Quarterly Financial Report of Fresenius Group

applying United States Generally Accepted Accounting Principles

(US GAAP)

1st Nine Months and 3rd Quarter 2007

FRESENIUS

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FRESENIUS GROUP FIGURES AT A GLANCE

in million €	**Q3/2007**	Q3/2006	Change in %	**Q1–3/2007**	Q1–3/2006	Change in %
Sales	**2,798**	2,765	1	**8,390**	7,843	7
EBIT	**404**	379	7	**1,184**	1,060	12
EBIT margin	**14.4 %**	13.7 %		**14.1 %**	13.5 %	
Net income	**103**	93	11	**298**	233	28
Earnings per ordinary share in € [1]	**0.66**	0.61	8	**1.92**	1.52	26
Earnings per preference share in € [1]	**0.66**	0.61	8	**1.93**	1.53	26
Operating cash flow	**359**	215	67	**912**	588	55
Operating cash flow in % of sales	**12.8**	7.8		**10.9**	7.5	
Investments [2]	**202**	273	-26	**727**	3.911	-81

in million €	**September 30, 2007**	December 31, 2006	Change in %
Total assets	**15,054**	15,024	0
Non-current assets	**10,788**	10,918	-1
Net debt	**5,277**	5,611	-6
Equity [3]	**5,946**	5,728	4
Equity ratio	**39.5 %**	38.1 %	
Employees	**110,379**	104,872	5

Fresenius shares [1]	**Q1–3/2007**	2006	Change in %
Number of ordinary shares (September 30/December 31)	**77,521,110**	77,176,938	–
Quarter-end quotation in €	**52.92**	50.57	5
High in €	**63.35**	51.32	23
Low in €	**50.17**	35.47	41
∅ Trading volume (number of shares per trading day)	**73,116**	61,023	20
Number of preference shares (September 30/December 31)	**77,521,110**	77,176,938	–
Quarter-end quotation in €	**54.57**	54.27	1
High in €	**63.12**	55.32	14
Low in €	**52.00**	37.41	39
∅ Trading volume (number of shares per trading day)	**532,167**	362,595	47
Market capitalization (in million €, September 30/December 31)	**8,333**	8,091	3

[1] Prior-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 interest

MANAGEMENT DISCUSSION AND ANALYSIS

- **Sales: € 8.4 billion, + 7 % at actual rates, +11 % in constant currency**
- **EBIT: € 1.2 billion, +12 % at actual rates, +17 % in constant currency**
- **Net income: € 298 million, +28 % at actual rates, +32 % in constant currency**

1st to 3rd quarters 2007

- Excellent sales and earnings growth in all business segments
- Strong third quarter
- Outlook raised

Substantial growth: Group sales up 11 % in constant currency

In the first three quarters Group sales increased by 11 % in constant currency and by 7 % at actual rates to € 8,390 million (Q1–3 2006: € 7,843 million). Organic sales growth was 6 %. Acquisitions contributed a further 6 %. Divestitures reduced sales growth by 1 %. Currency translation had a negative impact of 4 %.

In North America sales grew by 14 % in constant currency due to the Renal Care Group consolidation and an organic growth rate of 6 %. In Europe sales grew by 7 % in constant currency with organic sales growth contributing 4 %. Strong growth rates were achieved in the emerging markets with organic growth of 9 % in Asia-Pacific, 11 % in Latin America and 18 % in Africa.

Excellent earnings growth: net income up 32 % in constant currency

Group EBITDA increased by 15 % in constant currency and by 10 % at actual rates to € 1,485 million (Q1–3 2006: € 1,350 million). Group operating income (EBIT) grew by 17 % in constant currency and by 12 % at actual rates to € 1,184 million (Q1–3 2006: € 1,060 million; adjusted for the gain from the divestiture of US dialysis clinics and one-time expenses related to the Renal Care Group acquisition: € 1,036 million). The Group's EBIT margin improved to 14.1 % (Q1–3 2006: 13.5 %).

Group net interest was € -279 million (Q1–3 2006: € -295 million, including one-time expenses of € 30 million for the early refinancing of Group debt).

The tax rate was 36.0 % (Q1–3 2006: 40.9 %; adjusted for the tax expense related to the divestiture of US dialysis clinics: 37.8 %).

Minority interest increased to € 281 million (Q1–3 2006: € 219 million), of which 93 % was attributable to the minority interest in Fresenius Medical Care.

Group net income grew strongly by 32 % in constant currency and by 28 % at actual rates to € 298 million (Q1–3 2006: € 233 million, including one-time expenses of € 16 million).

Earnings per ordinary share were € 1.92 and earnings per preference share were € 1.93 (Q1–3 2006 adjusted for the February 2007 share split: ordinary share € 1.52, preference share € 1.53). This represents an increase of 26 % for both share classes.

Sales in million €	Q1–3/2007	Q1–3/2006	Change at actual rates	Currency translation effects	Change at constant rates	Organic growth	Acquisitions/ Divestitures	% of total sales
Europe	**3,528**	3,297	7 %	0 %	7 %	4 %	3 %	42 %
North America	**3,741**	3,556	5 %	-9 %	14 %	6 %	8 %	45 %
Asia-Pacific	**585**	506	16 %	-4 %	20 %	9 %	11 %	7 %
Latin America	**358**	327	9 %	-3 %	12 %	11 %	1 %	4 %
Africa	**178**	157	13 %	-6 %	19 %	18 %	1 %	2 %
Total	**8,390**	7,843	7 %	-4 %	11 %	6 %	5 %	100 %

Investments at a high level of € 727 million

Fresenius Group spent € 485 million for property, plant and equipment and intangible assets (Q1–3 2006: € 374 million). Acquisitions were € 242 million (Q1–3 2006: € 3,537 million).

Strong cash flow

Operating cash flow increased by 55 % to € 912 million (Q1–3 2006: € 588 million), driven by the strong earnings increase. In 2006, tax payments associated with the divestiture of US dialysis clinics had a negative effect. The cash flow margin was 10.9 % (Q1–3 2006: 7.5 %). Cash flow before acquisitions and dividends nearly doubled to € 447 million (Q1–3 2006: € 228 million). Free cash flow after acquisitions (€ 182 million) and dividends (€ 191 million) was € 74 million (Q1–3 2006: € -2,986 million).

Balance sheet structure: Net debt/EBITDA ratio improved

Fresenius Group's total assets increased by 4 % in constant currency and just slightly at actual rates to € 15,054 million (December 31, 2006: € 15,024 million). Current assets increased by 4 % to € 4,266 million (December 31, 2006: € 4,106 million). Non-current assets were € 10,788 million (December 31, 2006: € 10,918 million).

Shareholders' equity including minority interest grew by 4 % to € 5,946 million (December 31, 2006: € 5,728 million). The equity ratio (including minority interest) was 39.5 % (December 31, 2006: 38.1 %).

Group debt decreased by 5 % at actual rates and 1 % in constant currency to € 5,596 million (December 31, 2006: € 5,872 million). The net debt/EBITDA ratio improved to 2.7 as of September 30, 2007, well below the level of 3.0 as of December 31, 2006.

Number of employees increased

As of September 30, 2007, Fresenius increased the number of its employees by 5 % to 110,379 (December 31, 2006: 104,872).

Cash flow statement (Summary)

in million €	**Q1–3/2007**	Q1–3/2006	Change in %
Net income before minority interest	579	452	28
Depreciation and amortization	301	290	4
Change in accruals for pensions	12	8	50
Cash flow	**892**	**750**	**19**
Change in working capital	20	-162	112
Operating cash flow	**912**	**588**	**55**
Capital expenditure, net	-465	-360	-29
Cash flow before acquisitions and dividends	**447**	**228**	**96**
Cash used for acquisitions, net	-182	-3,055	94
Dividends paid	-191	-159	-20
Free cash flow after acquisitions and dividends	**74**	**-2,986**	**102**
Cash provided by/used for financing activities	-5	2,998	-100
Effect of exchange rates on change in cash and cash equivalents	-11	-9	-22
Net increase in cash and cash equivalents	**58**	**3**	**--**

Third quarter 2007

In the third quarter of 2007, Group sales increased by 1 % at actual rates to € 2,798 million (Q3 2006: € 2,765 million). In constant currency, sales increased by 5 %. Organic sales growth was 5 %. Acquisitions contributed 1 %. Currency translation effects had a negative impact of 4 % to overall sales growth.

EBIT increased by 7 % at actual rates to € 404 million (Q3 2006: € 379 million; adjusted for one-time expenses related to the Renal Care Group acquisition and a gain from the divestiture of US dialysis clinics: € 384 million). In constant currency, EBIT grew by 12 %. EBIT margin improved by 70 basis points to 14.4 % (Q3 2006: 13.7 %).

Group net income increased by 11 % to € 103 million (Q3 2006: € 93 million). In constant currency, net income grew by 14 %.

Earnings per ordinary share were € 0.66 (Q3 2006*: € 0.61) and earnings per preference share were € 0.66 (Q3 2006*: € 0.61). This represents an increase of 8 % at actual rates for both share classes. In constant currency, the increase was 11 %.

Investments in property, plant and equipment and intangible assets grew by 21 % to € 181 million (Q3 2006: € 149 million). Acquisitions were € 21 million compared to € 124 million in the third quarter of 2006.

* adjusted for share split in February 2007

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.

After successful completion of the phase II/III study with removab® in patients with malignant ascites, submission for marketing authorization with the European Medicines Agency (EMEA) is expected for late 2007.

For the future marketing of removab in the USA and Japan, Fresenius Biotech is in discussions with potential partners.

Fresenius Biotech and Nabi Biopharmaceuticals agreed to terminate the agreement for the clinical development and marketing of ATG-Fresenius S in North America. Fresenius Biotech will assume responsibility for the clinical development and registration of ATG-Fresenius S in the US and continue with the ongoing phase III study.

In the first three quarters of 2007, Fresenius Biotech's operating income (EBIT) was € -33 million. For the full year 2007, Fresenius Biotech continues to expect 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 in pages 34 to 41 in the Notes of this report.

GROUP OUTLOOK 2007

Outlook raised

Based on the Group's excellent financial results in the third quarter, Fresenius now expects Group net income to increase by more than 25 % in constant currency. Group sales are expected to grow by 9 to 10 % in constant currency. Previously, the Company expected Group net income to increase by ~25 % in constant currency and Group sales to grow by 8 to 10 % in constant currency.

For the outlook of the business segments please see pages 8 to 11 of this report.

BUSINESS SEGMENT FRESENIUS MEDICAL CARE

Fresenius Medical Care is the world's leading provider of services and products for patients with chronic kidney failure. As of September 30, 2007, Fresenius Medical Care was serving 172,227 patients in 2,221 dialysis clinics.

in million US$	Q3/2007	Q3/2006	Change in %	Q1–3/2007	Q1–3/2006	Change in %
Sales	**2,426**	2,234	9	**7,151**	6,147	16
EBITDA	**486**	428	14	**1,412**	1,186	19
EBIT	**397**	349	14	**1,152**	964	19
Net income	**181**	139	30	**520**	385	35
Employees				**63,902 (Sep 30, 2007)**	59,996 (Dec 31, 2006)	7

1st to 3rd quarters 2007

- Strong organic sales growth of 7 %
- EBIT margin improved
- Earnings outlook now confirmed at upper end

Fresenius Medical Care achieved strong sales growth of 16 % to US$ 7,151 million (Q1–3 2006: US$ 6,147 million). This was mainly driven by the strong organic growth of 7 % and by the consolidation of Renal Care Group (RCG). Sales in dialysis care increased by 16 % to US$ 5,357 million (Q1–3 2006: US$ 4,628 million). In dialysis products, sales grew by 18 % to US$ 1,794 million (Q1–3 2006: US$ 1,519 million).

In North America, sales growth was 14 % to US$ 4,957 million (Q1–3 2006: US$ 4,367 million). Sales outside North America ("International" segment) grew by 23 % (in constant currency: 15 %) to US$ 2,194 million (Q1–3 2006: US$ 1,780 million). This was driven by positive operating performance in Europe, the Asia-Pacific region and in Latin America.

EBIT rose by 19 % to US$ 1,152 million (Q1–3 2006: US$ 964 million; adjusted for the gain from the divestiture of US dialysis clinics and one-time expenses related to the RCG acquisition: US$ 936 million). The EBIT margin was 16.1 % (Q1–3 2006: 15.7 %; adjusted 15.2 %). Net income increased by 35 % to US$ 520 million (Q1–3 2006: US$ 385 million, including one-time expenses of US$ 20 million).

Third quarter 2007

Fresenius Medical Care increased sales by 9 % to US$ 2,426 million in the third quarter of 2007 (Q3 2006: US$ 2,234 million). Sales growth was 6 % in constant currency. Organic sales growth was 6 %. EBIT increased by 14 % to US$ 397 million (Q3 2006: US$ 349 million; adjusted for one-time expenses related to the RCG acquisition and a gain from the divestiture of US dialysis clinics: US$ 355 million). The EBIT margin improved by 80 basis points to 16.4 % (Q3 2006: 15.6 %). Net income grew by 30 % to US$ 181 million (Q3 2006: US$ 139 million, including one-time expenses of US$ 4 million).

Full-year 2007 outlook

Fresenius Medical Care confirms its outlook for the full year 2007 and expects to achieve revenue of more than US$ 9.5 billion. This represents an increase of at least 12 %. Net income was projected to be in the range of US$ 685 million to US$ 705 million in 2007. Based on the strong performance in the third quarter, Fresenius Medical Care now expects the net income to be at the upper end of this guidance.

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 €	Q3/2007	Q3/2006	Change in %	Q1–3/2007	Q1–3/2006	Change in %
Sales	**508**	467	9	**1,494**	1,404	6
EBITDA	**102**	93	10	**299**	270	11
EBIT	**83**	74	12	**242**	213	14
Net income	**45**	41	10	**132**	101	31
Employees				**16,852 (Sep 30, 2007)**	15,591 (Dec 31, 2006)	8

1st to 3rd quarters 2007

- Strong organic sales growth of 7 %
- EBIT margin improves by 100 basis points to 16.2 %
- 2007 outlook fully confirmed

Fresenius Kabi increased sales by 6 % to € 1,494 million (Q1–3 2006: € 1,404 million). Currency translation effects had a negative impact of 2 %. This was mainly due to the depreciation of currencies in South Africa, China and Canada. Organic growth was 7 %.

In Europe (excluding Germany) organic sales growth was 5 %. In Germany organic sales growth was 1 %. In the Asia-Pacific region Fresenius Kabi achieved significant organic sales growth of 22%. Organic sales growth in Latin America was 10% and in other regions 10 %.

Fresenius Kabi continued its excellent earnings growth. EBIT grew by 14 % to € 242 million (Q1–3 2006: € 213 million). The EBIT margin improved to 16.2 % (Q1–3 2006: 15.2 %). Fresenius Kabi reported strong growth in net income of 31 % to € 132 million (Q1–3 2006: € 101 million, including one-time expenses for early debt refinancing of € 11 million).

Third quarter 2007

Fresenius Kabi's sales grew by 9 % to € 508 million in the third quarter of 2007 (Q3 2006: € 467 million). Organic sales growth was an excellent 8 %. EBIT increased by 12 % to € 83 million (Q3 2006: € 74 million). The EBIT margin was 16.3 % (Q3 2006: 15.8 %). Net income increased by 10 % to € 45 million (Q3 2006: € 41 million).

Full-year 2007 outlook

Fresenius Kabi fully confirms its outlook for the full year 2007. Organic sales growth is projected to be well into the 6 to 8 % range. Continued very strong sales growth is anticipated in particular 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 hospital operator with 58 facilities. Moreover, the company offers engineering and services for hospitals and other health care facilities.

in million €	Q3/2007	Q3/2006	Change in %	Q1–3/2007	Q1–3/2006	Change in %
Sales	**532**	552	-4	**1,601**	1,526	5
EBITDA	**64**	63	2	**165**	153	8
EBIT	**47**	43	9	**122**	105	16
Net income	**22**	21	5	**53**	44	20
Employees				**28,889 (Sep 30, 2007)**	28,615 (Dec 31, 2006)	1

1st to 3rd quarters 2007

- HELIOS achieves further operating margin improvement
- VAMED wins contract worth more than € 100 million
- Sales guidance for 2007 fully confirmed, EBIT guidance increased

Fresenius ProServe achieved sales growth of 5 % to € 1,601 million (Q1–3 2006: € 1,526 million). Organic growth was 1 %, held back by delayed project revenues at VAMED. Acquisitions contributed 9 % whereas divestitures, primarily Pharmaplan and Pharmatec, had a negative impact of 5 %. EBIT increased by 16 % to € 122 million (Q1–3 2006: € 105 million).

Sales in hospital operations (HELIOS Kliniken Group) increased by 12 % to € 1,348 million (Q1–3 2006: € 1,204 million). HELIOS achieved strong organic growth of 3 %. EBIT increased by 18 % to € 111 million (Q1–3 2006: € 94 million). The EBIT margin improved by 40 basis points to 8.2 %.

In July 2007, HELIOS agreed to acquire the Mariahilf hospital in Hamburg. The completion of the transaction is currently delayed by a legal proceeding against the seller of the hospital.

Sales in the engineering and services business were € 253 million (Q1–3 2006: € 322 million). The decrease is mainly due to the divestitures of Pharmaplan and Pharmatec, which were deconsolidated as of January 1, 2007, and June 30, 2007, respectively. Organic growth in the first three quarters was -7 % due to project delays at VAMED. EBIT was € 13 million (Q1–3 2006: € 14 million).

Order intake in the engineering business was € 245 million (Q1–3 2006: € 291 million). The decrease was due to the deconsolidation of the above-mentioned companies and the postponement of orders. VAMED continues to expect an increase in its order intake in 2007 over 2006.

Due to its substantial order backlog of € 476 million (December 31, 2006: € 428 million) and its current view on the fourth quarter, VAMED remains confident to increase its sales in 2007 over 2006.

Third quarter 2007

In the third quarter of 2007, sales at Fresenius ProServe were € 532 million (Q3 2006: € 552 million), a decrease of 4 % compared to the prior-year's figure. EBIT increased by 9 % to € 47 million (Q3 2006: € 43 million). Net income improved by 5 % to € 22 million (Q3 2006: € 21 million).

Sales in the HELIOS Kliniken Group grew by 5 % to € 458 million (Q3 2006: € 437 million). EBIT was € 43 million (Q3 2006: € 38 million). HELIOS achieved an excellent EBIT margin of 9.4 % (Q3 2006: 8.7 %).

Sales in the engineering and services business were € 74 million (Q3 2006: € 115 million). The decrease was mainly due to the divestitures of Pharmaplan and Pharmatec which were consolidated in the third quarter of 2006.

EBIT was € 4 million (Q3 2006: € 5 million). EBIT margin improved to 5.4 % (Q3 2006: 4.4 %).

In the third quarter of 2007, order intake in the engineering business increased by 31 % compared to the prior-year's figure. This is mainly attributable to a contract won by VAMED worth more than € 100 million. The project includes the construction of a health and spa resort in Vienna/Austria.

Full-year 2007 outlook
Based on the excellent financial results in 2007 to date, Fresenius ProServe raises its 2007 EBIT outlook from previously € ~170 million to more than € 170 million. The outlook for organic sales growth is confirmed at 2 to 3 %.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	Q3/2007	Q3/2006	Q1–3/2007	Q1–3/2006
Sales	2,798	2,765	8,390	7,843
Cost of sales	-1,874	-1,890	-5,642	-5,386
Gross profit	924	875	2,748	2,457
Selling, general and administrative expenses	-474	-456	-1,434	-1,283
Research and development expenses	-46	-40	-130	-114
Operating income (EBIT)	404	379	1,184	1,060
Net interest	-94	-101	-279	-295
Earnings before income taxes and minority interest	310	278	905	765
Income taxes	-112	-107	-326	-313
Minority interest	-95	-78	-281	-219
Net income	103	93	298	233

Basic earnings per ordinary share in €	0.66	0.61	1.92	1.52
Fully diluted earnings per ordinary share in €	0.66	0.60	1.90	1.50
Basic earnings per preference share in €	0.66	0.61	1.93	1.53
Fully diluted earnings per preference share in €	0.66	0.60	1.91	1.51

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

in million €	Sep 30, 2007	Dec 31, 2006
Cash and cash equivalents	319	261
Trade accounts receivable, less allowance for doubtful accounts	2,110	2,088
Accounts receivable from and loans to related parties	9	8
Inventories	887	761
Prepaid expenses and other current assets	699	730
Deferred taxes	242	258
I. Total current assets	4,266	4,106
Property, plant and equipment	2,854	2,712
Goodwill	6,943	7,107
Other intangible assets	520	548
Other non-current assets	322	378
Deferred taxes	149	173
II. Total non-current assets	10,788	10,918
Total assets	15,054	15,024
Trade accounts payable	432	464
Short-term accounts payable to related parties	3	2
Short-term accrued expenses and other short-term liabilities	1,932	1,808
Short-term borrowings	167	330
Short-term loans from related parties	2	1
Current portion of long-term debt and liabilities from capital lease obligations	89	265
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	469	0
Short-term accruals for income taxes	134	159
Deferred taxes	28	29
A. Total short-term liabilities	3,256	3,058
Long-term debt and liabilities from capital lease obligations, less current portion	4,418	4,330
Long-term liabilities and loans from related parties	–	–
Long-term accrued expenses and other long-term liabilities	288	300
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	451	946
Pension liabilities	317	310
Long-term accruals for income taxes	83	0
Deferred taxes	295	352
B. Total long-term liabilities	5,852	6,238
I. Total liabilities	9,108	9,296
II. Minority interest	2,631	2,560
Subscribed capital	155	154
Capital reserve	1,730	1,702
Other reserves	1,524	1,315
Accumulated other comprehensive loss	-94	-3
III. Total shareholders' equity	3,315	3,168
Total liabilities and shareholders' equity	15,054	15,024

See accompanying Notes to the unaudited consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

in million €	**Q1–3/2007**	Q1–3/2006
Cash provided by/used for operating activities		
Net income	**298**	233
Minority interest	**281**	219
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation and amortization	**301**	290
Loss on sale of investments	**0**	4
Change in deferred taxes	**25**	-2
Gain on sale of fixed assets	**0**	-1
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	**-62**	-30
Change in inventories	**-140**	-83
Change in prepaid expenses and other current and non-current assets	**7**	-156
Change in accounts receivable from/payable to related parties	**-1**	4
Change in trade accounts payable, accruals and other short-term and long-term liabilities	**160**	180
Change in accruals for income taxes	**43**	-9
Tax payments related to divestitures and acquisitions	**0**	-61
Cash provided by operating activities	**912**	588
Cash provided by/used for investing activities		
Purchase of property, plant and equipment	**-496**	-374
Proceeds from the sale of property, plant and equipment	**31**	14
Acquisitions and investments, net of cash acquired	**-231**	-3,481
Proceeds from divestitures	**49**	426
Cash used for investing activities	**-647**	-3,415
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	**67**	29
Repayments of short-term borrowings	**-40**	-77
Proceeds from borrowings from related parties	**–**	5
Proceeds from long-term debt and liabilities from capital lease obligations	**580**	4,262
Repayments of long-term debt and liabilities from capital lease obligations	**-470**	-1,689
Changes of accounts receivable facility	**-198**	155
Proceeds from the exercise of stock options	**42**	64
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares	**0**	258
Dividends paid	**-191**	-159
Change in minority interest	**0**	-9
Exchange rate effect due to corporate financing	**14**	–
Cash provided by/used for financing activities	**-196**	2,839
Effect of exchange rate changes on cash and cash equivalents	**-11**	-9
Net increase in cash and cash equivalents	**58**	3
Cash and cash equivalents at the beginning of the reporting period	**261**	252
Cash and cash equivalents at the end of the reporting period	**319**	255

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	**76,083**	**76,083**	**76,083**	**76,083**	**152,166**	**152**
Proceeds from the conversion of Fresenius Medical Care's preference shares into ordinary shares						
Proceeds from the exercise of stock options	453	453	453	453	906	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						
Adjustments relating to pension obligations						
Comprehensive income (loss)						
As of September 30, 2006	**76,536**	**76,536**	**76,536**	**76,536**	**153,072**	**153**
As of December 31, 2006	**77,177**	**77,177**	**77,177**	**77,177**	**154,354**	**154**
Proceeds from the exercise of stock options	344	344	344	344	688	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						
Adjustments relating to pension obligations						
Comprehensive income (loss)						
As of September 30, 2007	**77,521**	**77,521**	**77,521**	**77,521**	**155,042**	**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 shareholders' equitiy (million €)
As of December 31, 2005	**1,524**	**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	25					26
Compensation expense related to stock options	8					8
Dividends paid		-76				-76
Comprehensive income (loss)						
Net income		233				233
Other comprehensive income (loss) related to						
Cash flow hedges				15		15
Foreign currency translation			-87			-87
Adjustments relating to pension obligations					3	3
Comprehensive income (loss)		233	-87	15	3	164
As of September 30, 2006	**1,651**	**1,218**	**74**	**29**	**-68**	**3,057**
As of December 31, 2006	**1,702**	**1,315**	**34**	**30**	**-67***	**3,168**
Proceeds from the exercise of stock options	16					17
Compensation expense related to stock options	12					12
Dividends paid		-89				-89
Comprehensive income (loss)						
Net income		298				298
Other comprehensive income (loss) related to						
Cash flow hedges				-17		-17
Foreign currency translation			-79			-79
Adjustments relating to pension obligations					5	5
Comprehensive income (loss)		298	-79	-17	5	207
As of September 30, 2007	**1,730**	**1,524**	**-45**	**13**	**-62**	**3,315**

* 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 THREE QUARTERS

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
by business segments, in million €	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change
Sales	**5,320**	4,939	8 %	**1,494**	1,404	6 %	**1,601**	1,526	5 %	**-25**	-26	4 %	**8,390**	7,843	7 %
thereof contribution to consolidated sales	**5,318**	4,935	8 %	**1,461**	1,376	6 %	**1,597**	1,521	5 %	**14**	11	27 %	**8,390**	7,843	7 %
thereof intercompany sales	**2**	4	-50 %	**33**	28	18 %	**4**	5	-20 %	**-39**	-37	-5 %	**0**	0	
contribution to consolidated sales	**63 %**	63 %		**18 %**	18 %		**19 %**	19 %		**0 %**	0 %		**100 %**	100 %	
EBITDA	**1,051**	953	10 %	**299**	270	11 %	**165**	153	8 %	**-30**	-26	-15 %	**1,485**	1,350	10 %
Depreciation and amortization	**194**	178	9 %	**57**	57	0 %	**43**	48	-10 %	**7**	7	0 %	**301**	290	4 %
EBIT	**857**	775	11 %	**242**	213	14 %	**122**	105	16 %	**-37**	-33	-12 %	**1,184**	1,060	12 %
Net interest	**-209**	-205	-2 %	**-37**	-55	33 %	**-33**	-31	-6 %	**0**	-4	100 %	**-279**	-295	5 %
Net income	**387**	309	25 %	**132**	101	31 %	**53**	44	20 %	**-274**	-221	-24 %	**298**	233	28 %
Operating cash flow	**662**	374	77 %	**119**	156	-24 %	**177**	115	54 %	**-46**	-57	19 %	**912**	588	55 %
Cash flow before acquisitions and dividends	**391**	155	152 %	**33**	91	-64 %	**74**	46	61 %	**-51**	-64	20 %	**447**	228	96%
Debt[1]	**3,888**	4,236	-8 %	**968**	880	10 %	**951**	932	2 %	**-211**	-176	-20 %	**5,596**	5,872	-5 %
Total assets[1]	**9,706**	9,905	-2 %	**2,136**	1,965	9 %	**3,098**	3,108	0 %	**114**	46	148 %	**15,054**	15,024	0 %
Capital expenditure	**287**	232	24 %	**76**	66	15 %	**116**	69	68 %	**6**	7	-14 %	**485**	374	30 %
Acquisitions	**110**	3,410	-97 %	**41**	8	--	**84**	119	-29 %	**7**	0	0 %	**242**	3,537	-93 %
Research and development expenses	**32**	30	7 %	**61**	51	20 %	**1**	–	--	**36**	33	9 %	**130**	114	14 %
Employees (per capita on balance sheet date)[1]	**63,902**	59,996	7 %	**16,852**	15,591	8 %	**28,889**	28,615	1 %	**736**	670	10 %	**110,379**	104,872	5 %
Key figures															
EBITDA margin	**19.7 %**	19.3 %		**20.0 %**	19.2 %		**10.3 %**	10.0 %					**17.7 %**	17.2 %	
EBIT margin	**16.1 %**	15.7 %		**16.2 %**	15.2 %		**7.6 %**	6.9 %					**14.1 %**	13.5 %	
ROOA[1]	**12.3 %**	11.3 %[2]		**17.8 %**	17.3 %		**6.1 %**	6.9 %					**11.3 %**	10.4 %[2]	
Depreciation and amortization in % of sales	**3.6 %**	3.6 %		**3.8 %**	4.1 %		**2.7 %**	3.1 %					**3.6 %**	3.7 %	
Operating cash flow in % of sales	**12.4 %**	7.6 %		**8.0 %**	11.1 %		**11.1 %**	7.5 %					**10.9 %**	7.5 %	

[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.

SEGMENT REPORTING THIRD QUARTER

	Fresenius Medical Care			Fresenius Kabi			Fresenius ProServe			Corporate/Other			Fresenius Group		
by business segments, in million €	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change	**2007**	2006	Change
Sales	**1,766**	1,757	1 %	**508**	467	9 %	**532**	552	-4 %	**-8**	-11	27 %	**2,798**	2,765	1 %
thereof contribution to consolidated sales	**1,765**	1,755	1 %	**497**	457	9 %	**531**	550	-3 %	**5**	3	67 %	**2,798**	2,765	1 %
thereof intercompany sales	**1**	2	-50 %	**11**	10	10 %	**1**	2	-50 %	**-13**	-14	7 %	**0**	0	
contribution to consolidated sales	**63 %**	63 %		**18 %**	17 %		**19 %**	20 %		**0 %**	0 %		**100 %**	100 %	
EBITDA	**354**	337	5 %	**102**	93	10 %	**64**	63	2 %	**-12**	-10	-20 %	**508**	483	5 %
Depreciation and amortization	**65**	63	3 %	**19**	19	0 %	**17**	20	-15 %	**3**	2	50 %	**104**	104	0 %
EBIT	**289**	274	5 %	**83**	74	12 %	**47**	43	9 %	**-15**	-12	-25 %	**404**	379	7 %
Net interest	**-69**	-78	12 %	**-13**	-12	-8 %	**-12**	-10	-20 %	**–**	-1	100 %	**-94**	-101	7 %
Net income	**132**	109	21 %	**45**	41	10 %	**22**	21	5 %	**-96**	-78	-23 %	**103**	93	11 %
Operating cash flow	**280**	120	133 %	**57**	76	-25 %	**45**	47	-4 %	**-23**	-28	18 %	**359**	215	67 %
Cash flow before acquisitions and dividends	**189**	31	--	**25**	47	-47 %	**3**	19	-84 %	**-26**	-29	10 %	**191**	68	--
Capital expenditure	**98**	91	8 %	**32**	29	10 %	**46**	28	64 %	**5**	1	--	**181**	149	21 %
Acquisitions	**20**	5	--	**3**	0	--	**0**	119	-100 %	**-2**	0	--	**21**	124	-83 %
Research and development expenses	**11**	9	22 %	**21**	19	11 %	**–**	–	--	**14**	12	17 %	**46**	40	15 %
Key figures															
EBITDA margin	**20.0 %**	19.2 %		**20.1 %**	19.9 %		**12.0 %**	11.4 %					**18.2 %**	17.5 %	
EBIT margin	**16.4 %**	15.6 %		**16.3 %**	15.8 %		**8.8 %**	7.8 %					**14.4 %**	13.7 %	
Depreciation and amortization in % of sales	**3.7 %**	3.6 %		**3.7 %**	4.1 %		**3.2 %**	3.6 %					**3.7 %**	3.8 %	
Operating cash flow in % of sales	**15.9 %**	6.8 %		**11.2 %**	16.3 %		**8.5 %**	8.5 %					**12.8 %**	7.8 %	

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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 Fresenius SE, the operating activities are split into the following legally independent business segments (subgroups) as of September 30, 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 became effective on July 13, 2007 upon the registration in the commercial register after the successful completion of the procedure for the involvement of the employees. Fresenius AG's name after the conversion is Fresenius SE. The conversion of Fresenius AG into a SE neither lead to a liquidation of the Company nor to the formation of a new legal entity. The Company's corporate structure and management organization as well as the interests of the shareholders in the Company continue to exist unchanged because of the identity of the legal entity. In the statutes of Fresenius SE, the existing two-tier system consisting of Management Board and Supervisory Board will remain unchanged. The Supervisory Board of Fresenius SE continues to have twelve members.

Furthermore, Fresenius AG's shareholders approved at the Extraordinary General Meeting to conduct a new division of the subscribed capital of Fresenius AG (share split) in connection with a capital increase from the company's funds without the issuance of new shares. As a result, the number of ordinary shares and preference shares issued tripled. The share split in connection with an increase of the subscribed capital became effective upon the registration in the commercial register on January 24, 2007. Before the registration in the commercial register, the subscribed capital of Fresenius AG amounted to € 131,715,307.52 and was divided between 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 between 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 SE 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 three quarters and the third quarter ended September 30, 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 three quarters and the third quarter ended September 30, 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 three quarters of 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. Due to the share split of Fresenius AG recorded in the commercial register on January 24, 2007, the calculation of earnings per share (see Note 4, Earnings per share) has been adjusted 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 18, 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 € 242 million and € 3,537 million in the first three quarters of 2007 and the first three quarters of 2006, respectively. Of this amount, € 231 million were paid in cash and € 11 million were assumed obligations in the first three quarters of 2007.

The acquisitions in the first three quarters of 2006 related mainly to the aquisition of Renal Care Group, Inc. (RCG), United States, with a purchase price 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 results of the first three quarters of 2007 are not comparable with the results of the first three quarters of 2006.

In the first three quarters of 2007, acquisitions of Fresenius Medical Care in an amount of € 110 million related mainly to the purchase of dialysis clinics.

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

In the first three quarters of 2007, Fresenius Kabi spent € 41 million on acquisitions mainly related to the acquisition of the artificial colloid product business of Kyorin Pharmaceuticals Co. Ltd., Japan, the purchase of the remaining shares in Pharmatel Fresenius Kabi Pty Ltd., Australia, as well as the acquisition of all shares of Laboratorios Filaxis S.A., Argentina.

Fresenius ProServe spent € 84 million on acquisitions mainly related to the acquisition of the remaining 40 % of the shares of HUMAINE Kliniken GmbH (HUMAINE), Germany, in the first three quarters of 2007.

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

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 €	Q1–3/2007	Q1–3/2006
Sales of services	5,485	5,059
Sales of products and related goods	2,765	2,565
Sales from long-term production contracts	140	219
Other sales	0	–
Sales	**8,390**	7,843

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 first three quarters ending September 30.

	Q1–3/2007	Q1–3/2006
Numerators in million €		
Net income	298	233
less preference on preference shares	1	1
less effect from dilution due to Fresenius Medical Care shares	1	–
Income available to all classes of shares	296	232
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	77,338,119	76,349,607
Weighted-average number of preference shares outstanding	77,338,119	76,349,607
Weighted-average number of shares outstanding of all classes	154,676,238	152,699,214
Potentially dilutive ordinary shares	837,431	757,206
Potentially dilutive preference shares	837,431	757,206
Weighted-average number of shares outstanding of all classes assuming dilution	156,351,100	154,213,626
Weighted-average number of ordinary shares outstanding assuming dilution	78,175,550	77,106,813
Weighted-average number of preference shares outstanding assuming dilution	78,175,550	77,106,813
Basic earnings per ordinary share in €	1.92	1.52
Preference per preference share in €	0.01	0.01
Basic earnings per preference share in €	1.93	1.53
Fully diluted earnings per ordinary share in €	1.90	1.50
Preference per preference share in €	0.01	0.01
Fully diluted earnings per preference share in €	1.91	1.51

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.

Fresenius SE and its subsidiaries are subject to tax audits on a regular basis.

In Germany, the tax audit for the years 1998 until 2001 is substantially finalized with all results of this tax audit sufficiently recognized in the financial statements as of December 31, 2006. Fiscal years 2002 through 2005 are currently under audit. With respect to HELIOS Kliniken Group, years 2001 to 2004 are currently under audit. All further fiscal years for the Group are open to future tax audits. Fresenius Medical Care filed a lawsuit against the decision of the tax authority regarding the disallowance of certain deductions taken for fiscal year 1997 and has included the related unrecognized tax benefit in the total unrecognized tax benefit noted in the following.

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 in the following. The Federal tax audit for the years 2002 through 2004 has recently been completed. Except for the disallowance of all deductions taken during the period for remuneration related to inter-company mandatorily redeemable preferred shares, the proposed adjustments are routine in nature and have been recognized in the financial statements. Fresenius Medical Care intends to protest the disallowed deductions and some routine adjustments and avail itself of all remedies. Fiscal years 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 SE in a number of countries outside of Germany and the United States are also subject to tax audits. The Fresenius Group estimates that the tax effects of such audits are not material to these consolidated financial statements.

Upon 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 three quarters of 2007. The Fresenius Group is currently not in a position to forecast the timing and magnitude of changes in the unrecognized tax benefits. It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. At January 1, 2007, the Fresenius Group had total accruals of € 44 million for such interest and penalties.

The German Business Tax Reform Act (Unternehmensteuerreformgesetz 2008) was enacted in the third quarter of 2007 resulting in a reduction of the corporate income tax rate from 25 % to 15 % for German companies. This reduction together with technical changes to trade tax rules will reduce the Fresenius Group's German entities' combined corporate income tax rate effective as of January 1, 2008. Deferred tax assets and liabilities for German entities which will be realized in 2008 and beyond were revalued to reflect the new enacted tax rate. The revaluation of deferred tax assets and liabilities resulted in deferred tax expenses of € 5 million which have been included in operations for the third quarter of 2007.

NOTES ON THE CONSOLIDATED BALANCE SHEET

6. CASH AND CASH EQUIVALENTS

As of September 30, 2007 and December 31, 2006, cash and cash equivalents were as follows:

in million €	September 30, 2007	December 31, 2006
Cash	**314**	259
Securities (with a maturity of up to 90 days)	**5**	2
Cash and cash equivalents	**319**	261

7. TRADE ACCOUNTS RECEIVABLE

As of September 30, 2007 and December 31, 2006, trade accounts receivable were as follows:

in million €	September 30, 2007	December 31, 2006
Trade accounts receivable	**2,326**	2,306
less allowance for doubtful accounts	**216**	218
Trade accounts receivable, net	**2,110**	2,088

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

in million €	September 30, 2007	December 31, 2006
Allowance for doubtful accounts at the beginning of the year	**218**	200
Change in valuation allowances as recorded in the consolidated statement of income	**116**	155
Write-offs and recoveries of amounts previously written-off	**-109**	-119
Foreign currency translation	**-9**	-18
Allowance for doubtful accounts at the end of the reporting period	**216**	218

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

in million €	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	1,226	464	200	182	254	**2,326**
less allowance for doubtful accounts	9	18	22	34	133	**216**
Trade accounts receivable, net	1,217	446	178	148	121	**2,110**

8. INVENTORIES

As of September 30, 2007 and December 31, 2006, inventories consisted of the following:

in million €	September 30, 2007	December 31, 2006
Raw materials and purchased components	204	182
Work in process	118	101
Finished goods	565	478
Inventories	**887**	761

9. GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 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

	September 30, 2007			December 31, 2006		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Non-compete agreements	150	89	61	154	90	64
Technology	46	2	44	49	0	49
Other	349	266	83	331	246	85
Total	**545**	**357**	**188**	534	336	198

NON-REGULARLY AMORTIZABLE INTANGIBLE ASSETS

	September 30, 2007			December 31, 2006		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	173	0	173	185	0	185
Management contracts	159	0	159	165	0	165
Subtotal	332	0	332	350	0	350
Goodwill	6,947	4	6,943	7,111	4	7,107
Total	**7,279**	**4**	**7,275**	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 €	Q4/2007	2008	2009	2010	2011	Q1–3/2012
Estimated amortization expenses for the next five fiscal years	10	30	26	22	21	13

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2007	**7,107**
Additions/disposals, net	181
Reclassifications	9
Foreign currency translation	-354
Carrying amount as of September 30, 2007	**6,943**

10. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM BORROWINGS

Short-term borrowings of € 167 million and € 330 million at September 30, 2007 and December 31, 2006, respectively, consisted mainly of € 153 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks. Additionally, at September 30, 2007, Fresenius SE had short-term liabilities of € 14 million under its commercial paper program. No commercial papers were outstanding as of December 31, 2006.

Fresenius Medical Care reduced the balance outstanding under the accounts receivable facility to zero in the third quarter of 2007 by applying US$ 184 million of the proceeds of the issuance of senior notes on July 2, 2007 and cash flows generated from operations. On October 18, 2007, Fresenius Medical Care amended the accounts receivable facility to extend the maturity date to October 16, 2008.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

As of September 30, 2007 and December 31, 2006, long-term debt and liabilities from capital lease obligations consisted of the following:

in million €	**September 30, 2007**	December 31, 2006
Fresenius Medical Care 2006 Senior Credit Agreement	**2,229**	2,707
Senior Notes	**1,446**	1,100
Euro Notes	**440**	366
European Investment Bank Agreements	**209**	169
Capital lease obligations	**36**	39
Other	**147**	214
Subtotal	**4,507**	4,595
less current portion	**89**	265
Long-term debt and liabilities from capital lease obligations, less current portion	**4,418**	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 September 30, 2007 and December 31, 2006:

	Maximum Amount Available		Balance Outstanding	
in million US$	**Sep 30, 2007**	Dec 31, 2006	**Sep 30, 2007**	Dec 31, 2006
Revolving Credit	**1,000**	1,000	**32**	68
Term Loan A	**1,550**	1,760	**1,550**	1,760
Term Loan B	**1,578**	1,737	**1,578**	1,737
Total	**4,128**	4,497	**3,160**	3,565

Under the terms of the Fresenius Medical Care 2006 Senior Credit Agreement, advance payments on the term loans are applied first against the next four quarterly payments due with any amounts in excess of the four quarterly payments applied on a pro-rata basis against any remaining payments. As a result of the advance payments on the Term Loans, no payments will be made or will be due for either Term Loan A or B until the third quarter of 2008.

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 September 30, 2007, Fresenius Medical Care was in compliance with all covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

Senior Notes

In addition to the senior notes issued by Fresenius Finance B.V. totaling € 1.1 billion, the Fresenius Group has outstanding liabilities of € 346 million resulting from the issuance of senior notes by FMC Finance III S.A., a wholly-owned subsidiary of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). On July 2, 2007, FMC Finance III S.A. issued US$ 500 million aggregate principal amount of 6⅞ % senior notes due 2017 at a discount resulting in an effective interest rate of 7⅛ %. The Senior Notes are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA and by its subsidiaries Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. Fresenius Medical Care may redeem the Senior Notes at any time at 100 % of principal amount plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have a right to request that Fresenius Medical Care repurchases the Senior Notes at 101 % of principal amount plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the Senior Notes. The proceeds, net of discounts, bank fees and other offering related expenses totaling approximately US$ 484 million, of which US$ 150 million was used to reduce the 5-year term loan facility (Term Loan A) and US$ 150 million to reduce the 7-year term loan facility (Term Loan B) under Fresenius Medical Care's US$ 4.6 billion Fresenius Medical Care 2006 Senior Credit Agreement. The remaining US$ 184 million was applied to the outstanding balance under its short-term accounts receivable facility. The discount is being amortized over the life of the Senior Notes using the interest method.

Euro Notes

As scheduled, during the first half year of 2007, Fresenius Finance B.V. redeemed € 126 million of Euro Notes (Schuldscheindarlehen) out of € 166 million Euro Notes outstanding as of December 31, 2006. At September 30, 2007, the Euro Notes outstanding amounted to € 40 million. In addition, Fresenius Medical Care had outstanding Euro Notes of € 200 million. In July 2007, Fresenius Finance B.V. issued additional Euro Notes of € 200 million.

European Investment Bank Agreements

At September 30, 2007, the credit facilities with the European Investment Bank (EIB) were utilized in the amount of € 209 million, which consisted of borrowings by Fresenius Medical Care of € 69 million, loans by a subsidiary of Fresenius ProServe of € 100 million and loans by Fresenius SE of € 40 million. In July 2007, the floating rate loan of Fresenius SE of € 40 million has been hedged by means of interest rate swaps.

11. PENSIONS AND SIMILAR OBLIGATIONS

DEFINED BENEFIT PENSION PLANS

Two-thirds of the pension obligations in an amount of € 326 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988, which applies for most of the German entities of the Fresenius Group. One-third of the benefit obligations mainly relate to individual plans from Fresenius ProServe entities in Germany and non-German Group entities.

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. Each year, Fresenius Medical Care Holdings, Inc. (FMCH), a substantially wholly-owned subsidiary of FMC-AG & Co. KGaA, contributes at least the minimum amount 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 2007. FMCH voluntarily contributed US$ 1.1 million (€ 0.7 million) during the first three quarters of 2007.

Contributions to the Group's pension fund in the first three quarters of 2007 amounted to € 3 million. In the full year 2007, expected transfers to the pension fund amount to approximately € 5 million.

As of September 30, 2007, the current portion of the pension liability in an amount of € 9 million is recognized as a current liability in the line item "short-term accrued expenses and other short-term liabilities" in the balance sheet. The non-current portion of € 317 million is recorded as pension liability in the balance sheet.

Defined benefit pension plans gave rise to a net periodic benefit cost of € 25 million for the Fresenius Group, comprising the following components:

in million €	**Q1–3/2007**	Q1–3/2006
Service cost	**13**	13
Interest cost	**20**	20
Expected return on plan assets	**-12**	-12
Loss component, net	**4**	6
Amortization of prior service costs	**–**	–
Amortization of transition obligations	**–**	–
Settlement loss	**–**	–
Net periodic benefit cost	**25**	27

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 first three quarters ended September 30:

in %	**Q1–3/2007**	Q1–3/2006
Discount rate	**4.63**	4.62
Expected return of plan assets	**5.71**	5.78
Rate of compensation increase	**3.29**	3.28

Pension obligations at September 30, 2007 and December 31, 2006 related to the following geographical regions:

in million €	**September 30, 2007**	December 31, 2006
Germany	**276**	260
Europe (excluding Germany)	**47**	53
North America	**3**	5
Asia-Pacific	**0**	0
Latin America	**0**	0
Africa	**0**	0
Total pension liabilities	**326**	318

12. MINORITY INTEREST

Minority interest in the Group has developed as follows:

in million €	**September 30, 2007**	December 31, 2006
Minority interest in FMC-AG & Co. KGaA	**2,405**	2,362
Minority interest in the business segments		
Fresenius Medical Care	**76**	57
Fresenius Kabi	**31**	23
Fresenius ProServe	**121**	119
Corporate/Other	**-2**	-1
Total minority interest	**2,631**	2,560

In the first three quarters of 2007, minority interest increased by € 71 million to € 2,631 million. The change resulted from the minorities' share of profit of € 281 million less dividends paid in an amount of € 102 million and from negative currency effects as well as first-time consolidations in a total amount of € 108 million.

13. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Fresenius AG completed a share split on January 24, 2007, resulting in shareholders receiving three ordinary shares for every ordinary share held prior to the share split and three preference shares for every preference share held prior to the share split (see Note 1.II, Conversion of Fresenius AG into a European Company (SE) and new division of the subscribed capital).

During the first three quarters of 2007, 688,344 stock options were exercised. Accordingly, at September 30, 2007, the subscribed capital of Fresenius SE was divided into 77,521,110 bearer ordinary shares and 77,521,110 non-voting bearer preference shares. All shares are issued as non-par value shares.

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 18, Stock options).

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

The 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	-194,652.00	-194,652.00	-389,304.00
Fresenius AG Stock Option Plan 2003 - options exercised	-149,520.00	-149,520.00	-299,040.00
Total conditional capital as of September 30, 2007	**3,194,292.00**	**3,194,292.00**	**6,388,584.00**

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 SE as reported in its balance sheet determined in accordance with the German Commercial Code (HGB).

In May 2007, a dividend of € 0.57 per bearer ordinary share and € 0.58 per bearer preference share was approved by Fresenius SE's shareholders at the Annual General Meeting and paid. The total dividend payment was € 88.8 million.

OTHER NOTES

14. 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 dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius SE (formerly called Fresenius AG) (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH) and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

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

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation.

No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly 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, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe on patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern 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 judgment 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, entered a judgment of validity and infringement with respect to three of the patents and ordered a retrial of certain aspects of the case. On October 29, 2007, the jury in the retrial found FMCH liable to Baxter for damages of US$ 14.3 million. Fresenius Medical Care intends to appeal the court's rulings to set aside the original jury verdict in favor of FMCH. 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.

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

Other litigation and potential exposures

RCG was named as a nominal defendant in a second amended complaint filed September 13, 2006, in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville against former officers and directors of RCG which purports to constitute a class action and derivative action relating to alleged unlawful actions and breaches of fiduciary duty in connection with the RCG acquisition and in connection with alleged improper backdating and/or timing of stock option grants. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and all others similarly situated and derivatively on behalf of RCG, Plaintiff, vs. RCG, Gary Brukardt, William P. Johnston, Harry R. Jacobson, Joseph C. Hutts, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray, Peter J. Grua, C. Thomas Smith, Ronald Hinds, Raymond Hakim, and R. Dirk Allison, Defendants. The complaint sought damages against former officers and directors and did not state a claim for money damages directly against RCG. On August 27, 2007, this suit was dismissed by the trial court without leave to amend. Plaintiff subsequently appealed and the matter remains pending in the appellate court of Tennessee.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received a subpoena from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, and anemia management programs, RCG's supply company, pharmaceutical and other services that RCG provides to patients, RCG's relationships to pharmaceutical companies, and RCG's purchase of dialysis equipment from FMCH. The Office of the Inspector General of the U.S. Department of Health and Human Services and the U.S. Attorney's office for the Eastern District of Texas have also confirmed that they are participating in the review of the anemia management program issues raised by the U.S. Attorney's office for the Eastern District of Missouri. On July 17, 2007, the U.S. Attorney's office filed a civil complaint against RCG and FMCH in its capacity as RCG's current corporate parent in the United States District Court, Eastern District of Missouri. The complaint seeks monetary damages and penalties with respect to issues arising out of the operation of RCG's Method II supply company through 2005, prior to the date of FMCH's acquisition of RCG. The complaint is styled United States of America ex rel. Julie Williams et al. vs. Renal Care Group, Renal Care Group Supply Company and FMCH. Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law and will defend this litigation vigorously. Fresenius Medical Care will continue to cooperate in the ongoing investigation. An adverse determination in this investigation or litigation or any settlement arising out of this investigation or litigation could result in significant financial penalties, and any adverse determination in any litigation arising out of the investigation could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

In 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.

In August 2007, the Sheet Metal Workers National Pension Fund filed a complaint in the United States District Court for the Central District of California, Western Division (Los Angeles), alleging that Amgen, Inc., Fresenius Medical Care and Davita, Inc. marketed Amgen's products, Epogen® and Aranesp®, to hemodialysis patients for uses not approved by the FDA and thereby caused a putative class of commercial insurers to pay for unnecessary prescriptions of these products. Fresenius Medical Care intends to contest and defend this litigation vigorously. An adverse determination in this litigation could have a material adverse effect on Fresenius Medical Care's business, financial condition and results of operations.

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 (€ 81 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.

15. 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 separately as other assets and other liabilities.

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

in million €	**Q1–3/2007**	Q1–3/2006
Assets		
Allowance for doubtful accounts, net	**116**	105
Liabilities and shareholders' equity		
Interest on debt, net	**279**	295

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 September 30, 2007, the notional amounts of Fresenius Group's foreign exchange derivatives amounted to € 709 million and the notional amounts of interest rate derivatives amounted to € 2,664 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 basis 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 three quarters 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 € -9 million (Q1–3 2006: € -7 million) and was mainly offset by the effect of the hedging instruments recognized in the income statement in an amount of € 9 million (Q1–3 2006: € 7 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 September 30, 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 September 30, 2007, the notional volume and fair value of foreign exchange contracts relating to foreign currency intercompany loans amounted to € 283 million and € 3 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 September 30, 2007, the notional amounts of foreign exchange forward contracts in place to hedge risks from operational business totaled € 426 million with a fair value of € 7 million.

As of September 30, 2007, the Fresenius Group was party to foreign exchange forward contracts with a maximum maturity of 27 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 € 8 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities. Interest rate hedging transactions are primarily concluded by Fresenius SE and FMC-AG & Co. KGaA.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to hedge against interest rate exposures arising from short-term and long-term borrowings at variable rates by swapping them into fixed rates 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, the 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 and Euro Notes (Schuldscheindarlehen) mainly denominated in US dollars or euros, into fixed interest rate payments. The US dollar interest rate swaps with a notional volume of US$ 3,015 million expire at various dates between 2007 and 2012. The Euro interest rate swaps with a notional volume of € 216 million expire between 2008 and 2014. 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 4.56 %, 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 September 30, 2007, the notional volume of these swaps at Fresenius Medical Care was US$ 450 million (€ 317 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 € 216 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).

16. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

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

in million €	**Q1–3/2007**	Q1–3/2006
Interest paid	**317**	291
Income taxes paid	**247**	320

Cash paid for acquisitions consisted of the following:

in million €	**Q1–3/2007**	Q1–3/2006
Assets acquired	**321**	4,005
Liabilities assumed	**-69**	-432
Notes assumed in connection with acquisitions	**-11**	-23
Cash paid	**241**	3,550
Cash acquired	**-10**	-69
Cash paid for acquisitions, net	**231**	3,481

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

in million €	**Q1–3/2007**	Q1–3/2006
Operating cash flow	**912**	588
Purchase of property, plant and equipment	**-496**	-374
Proceeds from sale of property, plant and equipment	**31**	14
Cash flow before acquisitions and dividends	**447**	228
Purchase/sale of shares in related companies and investments, net	**-182**	-3,055
Cash flow before dividends	**265**	-2,827
Dividends paid	**-191**	-159
Free cash flow after dividends	**74**	-2,986

17. SUPPLEMENTARY INFORMATION ON SEGMENT REPORTING

GENERAL

The segment reporting tables shown on pages 17 and 18 are an integral part of the Notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi and Fresenius ProServe which corresponds to the internal organizational and reporting structures (Management Approach) at September 30, 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 172,227 patients in its 2,221 own dialysis clinics.

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

Fresenius ProServe is a leading private German hospital operator with 58 facilities. 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 SE as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments.

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 €	Q1–3/2007	Q1–3/2006
Total EBITDA of reporting segments	1,515	1,376
Depreciation and amortization	-301	-290
General corporate expenses Corporate/Other	-30	-26
Net interest	-279	-295
Total earnings before income taxes and minority interest	905	765
Total EBIT of reporting segments	1,221	1,093
General corporate expenses Corporate/Other	-37	-33
Net interest	-279	-295
Total earnings before income taxes and minority interest	905	765
Depreciation and amortization of reporting segments	294	283
Depreciation and amortization Corporate/Other	7	7
Total depreciation and amortization	301	290

Reconciliation of net debt

in million €	September 30, 2007	December 31, 2006
Short-term borrowings	167	330
Short-term liabilities and loans from related parties	2	1
Current portion of long-term debt and liabilities from capital lease obligations	89	265
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	469	0
Long-term debt and liabilities from capital lease obligations, less current portion	4,418	4,330
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	451	946
Debt	5,596	5,872
less cash and cash equivalents	319	261
Net debt	5,277	5,611

18. STOCK OPTIONS

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

In the first three quarters of 2007, the Fresenius Group recognized compensation cost in an amount of € 19 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 under the Fresenius AG Stock Option Plan 2003 (2003 Plan) made during the year ending December 31, 2007 are as follows:

Weighted-average assumptions	2007
Expected dividend yield	0.94 %
Risk-free interest rate	4.48 %
Expected volatility	33.79 %
Expected life of options	5.3 years
Exercise price per option in €	56.66

FRESENIUS SE STOCK OPTION PLANS

On September 30, 2007, Fresenius SE had two stock option plans in place – the Fresenius AG Stock Option Plan 1998 (1998 Plan) based on stock options and the currently active 2003 Plan 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 SE, respectively. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or senior employees of Fresenius SE 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 SE, 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 three quarters of 2007

In the first three quarters of 2007, Fresenius SE awarded 860,738 stock options, including 109,650 to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 56.66, a weighted-average fair value of € 21.14 and a total fair value of € 18 million, one third of which will be amortized evenly over two, three and four years, respectively.

During the first three quarters of 2007, Fresenius SE received € 17 million from the exercise of 688,344 stock options. The intrinsic value of options exercised in the first three quarters of 2007 was € 21 million.

At September 30, 2007, of 3,423,858 outstanding options issued under the 2003 Plan, 865,178 were exercisable and 522,390 were held by the members of the Fresenius SE Management Board. The number of outstanding and exercisable stock options issued under the 1998 Plan was 902,958, of which 51,600 were held by the members of the Fresenius SE Management Board.

Options for ordinary shares	Number of options	Average exercise price in €
Balance at December 31, 2006	**2,090,406**	**27.97**
Granted	430,369	56.83
Exercised	344,172	23.83
Forfeited	13,195	30.72
Balance at September 30, 2007	**2,163,408**	**34.35**

Options for preference shares	Number of options	Average exercise price in €
Balance at December 31, 2006	**2,090,406**	**29.21**
Granted	430,369	56.50
Exercised	344,172	25.80
Forfeited	13,195	30.91
Balance at September 30, 2007	**2,163,408**	**35.18**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at September 30, 2007:

	Number of options	Average remaining contractual life in years	Average exercise price in €	Aggregate intrinsic value in million €
Options for ordinary shares	884,068	4.96	23.61	26
Options for preference shares	884,068	4.96	25.29	26

At September 30, 2007, there was € 22 million of total unrecognized compensation costs related to non-vested options granted under the Fresenius SE plans. These costs are expected to be recognized over a weighted-average period of 2.4 years.

FRESENIUS MEDICAL CARE STOCK OPTION PLANS

On September 30, 2007, Fresenius Medical Care had 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 (2006 Plan). The latter is currently the only plan under which stock options are granted.

Changes due to capital measures

During the Annual General Meeting held on May 15, 2007, FMC-AG & Co. KGaA's shareholders approved a three-for-one share split for both ordinary and preference shares which became effective upon registration in the commercial register on June 15, 2007. In connection therewith, FMC-AG & Co. KGaA transferred approximately € 43 million and € 0.5 million from additional paid in capital to ordinary shares and preference shares, respectively, to maintain a nominal value of € 1 per each ordinary and each preference share. All details of stock options for all periods presented have been adjusted to reflect the stock split.

Transactions during the first three quarters of 2007

On July 30, 2007, Fresenius Medical Care awarded 2,395,962 options under the 2006 Plan, including 398,400 to members of the Management Board of Fresenius Medical Care Management AG, FMC-AG & Co. KGaA's general partner, at an exercise price of US$ 46.22 (€ 33.91), a fair value of US$ 13.23 (€ 9.71) each and a total fair value of US$ 32 million, which will be amortized over the three year vesting period.

During the first three quarters of 2007, Fresenius Medical Care received € 20 million from the exercise of 956,182 stock options for ordinary shares and 54,286 stock options for preference shares as well as a tax benefit in an amount of € 5 million relating to these stock options.

19. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is a member of the management board of Allianz SE and the Chief Executive Officer of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius SE, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In the first three quarters of 2007, the Fresenius Group paid € 4 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 belongs to the Talanx Group. In the first three quarters of 2007, this group received € 7 million for insurance premiums.

Dr. Dieter Schenk is a member of the Supervisory Board of Fresenius SE and a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In the first three quarters of 2007, the Fresenius Group paid this law firm € 1 million.

20. SUBSEQUENT EVENTS

There have been no significant changes in the Group position or environment sector since the end of the third quarter of 2007. At present, the Fresenius Group is not planning to carry out any significant changes in its structure, administration or legal form or in the area of personnel.

21. CORPORATE GOVERNANCE

The members of the Management Board and the Supervisory Board of Fresenius SE and the general partner of FMC-AG & Co. KGaA, represented by the Management Board of Fresenius Medical Care Management AG, and the Supervisory Board of FMC-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

Report on Fiscal Year 2007 Analysts´ Meeting , Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	February 20, 2008
Report on 1st quarter 2008 Conference call Live webcast	April 30, 2008
Annual General Meeting, Frankfurt am Main (Germany) Live webcast of the speech of the Chairman of the Management Board of Fresenius SE	May 21, 2008
Payment of dividend*	May 22, 2008
Report on the first half 2008 Conference call Live webcast	July 30, 2008
Report on 1st - 3rd quarters 2008 Analysts' Meeting, Bad Homburg v.d.H. Live webcast Press conference, Bad Homburg v.d.H. Live webcast	November 4, 2008

* subject to the prior approval by the Annual General Meeting

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Chairman of the Supervisory Board: Dr. Gerd Krick