACQUISITIONS

The Fresenius Group made acquisitions of € 264 million and € 79 million in the first three quarters of 2005 and the first three quarters of 2004, respectively. Of this amount, € 213 million and € 73 million were paid in cash and € 21 million and € 6 million were assumed debt, respectively. Purchase price considerations of € 30 million will be paid in subsequent years.

In the third quarter of 2005 and in the third quarter of 2004 € 37 million and € 18 million have been invested in acquisitons, respectively.

Acquisitions of Fresenius Medical Care in the first three quarters of 2005 in an amount of € 73 million related mainly to the purchase of dialysis clinics.

On May 3, 2005, Fresenius Medical Care entered into a definitive merger agreement for the acquisition of Renal Care Group, Inc. (RCG) for an all cash purchase price of approximately US$ 3.5 billion. At June 30, 2005, RCG provided dialysis and ancillary services to over 31,900 patients through more than 450 owned outpatient dialysis centers in 34 states within the United States, in addition to providing acute dialysis services to more than 210 hospitals. Completion of the acquisition, approved by RCG's stockholders in a vote held on August 24, 2005, is subject to governmental approvals (including termination or expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the Act)), and other third-party consents. On June 15, 2005, Fresenius Medical Care announced it had received a second request from the U.S. Federal Trade Commission (FTC) for additional information in connection with this proposed acquisition. The effect of this request, which was anticipated when the acquisition was announced, is to extend the waiting period imposed by the Act until 30 days after Fresenius Medical Care and RCG have substantially complied with the request, unless that period is voluntarily extended by the parties or is terminated by the FTC.

In connection with the proposed acquisition, Fresenius Medical Care has entered into a commitment letter pursuant to which Bank of America, N.A. (BofA) and Deutsche Bank AG (DB) have agreed, subject to certain conditions, to underwrite an aggregate US$ 5.0 billion in principal amount of term and revolving loans to be syndicated to other financial institutions. BofA and DB also must approve any material modification to the merger agreement and any waiver of any material conditions precedent under that agreement. The financing will be available to Fresenius Medical Care, among other uses, to pay the purchase price and related expenses for the proposed acquisition of RCG, to refinance outstanding indebtedness under the existing Fresenius Medical Care 2003 Senior Credit Agreement and certain indebtedness of RCG, and to utilize for general corporate purposes.

On October 25, 2004, RCG received a subpoena from the office of the United States Attorney for the Eastern District of New York. The subpoena requires the production of documents related to numerous aspects of their business and operations, including those of RenaLab, Inc., their laboratory. The subpoena includes specific requests for documents related to testing for parathyroid hormone (PTH) levels and vitamin D therapies. RCG has announced that it intends to cooperate with the government's investigation.

On August 9, 2005, RCG was served with a subpoena from the office of the United States Attorney for the Eastern District of Missouri in connection with a joint civil and criminal investigation. The subpoena requires the production of documents related to numerous aspects of RCG's business and operations from January 1, 1996. The areas covered by the subpoena include RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, RCG's relationships with physicians, medical director compensation and joint ventures with physicians. RCG has announced that it intends to cooperate with the government's investigation.

Fresenius Medical Care believes the proposed acquisition will be consummated in late 2005 or early 2006. If consummated in 2005, Fresenius Medical Care believes it will be earnings neutral to slightly accretive in 2006 and accretive from 2007 onward. If consummated in 2006 Fresenius Medical Care believes it will be earnings neutral to slightly accretive in 2006 after excluding transaction related expenses and accretive from 2007 onward.

In the first three quarters of 2005 Fresenius Kabi made acquisitions of € 189 million, referring mainly to the acquisition of the Portuguese company Labesfal – Laboratório de Especialidades Farmacêuticas Almiro S.A. (Labesfal) as well as the Czech company Infusia a.s. and the acquisition of the remaining 35 % shares of Beijing Fresenius Kabi Pharmaceutical Co., Ltd., China.

NOTES ON THE CONSOLIDATED BALANCE SHEET

4. CASH AND CASH EQUIVALENTS

At September 30, 2005 and December 31, 2004, cash and cash equivalents are as follows:

in million €	September 30, 2005	December 31, 2004
Cash	155	127
Securities (with a maturity of up to 90 days)	13	13
Cash and cash equivalents	**168**	140

5. TRADE ACCOUNTS RECEIVABLE

At September 30, 2005 and December 31, 2004, trade accounts receivable are as follows:

in million €	September 30, 2005	December 31, 2004
Trade accounts receivable	1,890	1,694
less allowance for doubtful accounts	186	166
Trade accounts receivable, net	**1,704**	1,528

6. INVENTORIES

As of September 30, 2005 and December 31, 2004, inventories are as follows:

in million €	September 30, 2005	December 31, 2004
Raw materials and purchased components	156	128
Work in process	139	92
Finished goods	424	399
Inventories, net	**719**	619

7. GOODWILL AND OTHER INTANGIBLE ASSETS

At September 30, 2005 and December 31, 2004 intangible assets, split into regularly amortizable and non-regularly amortizable intangible assets, consisted of the following:

Regularly amortizable intangible assets

	September 30, 2005			December 31, 2004		
in million €	Acquisition costs	Accumulated amortization	Carrying amount	Acquisition costs	Accumulated amortization	Carrying amount
Patient relationships	129	88	41	202	166	36
Patents	46	32	14	44	31	13
Distribution rights	19	6	13	20	7	13
Other	189	110	79	186	107	79
Total	**383**	**236**	**147**	452	311	141

Non-regularly amortizable intangible assets

in million €	Acquisition costs	Accumulated amortization	Carrying amount	Acquisition costs	Accumulated amortization	Carrying amount
	September 30, 2005			December 31, 2004		
Tradenames	**200**	**0**	**200**	179	0	179
Management contracts	**181**	**0**	**181**	160	0	160
Subtotal	**381**	**0**	**381**	339	0	339
Goodwill	**3,389**	**4**	**3,385**	2,909	4	2,905
Total	**3,770**	**4**	**3,766**	3,248	4	3,244

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

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

in million €	Q4/2005	2006	2007	2008	2009	Q1-3/2010
Estimated amortization expenses for the next five fiscal years	9	30	22	12	9	6

The carrying amount of goodwill has developed as follows:

in million €	
As of January 1, 2005	**2,905**
Additions/Disposals, net	178
Reclassification	–
Currency translation	302
As of September 30, 2005	**3,385**

8. DEBT AND CAPITAL LEASE OBLIGATIONS

Short-term borrowings

Short-term borrowings of € 267 million and € 391 million at September 30, 2005, and December 31, 2004, respectively, represent amounts borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks.

Accounts receivable facility

Under the accounts receivable facility of Fresenius Medical Care, certain receivables are sold to NMC Funding Corp., a wholly-owned subsidiary of Fresenius Medical Care. NMC Funding Corp. then assigns undivided ownership interests in the accounts receivable to certain bank investors. In 2004, Fresenius Medical Care amended the accounts receivable facility. Under the terms of the amendment, NMC Funding Corp. retains the right at any time to repurchase all transferred interests in the accounts receivable sold to the banks under the facility. So the receivables remain on the consolidated balance sheet and the proceeds from the sale of undivided interests are recorded as short-term borrowings.

At September 30, 2005 there are outstanding short-term borrowings under the facility of US$ 114 million (€ 95 million). Under the terms of the facility agreement, new interests in accounts receivable are sold, as collections reduce previously sold accounts receivable. On October 20, 2005 Fresenius Medical Care amended the accounts receivable facility to extend the maturity date to October 19, 2006.

Long-term debt and liabilities from capital lease obligations

At September 30, 2005 and December 31, 2004, long-term loans and liabilities from capital lease obligations are as follows:

in million €	**September 30, 2005**	December 31, 2004
Euro Notes	**460**	389
Fresenius Medical Care 2003 Senior Credit Agreement	**418**	356
Euro Bonds	**400**	400
Credit facility European Investment Bank	**41**	0
Capital lease obligations	**36**	41
Other	**204**	223
Subtotal	**1,559**	1,409
less current portion	**161**	190
Long-term debt and liabilities from capital lease obligations, less current portion	**1,398**	1,219

Euro Notes

Schuldscheindarlehen (Euro Notes) issued by Fresenius Finance B.V. amounting to € 260 million have residual terms to maturity of up to 4 years as of September 30, 2005. Interest rates are linked to EURIBOR. Euro Notes mostly hedged through interest swaps carried interest rates of between 3.95 % and 5.61 % in the first three quarters of 2005.

On July 27, 2005, Fresenius Medical Care issued new euro denominated notes (Euro Notes) totaling € 200 million with a € 126 million tranche at a fixed interest rate of 4.57 % and a € 74 million tranche with a floating rate at EURIBOR plus applicable margin, initially set at 4.07 %. The proceeds were used to liquidate € 129 million of Euro Notes issued in 2001 that were due in July 2005 and for working capital. The Euro Notes mature on July 27, 2009.

Fresenius Medical Care 2003 Senior Credit Agreement

At September 30, 2005, Fresenius Medical Care had approximately US$ 616 million (€ 512 million) of borrowing capacity available under the revolving portion of Fresenius Medical Care 2003 Senior Credit Agreement, thereof US$ 504 million (€ 418 million) were outstanding.

In addition to scheduled principal payments, indebtedness outstanding under the Fresenius Medical Care 2003 Senior Credit Agreement will be reduced by portions of the net cash proceeds from certain sales of assets, securitization transactions other than Fresenius Medical Care's existing accounts receivable financing facility and the issuance of subordinated debt.

The Fresenius Medical Care 2003 Senior Credit Agreement contains affirmative and negative covenants with respect to Fresenius Medical Care AG and its subsidiaries and other payment restrictions. Some of the covenants limit indebtedness of and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain ratios defined in the agreement. Additionally, the Fresenius Medical Care 2003 Senior Credit Agreement provides for a dividend restriction which is US$ 200 million for dividends paid in 2006, and increases in subsequent years. Fresenius Medical Care paid dividends of US$ 137 million (€ 109 million) in 2005. In default, the outstanding balance under the Fresenius Medical Care 2003 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. At September 30, 2005 Fresenius Medical Care is in compliance with all covenants under the Fresenius Medical Care 2003 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 in order to repay short-term bank loans. Both tranches have a maturity of six years. The first tranche of € 300 million bears interest at 7.75 % p.a. and is three years non-callable by the issuer. If the company decides to apply its right to give notice to redeem the Euro Bonds early, the redemption will be effected at different price levels which, depending on the date on which notice is given, could exceed the issue price. The redemption prices were fixed at the date of issue. The second tranche of € 100 million bears interest at 7.5 % p.a. and is not callable before maturity.

The fixed interest tranche with a nominal amount of € 400 million issued in the year 1999 was refinanced in mid-May 2004 by senior notes for a total amount of € 260 million with a maturity of two to five years. In addition short-term bank facilities and the commercial paper program were partially utilized.

The Euro Bonds of Fresenius Finance B.V., issued in April 2003, are guaranteed by Fresenius AG, Fresenius Kabi AG and Fresenius ProServe GmbH. Fresenius AG has given a number of commitments to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius AG and its subsidiaries (excluding Fresenius Medical Care AG and that company's subsidiaries). These commitments include, amongst other things, restrictions in the amount of further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets. Some of these restrictions are lifted automatically when the rating of the company reaches investment grade. In the event of non-compliance with the terms of the Euro Bonds, the bondholders (owning in aggregate more than 25 % of the outstanding Euro Bonds) are entitled to call the Euro Bonds and demand immediate repayments plus interest. As of September 30, 2005, the Fresenius Group is in compliance with all of its commitments.

Credit facility European Investment Bank

Fresenius Medical Care entered into a credit agreement with the European Investment Bank (EIB) on July 13, 2005 in the total amount of € 131million consisting of a € 90 million revolving credit line and a € 41 million term loan. The facility has an 8-year term with the revolving line terminating on July 12, 2013 and the term loan terminating on September 13, 2013. Both loans bear variable interest rates that change quarterly with Fresenius Medical Care AG having options to convert into fixed rates. The EIB is a not-for-profit long-term, lending institution of the European Union that loans funds at favorable rates for the purpose of capital investment projects, normally for up to half of the funds required for such projects. Fresenius Medical Care will use these funds to refinance certain research and development projects and investments in expansion and optimization of existing production facilities in Germany. The loans are secured by bank guarantees and have customary covenants. The term loan was drawn down on September 15, 2005 with initial interest at 3.80 % and repayment due on September 13, 2013. There have been no drawdowns on the revolving credit facility as of September 30, 2005.

9. PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit pension plans

More than half of the pension obligations totaling € 237 million relate to the “Versorgungsordnung der Fresenius-Unternehmen” established in 1988 which applies for most of the German entities of the Group. Approximately one seventh relates to the Fresenius Medical Care Retention Plan in the United States and approximately a further fifth relates to individual pension plans, mostly for non-German Group entities.

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

Fresenius Medical Care currently has two principal pension plans, one for German employees, and the other covering employees in the United States. Each year Fresenius Medical Care Holdings, Inc. (FMCH) contributes to the pension plan in the United States at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended. There is no minimum funding requirement for FMCH for the defined benefit plan in 2005. FMCH made US$ 15 million (€ 13 million) in contributions accumulated as of September 30, 2005.

Transfers to the Group's pension fund in the first three quarters of 2005 amounted to € 15 million. Expected transfers to the pension fund in the full year 2005 amount to € 20 million.

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

in million €	**Q1-3/2005**	Q1-3/2004
Components of net period benefit cost		
Service cost	**10**	9
Interest cost	**17**	17
Expected return on plan assets	**-9**	-8
Amortization of transition obligations	**–**	–
Amortization of unrealized losses, net	**4**	4
Recognized prior service cost	**–**	–
Realized gains/losses	**0**	–
Net periodic benefit cost	**22**	22
Weighted-average assumptions for net periodic benefit		
Discount rate	**5.34%**	5.67%
Expected return of plan assets	**6.18%**	6.30%
Rate of compensation increase	**3.21%**	3.67%

Pension obligations at September 30, 2005 and December 31, 2004 relate to the following geographical regions:

in million €	September 30, 2005	December 31, 2004
Germany	**156**	139
Europe (excluding Germany)	**49**	51
North America	**32**	36
Asia-Pacific	**0**	2
Latin America	**0**	-
Africa	**0**	0
Total pension obligations	**237**	228

The pension obligations relate mainly to Europe and North America, with approximately two thirds relating to Germany and approximately one third relating to the rest of Europe and North America.

10. TRUST PREFERRED SECURITIES OF FRESENIUS MEDICAL CARE CAPITAL TRUSTS

The trust preferred securities agreements contain affirmative and negative covenants with respect to Fresenius Medical Care AG and its subsidiaries and other payment restrictions. Some of the covenants limit indebtedness of and investments by Fresenius Medical Care, and require Fresenius Medical Care, to maintain certain ratios defined in the agreement. Some of these covenants are subordinated to the Fresenius Medical Care 2003 Senior Credit Agreement covenants. As of September 30, 2005, Fresenius Medical Care is in compliance with all covenants under all trust preferred securities agreements.

The trust preferred securities outstanding in the Fresenius Group as of September 30, 2005 and December 31, 2004 are as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	Sep 30, 2005	Dec 31, 2004
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7 7/8 %	Feb 1, 2008	**364 € million**	€ 324 million
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7 3/8 %	Feb 1, 2008	**154 € million**	€ 154 million
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7 7/8 %	Jun 15, 2011	**179 € million**	€ 158 million
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7 3/8 %	Jun 15, 2011	**297 € million**	€ 297 million
Trust preferred securities					**994 € million**	€ 933 million

11. MINORITY INTEREST

Minority interest in the Group has developed as follows:

in million €	**September 30, 2005**	December 31, 2004
Minority interest in Fresenius Medical Care	**2,018**	1,684
Minority interest in the business segments		
Fresenius Medical Care	**12**	13
Fresenius Kabi	**23**	27
Fresenius ProServe	**18**	19
Corporate / Other	**–**	1
Minority interest	**2,071**	1,744

The minority interest increased in the first three quarters of 2005 by € 327 million to € 2,071 million. The change resulted from the inclusion of a portion of profits of € 177 million, dividend payments of € 76 million as well as other changes of € 226 million such as first-time consolidations and positive currency effects.

12. SHAREHOLDERS' EQUITY

Subscribed capital

At September 30, 2005 the subscribed capital of Fresenius AG is divided into 20,613,438 bearer ordinary shares and 20,613,438 non-voting bearer preference shares. The shares are issued as non-par value shares and have a calculated nominal value of € 2.56. During the first three quarters of 2005 255,838 stock options were exercised.

Conditional capital

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

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

The conditional capital has developed as follows:

in €	Ordinary shares	Preference shares	Total
Conditional Capital I Fresenius AG 1998 Stock Option Plan	1,646,272.00	1,646,272.00	3,292,544.00
Conditional Capital II Fresenius AG 2003 Stock Option Plan	2,304,000.00	2,304,000.00	4,608,000.00
Conditional capital at January 1, 2005	**3,950,272.00**	**3,950,272.00**	**7,900,544.00**
Exercising of Fresenius AG 1998 Stock Option Plan	-287,605.76	-287,605.76	-575,211.52
Exercising of Fresenius AG 2003 Stock Option Plan	-39,866.88	-39,866.88	-79,733.76
Conditional capital at September 30, 2005	**3,622,799.36**	**3,622,799.36**	**7,245,598.72**

Dividends

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

A dividend of € 1.35 for each bearer ordinary share and € 1.38 for each bearer preference share, i.e. a total amount of € 55.9 million, was agreed at the Annual General Meeting on May 25, 2005.

13. EARNINGS PER SHARE

Earnings per share, taking into consideration dilution by exercisable stock options, are as follows:

in million €, except for amounts per share (€)	Q1-3/2005	Q1-3/2004
Numerators		
Net income	**161**	125
less preference on preference shares	**-**	-
Income available to all class of shares	**161**	125
Denominators (number of shares)		
Weighted average number of ordinary shares outstanding	**20,516,309**	20,484,842
Weighted average number of preference shares outstanding	**20,516,309**	20,484,842
Total weighted average number of shares outstanding of all classes	**41,032,618**	40,969,684
Potentially dilutive ordinary shares	**142,246**	50,927
Potentially dilutive preference shares	**142,246**	50,927
Total weighted average shares outstanding of all classes assuming full dilution	**41,317,110**	41,071,538
Weighted average ordinary shares assuming full dilution	**20,658,555**	20,535,769
Weighted average preference shares assuming full dilution	**20,658,555**	20,535,769
Basic earnings per ordinary share	**3.92**	3.04
Preference per preference share	**0.02**	0.02
Basic earnings per preference share	**3.94**	3.06
Fully diluted earnings per ordinary share	**3.89**	3.03
Preference per preference share	**0.02**	0.02
Fully diluted earnings per preference share	**3.91**	3.05

The owners of preference shares are entitled to an additional dividend of € 0.02 for each bearer preference share for the first three quarters.

Earnings per share amount to € 1.46 and € 1.09 for each bearer ordinary share and € 1.46 and € 1.09 for each bearer preference share for the third quarter of 2005 and the third quarter of 2004, respectively.

14. STOCK OPTIONS

Fair value of stock options

The stock option plans of the Fresenius Group are accounted for in accordance with the provisions of Opinion No. 25 of the Accounting Principles Board (APB) (Accounting for Stock Issued to Employees), and related interpretations in SFAS No. 123 (Accounting for Stock-Based Compensation) subject to complying with additional disclosure requirements of SFAS No. 123 as amended by SFAS No. 148 (Accounting for Stock-Based Compensation – Transaction and Disclosure – an Amendment of FASB Statement No. 123). As such compensation expense for options is recorded only if the current market price of the underlying shares exceeds the exercise price on the measurement date. For stock option plans which are performance based, the Fresenius Group recognizes compensation expense over the vesting periods, based on the then current market values of the underlying shares.

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

in million €, except the amounts per share (€)	**Q1-3/2005**	Q1-3/2004
Net income		
as reported	**161**	125
Net income as reported less preference on preference shares	**161**	125
plus share-based employee compensation expense according to APB No. 25	**2**	1
less share-based employee compensation expense according to SFAS No. 123	**-7**	-4
Pro-forma less preference on preference shares	**156**	122
Pro-forma	**156**	122
Basic earnings per ordinary share		
as reported	**3.92**	3.04
Pro-forma	**3.80**	2.96
Basic earnings per preference share		
as reported	**3.94**	3.06
Pro-forma	**3.82**	2.98
Fully-diluted earnings per ordinary share		
as reported	**3.89**	3.03
Pro-forma	**3.77**	2.95
Fully-diluted earnings per preference share		
as reported	**3.91**	3.05
Pro-forma	**3.79**	2.97

Fresenius AG stock option plans
At September 30, 2005, Fresenius AG has two awards outstanding under the terms of various stock-based compensation plans. During 1998, Fresenius AG adopted a stock incentive plan (Fresenius AG 1998 Stock Option Plan) for Fresenius AG's key management and executive employees. This stock incentive plan was replaced by the Fresenius AG 2003 Stock Option Plan, which is the only plan of Fresenius AG with stock option awards currently available for grant.

Under the Fresenius AG 1998 Stock Option Plan, the members of the Fresenius AG Management Board held 183,468 stock options and other employees held 666,308 stock options as of September 30, 2005.

Under the Fresenius AG 2003 Stock Option Plan the members of the Fresenius AG Management Board held 136,454 stock options and other employees held 655.326 stock options as of September 30, 2005.

Fresenius Medical Care stock option plans
At September 30, 2005, Fresenius Medical Care has awards outstanding under the terms of various stock-based compensation plans, including the Fresenius Medical Care 2001 Stock Option Plan, which is the only plan with stock option awards currently available for grant. At September 30, 2005, the members of the Management Board held 678,497 stock options and Fresenius Medical Care’s other employees held 3,600,146 stock options.

OTHER NOTES

15. LEGAL PROCEEDINGS

Commercial litigation

Fresenius Medical Care was 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 potential liabilities arising out of product-liability related litigation, pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH) and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Pre-Merger tax claims or tax claims that would arise if events were to violate the tax-free nature of the Merger, could ultimately be Fresenius Medical Care's obligation. In particular, W.R. Grace & Co. has disclosed in its filings with the Securities and Exchange Commission that: its tax returns for the 1993 to 1996 tax years are under audit by the US tax authorities Internal Revenue Service (the Service); W.R. Grace & Co. has received the Service's examination report on tax periods 1993 to 1996; that during those years W.R. Grace & Co. deducted approximately US$ 122 million in interest attributable to corporate owned life insurance (COLI) policy loans; that W.R Grace & Co. has paid US$ 21 million of tax and interest related to COLI deductions taken in tax years prior to 1993; that a U.S. District Court ruling has denied interest deductions of a taxpayer in a similar situation. In October 2004, W.R. Grace & Co. obtained bankruptcy court approval to settle its COLI claims with the Service. In January 2005, W.R. Grace & Co., FMCH and Sealed Air Corporation executed a settlement agreement with respect to the Service's COLI-related claims and other tax claims. At April 14, 2005, W.R. Grace & Co. paid the Service approximately US$ 90 million in connection with taxes owed for the tax periods 1993 to 1996 pursuant to a bankruptcy court order directing W.R. Grace & Co. to make such payment. Subject to certain representations made by W.R. Grace & Co., Fresenius Medical Care and Fresenius AG, W.R. Grace & Co. and certain of its affiliates had agreed to indemnify Fresenius Medical Care against this and other pre-Merger and Merger-related tax liabilities.

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

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$ 115 million to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court.

Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, (Fresenius USA, Inc., et al., v. Baxter International, Inc., et al.), Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe on patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern touch screens, conductivity alarms, power failure data storage, and balance chambers for hemodialysis machines. Baxter has filed counterclaims against FMCH seeking monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. Both parties have filed multiple dispositive motions, some of which have been decided by the court. Trial is currently scheduled for June 2006. FMCH believes its claims are meritorious, although the ultimate outcome of any such proceedings cannot be predicted at this time and an adverse result could have a material adverse effect on Fresenius Medical Care's business, financial condition, and results of operations.

Other litigation and potential exposures

In April 2005, FMCH received a subpoena from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. The subpoena requires production of a broad range of documents relating to the FMCH's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relations, joint ventures and anemia management programs. Fresenius Medical Care is cooperating with the government's requests for information. An adverse determination in this investigation could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

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

Fresenius Medical Care has been named in some civil actions by a small number of shareholders contesting the resolutions of the Extraordinary General Meeting (EGM). The EGM was held August 30, 2005 to transform the Fresenius Medical Care AG´s legal form into a partnership limited by shares (KGaA) and to convert the preference shares into ordinary shares to move to one share class. Fresenius Medical Care believes that these actions are without merit and it will defend vigorously the resolutions adopted by the EGM in an appropriate way.

Accrued special charge of Fresenius Medical Care AG for legal matters

At December 31, 2001, Fresenius Medical Care recorded a special charge to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. While Fresenius Medical Care believes that its remaining accruals reasonably estimate its currently anticipated costs related to the continued defense and resolution of the remaining matters, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

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

16. FINANCIAL INSTRUMENTS

General

Gains and/or losses from changes in foreign exchange rates and interest rates are shown in the consolidated statement of income under selling, general and administrative expenses, and net interest, respectively.

Market risks

The Fresenius Group is exposed to market risks from changes in interest rates and foreign exchange rates. In order to manage the risks of interest rate and currency exchange rate fluctuations, the Fresenius Group enters into various hedging transactions with highly rated financial institutions as authorized by the Management Board. Financial instruments are not used for trading purposes.

In general, the Fresenius Group conducts its financial instrument activities under the control of one central department. The Fresenius Group established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk management

The Fresenius Group uses the euro as its financial reporting currency. Therefore, mainly changes in the rate of exchange rate between the euro and US dollar, and the local currencies in which the financial statements of the foreign subsidiaries are maintained, affect its results of operations and financial position as reported in its consolidated financial statements.

The Fresenius Group employs forward contracts including options to hedge its booked as well as forecasted currency exposures that will occur with high probability. Fresenius Group's policy, which has been consistently followed, is that foreign exchange forward contracts including options be used only for the purpose of hedging foreign currency exposure.

Fresenius Group’s exposure to market risks for changes in foreign exchange rates relates to transactions such as sales and purchases, and lending and borrowings, including intercompany borrowings in foreign currency. The Fresenius Group has sales of products invoiced in euros from its European manufacturing facilities to its other worldwide operations. In general, these sales are denominated in euros. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted.

As of September 30, 2005, the notional volume of foreign currency forward contracts related to intercompany loans amounted to € 999.8 million and contracts designated to hedge risks from operating business amounted to € 497.5 million.

As of September 30, 2005, the Fresenius Group had foreign exchange forward contracts with a maximum maturity of 45 months (December 31, 2004: 24 months) to hedge its exposure to the variability in future cash flows associated with forecasted product purchases and financing transactions.

Earnings of the first three quarters of 2005 were not materially affected by hedge ineffectiveness.

The Fresenius Group also entered into foreign exchange forward contracts with a fair value of approximately € 7.1 million as of September 30, 2005 to hedge its currency exposure from intercompany loans. No hedge accounting is applied to these forward contracts. Accordingly, the foreign currency forward contracts are recognized as assets and liabilities and changes in fair values are charged to earnings.

In conjunction with financial derivatives Fresenius Group is exposed to potential losses in the event of non-performance by counterparties but does not expect any counterparties to fail to meet their obligations. The potential risk of loss with any one party resulting from this type of credit risk is monitored. The Management of the Fresenius Group anticipates, however, that all counterparties will be able to meet their obligations. The current credit exposure of the Fresenius Group from foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date.

Interest rate risk management

The Fresenius Group enters into derivatives to protect interest rate exposures arising from long-term and short-term borrowings and accounts receivable securitization programs at floating rates by effectively swapping them into fixed rates and to hedge the fair value of its fixed interest rate borrowings. Under interest rate swaps the Fresenius Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount.

In conjunction with the proposed acquisition of Renal Care Group, Inc., and the forecasted variable rate based interest payments for its financing, Fresenius Medical Care entered into forward starting US dollar interest rate hedge contracts in the notional amount of US$ 2.0 billion. Therefore, the notional volume of US dollar interest rate hedge contracts in the Fresenius Group rised up to US$ 3.25 billion (€ 2.70 billion) as of September 30, 2005 (December 31, 2004: US$ 1.25 billion; € 0.92 billion). The notional volume of Euro interest rate hedge contracts was € 0.22 billion (December 31, 2004: € 0.22 billion). The US dollar interest rate swaps, which expire at various dates between 2006 and 2012, effectively fix the company's variable interest rate exposure on the majority of the US dollar-denominated revolving loans, outstanding obligations under the accounts receivable securitization program and a senior secured credit facility that will be signed with high probability, at an average interest rate of 4.51 % (Q1-3 2004: 5.45 %) and hedge the fair value of its fixed US dollar interest rate borrowings. The Euro interest rate swaps, which expire at various dates between 2007 and 2009, effectively fix the company´s variable interest rate exposure from Euro Notes at an average interest rate of 3.17 % plus an applicable margin.

There was no material effect on earnings of the first three quarters of 2005 due to hedge ineffectiveness.

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

Deferred losses from cash flow hedges in accumulated other comprehensive income (loss) at € 18 million as of December 31, 2004 increased by € 13 million to € 31 million at September 30, 2005.

17. SEGEMENT REPORTING

Segment reporting in the Fresenius Group with the business segments Fresenius Medical Care, Fresenius Kabi and Fresenius ProServe corresponds to the internal organizational and reporting structures (Management Approach) as of September 30, 2005.

The key data which are presented in the segment reporting correspond to the key data of the internal reporting system in the Fresenius Group. Internal and external reporting and corporate accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are always transacted at prices which would be agreed with third parties. Administrative services are settled by means of service agreements.

The business segments were identified in accordance with SFAS No. 131 (Disclosures about Segments of an Enterprise and Related Information), which defines the segment reporting requirements in the annual financial statements and interim reports to the shareholders on the operating product and service businesses and regions. The split into business segments is thus as follows:

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats about 130,400 patients in its own dialysis clinics.

Fresenius Kabi is Europe's leading company in the field of infusion therapy and clinical nutrition therapy with subsidiaries and distributors worldwide. Fresenius Kabi's products are used in hospitals as well as in out-patient medical care. Within the scope of this care chain, the company offers products for fluid and blood volume replacement, intravenously administered generic drugs, parenteral and enteral nutrition products and medicaltechnical products. The company is also a leading provider of transfusion technology products in Europe.

Fresenius ProServe offers services for the international health care sector, including hospital management, the planning and construction of hospitals and health care facilities as well as pharmaceutical and medicaltechnical production plants.

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 the consolidation adjustments between the segments.

The tables of the segment reporting are on pages 16 and 17 of this Interim Report.

Notes on the business segments

Explanations regarding the notes on the business segments can be found in the consolidated financial statements in the 2004 Annual Report.

Reconcilation of the key figures with the consolidated results:

in million €	Q1-3/2005	Q1-3/2004
Total EBITDA of reporting segments	958	863
Depreciation and amortization	-234	-229
General corporate expenses Corporate/Other	-21	-6
Net interest	-146	-156
Total earnings before income taxes and minority interest	557	472
Total EBIT of reporting segments	731	642
General corporate expenses Corporate/Other	-28	-14
Net interest	-146	-156
Total earnings before income taxes and minority interest	557	472
Depreciation and amortization of reporting segments	227	221
Depreciation and amortization Corporate/Other	7	8
Total depreciation and amortization	234	229

18. ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

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

in million €	Q1-3/2005	Q1-3/2004
Interest paid	140	169
Income taxes paid	219	191

The increase in income taxes paid refers mainly to taxes in an amount of US$ 63 million (€ 50 million) paid by Fresenius Medical Care, partly compensated in the Group by taxes refunded.

in million €	Q1-3/2005	Q1-3/2004
Assets acquired	319	122
Liabilities assumed	-87	-30
Minority interest	4	0
Non-cash portions in connection with acquisitions	-21	-6
Cash paid	215	86
Cash acquired	-2	-14
Cash paid for acquisitions, net	213	72

Cash paid for net-acquisitions includes proceeds from divestitures. In the first three quarters of 2005 there were no divestitures (Q1-3 2004: € 1 million).

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

in million €	Q1-3/2005	Q1-3/2004
Operating cash flow	**592**	580
Purchase of property, plant and equipment	**-196**	-174
Proceeds from sale of property, plant and equipment	**16**	17
Free cash flow before acquisitions and dividends	**412**	423
Purchase/sale of shares in related companies and investments, net	**-213**	-72
Free cash flow before dividends	**199**	351
Dividends paid	**-132**	-119
Free cash flow after dividends	**67**	232

19. SUBSEQUENT EVENTS

Acquisition of HELIOS Kliniken GmbH

Fresenius AG has entered into an agreement to acquire HELIOS Kliniken GmbH, Fulda, Germany (HELIOS). HELIOS is recognized for having medical quality standards of the highest level in the industry. With expected sales of approx. € 1.2 billion in 2005 the company ranks among the largest and financially most successful private hospital chains in Germany. The acquisition of HELIOS will establish Fresenius ProServe as one of the leading private hospital operators in Germany and create a strong third business segment within Fresenius Group.

In 2004, HELIOS achieved revenues of € 1,161 million, operating income of € 95 million and net income of € 66 million in accordance with International Financial Reporting Standards (IFRS). The company owns 24 hospitals with a total capacity of approx. 9,300 beds. HELIOS is the only hospital chain in Germany that operates four maximum-care hospitals with more than 1,000 beds each. The company has approx. 18,000 employees and performs about 330,000 inpatient and about 700,000 outpatient treatments annually.

In the future, the hospitals of HELIOS and the Fresenius hospitals of the Wittgensteiner Group will operate under the leadership and brand of HELIOS in the business segment Fresenius ProServe. Both companies are highly complementary in terms of geographical fit and medical focus. The combined business will include 55 clinics with 2004 pro-forma revenues of approx. € 1.5 billion.

The purchase price for 100 % of the HELIOS shares is € 1.5 billion plus € 100 million for the net cash position. Fresenius AG will acquire 94 % of the HELIOS shares, 6 % will continue to be held by the HELIOS management.

The acquisition requires antitrust approval. Fresenius AG anticipates to close this transaction at the end of 2005.

Acquisition of the business of Clinico GmbH
Fresenius Kabi has entered into an agreement to acquire the business of Clinico GmbH, Bad Hersfeld, Germany (Clinico). Clinico manufactures medical devices used for the application of infusion therapies and clinical nutrition, such as sterile disposables for the application of drugs, application systems for clinical nutrition as well as catheter systems. The company has a development center and a tool-making site in Germany as well as production plants in Poland and China with state-of-the-art production technologies.

Preliminary sales for the fiscal year 2004/2005, with balance sheet date September 30, were about € 51 million, mainly achieved with industrial clients.

The acquisition requires the approval of the German antitrust authority. Fresenius AG anticipates to close this transaction within the fourth quater of 2005.

Committed financing
It is planned to finance the acquisitions through a capital increase in the amount of around € 840 million and a bond in the amount of around € 700 million.

On Oktober 25, 2005, the Management Board of Fresenius AG, with the approval of the Supervisory Board, has decided to increase the Company's subscribed share capital by 4,700,000 new ordinary shares and 4,700,000 new preference shares from approved capital with a subscription right granted to shareholders.

The new ordinary shares and preference shares will be subscribed by the members of an underwriting syndicate in line with market practice.

The Else Kröner-Fresenius-Foundation has notified that it will participate in the planned capital increase with an amount of € 100 million. In addition, the proceeds from the disposal of unused subscription rights will be fully invested. Allianz Lebensversicherungs-AG has notified that it will positively support the planned capital increase. WestLB has notified that it will fully exercise its subscription rights.

The new shares are expected to be included in the quotation of the shares of Fresenius AG at the Frankfurt, Munich and Düsseldorf stock exchanges as of December 1, 2005 and have full dividend entitlement for 2005.

Commitments for a € 700 million bridge financing have been received from two international banks, as the bond is planned to be issued in the first half of 2006.

On Oktober 14, 2005 the rating agency Standard & Poor`s confirmed that the acquisition of HELIOS will not effect the current Fresenius Group ratings. Moody's announced the same day that it places ratings of Fresenius AG or Fresenius Group under review for possible downgrade.

20. CORPORATE GOVERNANCE

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

Financial calendar 2006

Report on Fiscal Year 2005 Analysts´ Meeting , Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	February 22, 2006
Report on 1st quarter 2006 Conference call Live webcast	May 3, 2006
Annual General Meeting, Frankfurt am Main (Germany) Live webcast of the speech of the Chairman of the Management Board of Fresenius AG	May 10, 2006
Payment of dividend*	May 11, 2006
Report on the first six months 2006 Analysts' Meeting, Bad Homburg v.d.H. Live webcast	August 3, 2006
Report on 1st - 3rd quarters 2006 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	November 2, 2006

* subject to the prior approval by the AGM

This interim report contains forward-looking statements that are subject to various risks and uncertainties. Future results could differ materially from those described in these forward-looking statements due to certain factors, e.g. changes in business, economic and competitive conditions, regulatory reforms, results of clinical trials, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. Fresenius AG does not undertake any responsibility to update the forward-looking statements in this interim report.

Contact

Fresenius AG
Investor Relations
61346 Bad Homburg v.d.H.
Phone: ++49 6172 608-2485/-2486/-2487
Telefax: ++49 6172 608-2488
e-mail: ir-fre@fresenius.de
www.fresenius-ag.com