FRESENIUS

Quarterly Financial Report of Fresenius Group

applying United States Generally Accepted Accounting Principles

(US GAAP)

1st – 3rd Quarters and 3rd Quarter 2008

FRESENIUS

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FRESENIUS GROUP FIGURES AT A GLANCE

Fresenius is a health care Group with products and services for dialysis, the hospital and the medical care of patients at home. In addition, Fresenius focuses on hospital management as well as on engineering and services for hospitals and other health care facilities. As of September 30, 2008, about 121,000 employees work with dedication in the service of health in around 100 countries of the globe.

The Group's financial statements as of September 30, 2008 include several special items relating to the acquisition of APP Pharmaceuticals. Adjusted earnings represent the Group's business operations in the reporting period.

Earnings

in million €	**Q3/2008**	Q3/2007	Change in %	**Q1–3/2008**	Q1–3/2007	Change in %
Sales	**3,051**	2,798	9	**8,761**	8,390	4
EBIT, adjusted	**428**	404	6	**1,209**	1,184	2
Net income, adjusted	**112**	103	9	**324**	298	9
Earnings per ordinary share in €, adjusted	**0.70**	0.66	6	**2.06**	1.92	7
Earnings per preference share in €, adjusted	**0.70**	0.66	6	**2.07**	1.93	7
Operating cash flow	**255**	359	-29	**736**	912	-19

Balance sheet

in million €	**Sep 30, 2008**	Dec 31, 2007	Change in %
Total assets	**20,114**	15,324	31
Non-current assets	**15,096**	11,033	37
Equity[1]	**6,750**	6,059	11
Net debt	**8,255**	5,338	55
Investments[2]	**4,262**	727	--

Ratios

	Q3/2008	Q3/2007	**Q1–3/2008**	Q1–3/2007
EBITDA margin, adjusted	**18.0 %**	18.2 %	**17.6 %**	17.7 %
EBIT margin, adjusted	**14.0 %**	14.4 %	**13.8 %**	14.1 %
D & A in % of sales, adjusted	**3.9 %**	3.7 %	**3.8 %**	3.6 %
Operating cash flow in % of sales	**8.4 %**	12.8 %	**8.4 %**	10.9 %
Equity ratio (September 30/December 31)			**33.6 %**	39.5 %
Net debt /EBITDA (September 30/December 31)			**3.7**[3]	2.6

[1] Equity including minority interest

[2] Investments in property, plant and equipment, acquisitions (Q1-3)

[3] Before special items from the APP acquisition, on a pro forma basis

INFORMATION ON THE BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE – Dialysis products, Dialysis care, Extracorporeal therapies

in million US$	Q1–3/2008	Q1–3/2007	Change in %
Sales	**7,890**	7,151	10
EBIT	**1,240**	1,152	8
Net income	**603**	520	16
Operating cash flow	**716**	890	-20
Capital expenditure/acquisitions	**730**	534	37
R & D expenses	**60**	44	38
Employees (per capita on balance sheet date)	**67,342**	64,662 (31.12.2007)	4

FRESENIUS KABI – Infusion therapy, Clinical nutrition, Transfusion technology

in million €	Q1–3/2008	Q1–3/2007	Change in %
Sales	**1,734**	1,494	16
EBIT	**290**	242	20
Net income	**149**	132	13
Operating cash flow	**144**	119	21
Capital expenditure/acquisitions	**3,637**	117	--
R & D expenses	**71**	61	16
Employees (per capita on balance sheet date)	**20,504**	16,964 (31.12.2007)	21

FRESENIUS HELIOS – Hospital operation

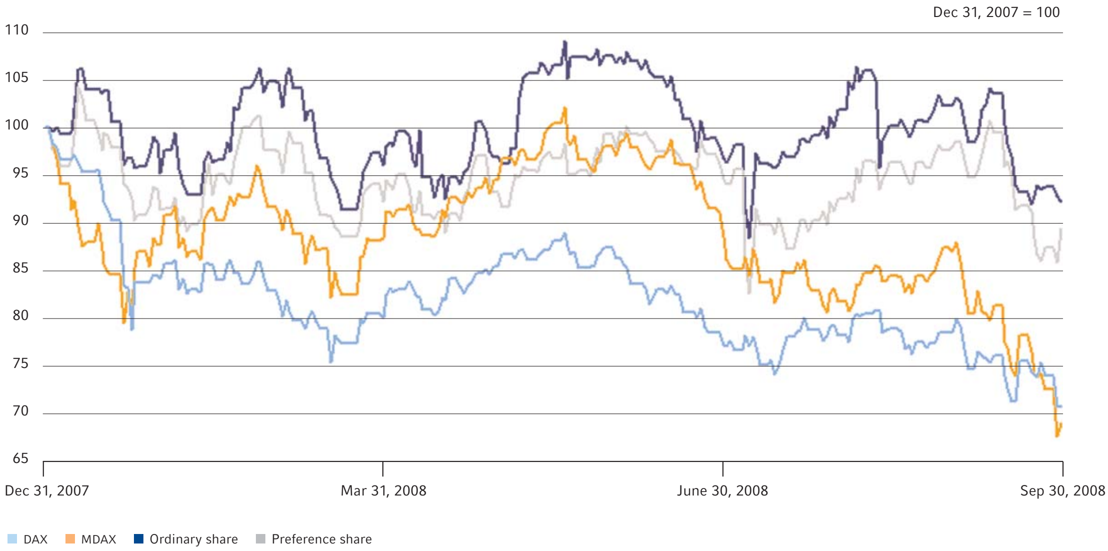
in million €	Q1–3/2008	Q1–3/2007	Change in %
Sales	**1,568**	1,348	16
EBIT	**127**	110	15
Net income	**59**	44	34
Operating cash flow	**185**	159	16
Capital expenditure/acquisitions	**92**	196	-53
Employees (per capita on balance sheet date)	**30,804**	30,043 (31.12.2007)	3

FRESENIUS VAMED – Engineering and Services for hospitals and other health care facilities

in million €	Q1–3/2008	Q1–3/2007	Change in %
Sales	**290**	234	24
EBIT	**14**	11	27
Net income	**14**	11	27
Operating cash flow	**0**	19	-100
Capital expenditure/acquisitions	**15**	10	50
Order intake	**242**	222	9
Employees (per capita on balance sheet date)	**1,833**	1,767 (31.12.2007)	4

FRESENIUS SHARES

Relative share price performance



Fresenius shares have performed well despite a sharp downturn in the DAX and MDAX stock indexes in Germany. The DAX fell 28 % to 5,831 points and the MDAX lost 29 % to 6,957 points during the first nine months of this year. Fresenius shares, which trade on the MDAX, have performed significantly better, with Fresenius ordinary shares losing 7 % and preferred shares declining 10 % during the same time.

Fresenius share information

	Ordinary share	Preference share
Securities Identification no.	578 560	578 563
Ticker symbol	FRE	FRE3
ISIN	DE0005785604	DE0005785638
Bloomberg symbol	FRE GR	FRE3 GR
Reuters symbol	FREG.de	FREG_p.de
Main trading location	Frankfurt/Xetra	Frankfurt/Xetra

	Q1–3/2008	2007	Change in %
Ordinary share			
Number of shares (Sep 30/Dec 31)	**80,568,018**	77,582,385	4
Quarter-end quotation in €	**51.89**	56.00	-7
High in €	**60.87**	63.35	-4
Low in €	**49.86**	50.17	-1
∅ Trading volume (number of shares per trading day)	**76,550**	70,574	8
Preference share			
Number of shares (Sep 30/Dec 31)	**80,568,018**	77,582,385	4
Quarter-end quotation in €	**51.19**	56.90	-10
High in €	**59.25**	63.12	-6
Low in €	**47.50**	50.70	-6
∅ Trading volume (number of shares per trading day)	**540,065**	534,660	1
Market capitalization (in million €, Sep 30/Dec 31)	**8,305**	8,759	-5

MANAGEMENT REPORT

Q1–3/2008: Continued strong growth – Sales outlook raised

- Strong sales and earnings growth in all business segments
- Acquisition of APP Pharmaceuticals finalized, financing steps successfully implemented
- 2008 sales outlook raised, earnings outlook fully confirmed

- **Sales:** **€ 8.8 billion**
  + 4% at actual rates
  + 11% in constant currency
- **EBIT, adjusted** **€ 1.2 billion**
  + 2% at actual rates
  + 9% in constant currency
- **Net income, adjusted** **€ 324 million**
  + 9% at actual rates
  + 14% in constant currency

HEALTH CARE INDUSTRY

The health care sector is one of the world's major industries and, compared with other sectors, has set itself apart through years of continuous growth and its relative insensitivity to economic fluctuations. Its main drivers in the industrialized countries are aging populations, the demand for innovative therapies and advances in medical technology. Growing health consciousness is also increasing the demand for health care services and facilities. In the emerging countries, the main growth driver is the increasing availability of primary health care. At the same time, the cost of health care is rising and is claiming an ever increasing share of national income. Reforms and cost-containment measures are the main reactions to the steadily rising expenditures. Increasingly, new incentives for cost-conscious as well as quality-conscious performance are created. The quality of treatment is a crucial factor in optimizing medical results and reducing overall treatment costs. Against this background, ever greater emphasis is being placed on disease prevention and innovative reimbursement models where the quality of treatment is the key parameter.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

SALES

Group sales increased by 11 % in constant currency and by 4% at actual rates to € 8,761 million (Q1–3/2007: € 8,390 million). Organic sales growth was 7%.

Acquisitions contributed a further 4%. APP was consolidated as of September 1, 2008. Currency translation had a negative impact of 7%. This is mainly attributable to the average US dollar rate depreciating 13% against the euro in the first three quarters of 2008 compared to previous year's period.

In Europe, sales grew by 15% in constant currency with organic sales growth of 9%. In North America, constant

Sales by region

in million €	Q1–3/2008	Q1–3/2007	Change at actual rates	Currency translation effects	Change at constant rates	Organic growth	Acquisitions/ Divestitures	% of total sales
Europe	**4,046**	3,528	15 %	0 %	15 %	9 %	6 %	46 %
North America	**3,471**	3,741	-7 %	-12 %	5 %	4 %	1 %	40 %
Asia-Pacific	**649**	585	11 %	-7 %	18 %	14 %	4 %	7 %
Latin America	**428**	358	20 %	-3 %	23 %	18 %	5 %	5 %
Africa	**167**	178	-6 %	-8 %	2 %	-2 %	4 %	2 %
Total	**8,761**	8,390	4 %	-7 %	11 %	7 %	4 %	100 %

currency growth was 5 % and organic sales growth was 4 %. Strong organic growth rates were achieved in the emerging markets, reaching 14 % in Asia-Pacific and 18 % in Latin America.

Sales growth in the business segments is shown in the table below.

EARNINGS

Adjusted Group EBITDA increased by 11 % in constant currency and by 4 % at actual rates to € 1,546 million (Q1–3/2007: € 1,485 million). Adjusted Group operating income (EBIT) grew by 9 % in constant currency and by 2 % at actual rates to € 1,209 million (Q1–3/2007: € 1,184 million). The Group's adjusted EBIT margin was 13.8 % (Q1–3/2007: 14.1 %). Group EBIT (including special items) was € 1,053 million.

Group net interest improved slightly to € -271 million (Q1–3/2007: € -279 million). Lower average interest rates on liabilities of Fresenius Medical Care and currency translation effects had a positive impact. This was partially offset by incremental debt relating to the APP Pharmaceuticals and Dabur Pharma acquisitions.

The adjusted Group tax rate was 34.9 % (Q1–3/2007: 36.0 %). The Group tax rate including special items was 41.2 %.

Minority interest increased slightly to € 287 million (Q1–3/2007: € 281 million), of which 93 % was attributable to the minority interest in Fresenius Medical Care.

Adjusted Group net income grew by 14 % in constant currency and by 9 % at actual rates to € 324 million (Q1–3/2007: € 298 million). Adjusted earnings per ordinary share increased to € 2.06 and adjusted earnings per preference share increased to € 2.07 (Q1–3/2007: ordinary share € 1.92, preference share € 1.93). This represents an increase of 12 % for both share classes in constant currency.

Reconciliation to adjusted earnings

The table on the next page reconciliates adjusted EBIT and adjusted net income to earnings according to US GAAP.

Acquired in-process R&D activities have to be fully depreciated at the closing under currently valid US GAAP accounting principles.

The inventory step-up reflects the excess of fair value over book value of acquired semi-finished and finished products. The amount is amortized in line with the sale of the respective products.

The foreign exchange gain arises from US-Dollar strength increasing the value of a US$-denominated inter-company loan to Fresenius Kabi Pharmaceuticals Holdings, Inc.

Both the Mandatory Exchangeable Bonds and the Contingent Value Rights are viewed as liabilities and therefore recognized with their fair redemption value. Valuation changes will lead to gains or expenses on a quarterly basis until maturity of the instruments.

One-time financing expenses include commitment and funding fees for the bridge facility as well as the full

Sales by business segment

in million €	**Q1–3/2008**	Q1–3/2007	Change at actual rates	Currency translation effects	Change at constant rates	Organic growth	Acquisitions/ Divestitures	% of total sales
Fresenius Medical Care	**5,184**	5,320	-3 %	-10 %	7 %	7 %	0 %	59 %
Fresenius Kabi	**1,734**	1,494	16 %	-3 %	19 %	9 %	10 %	20 %
Fresenius Helios	**1,568**	1,348	16 %	0 %	16 %	5 %	11 %	18 %
Fresenius Vamed	**290**	234	24 %	0 %	24 %	24 %	0 %	3 %

Reconciliation to adjusted Q1–3/2008 earnings

in million €	EBIT	Other financial result	Net income	Cash relevant
Earnings, adjusted	**1,209**		**324**	
Purchase accounting adjustments[1]:				
In-process R & D	-175		-175	--
Inventory step-up	-9		-5	--
Foreign exchange gain	28		20	--
Other finacial result:				
Mandatory Exchangeable Bonds (mark to market)		-38	-27	--
Contigent Value Rights (mark to market)		36	36	--
One-time financing expenses[2]		-32	-20	partially
Earnings according to US GAAP	**1,053**		**153**	

[1] Purchase accounting adjustments are indicative as the purchase price allocation is still provisional and related assumptions may change.
[2] In addition, € 67 million transaction-related financing expenses have been capitalized and will be depreciated over the life of the respective facilities.

The special items are included in the "Corporate/Other" segment.

depreciation of financing costs related to APP's Syndicated Facility from 2007.

Group net income (including special items) was € 153 million or € 0.97 per ordinary share and € 0.98 per preference share.

INVESTMENTS

Fresenius Group spent € 502 million for property, plant and equipment (Q1–3/2007: € 481 million). Acquisition spending was € 3,760 million (Q1–3/2007: € 246 million), primarily relating to the acquisition of APP Pharmaceuticals.

Earnings

in million €	Q3/2008	Q3/2007	Q1–3/2008	Q1–3/2007
EBIT, adjusted	**428**	404	**1,209**	1,184
EBIT	**272**	404	**1,053**	1,184
Net income, adjusted	**112**	103	**324**	298
Net income	**-59**	103	**153**	298
Basic earnings per ordinary share in €, adjusted	**0.70**	0.66	**2.06**	1.92
Basic earnings per ordinary share in €	**-0.39**	0.66	**0.97**	1.92
Basic earnings per prefernce share in €, adjusted	**0.70**	0.66	**2.07**	1.93
Basic earnings per prefernce share in €	**-0.39**	0.66	**0.98**	1.93

Investments by business segment

in million €	Q1–3/2008	Q1–3/2007	thereof property, plant and equipment	thereof acquisitions	Change in %	% of total
Fresenius Medical Care	**480**	397	330	150	21 %	11 %
Fresenius Kabi	**3,637**	117	73	3,564	--	85 %
Fresenius Helios	**92**	196	88	4	-53 %	2 %
Fresenius Vamed	**15**	10	3	12	50 %	1 %
Corporate/Other	**38**	7	8	30	--	1%
Total	**4,262**	727	502	3,760	--	100 %

CASH FLOW

Operating cash flow decreased to € 736 million (Q1–3/2007: € 912 million), mainly due to an increase of inventories and trade accounts receivables. The cash flow margin reached 8.4 % (Q1 – 3/2007: 10.9 %). Consequently, and due to net capital expenditure increasing to € 496 million (Q1–3/2007: € 461 million), Cash flow before acquisitions and dividends decreased to € 240 million (Q1–3/2007: € 451 million). Dividends of € 235 million were financed out of cash flow. Acquisitions were financed through new debt and equity.

ASSET AND LIABILITY STRUCTURE

Fresenius Group's total assets increased by 29 % in constant currency and by 31 % at actual rates to € 20,114 million (December 31, 2007: € 15,324 million). 73 % of this increase is due to the acquisition of APP Pharmaceuticals. Current assets increased by 17 % in constant currency and at actual rates to € 5,018 million (December 31, 2007: € 4,291 million). Non-current assets grew by 34 % in constant currency and by 37 % at actual rates to € 15,096 million (December 31, 2007: € 11,033 million).

Shareholders' equity including minority interest increased by 10 % in constant currency and by 11 % at actual rates to € 6,750 million (December 31, 2007: € 6,059 million). The equity ratio (including minority interest) was 33.6 % (December 31, 2007: 39.5 %).

Group debt increased to € 8,588 million (December 31, 2007: € 5,699 million), mainly due to the acquisition of APP Pharmaceuticals. As of September 30, 2008, the net debt/EBITDA ratio was 3.7 (December 31, 2007: 2.6), pro forma the acquisition of APP Pharmaceuticals and excluding special items. In constant currency, the net debt/EBITDA ratio was 3.5.

The acquisition financing for APP Pharmaceuticals was successfully implemented: Mandatory Exchangeable Bonds issued in July and a capital increase executed in August provided aggregate proceeds of more than US$ 1,320 million. On October 10, the syndication of Fresenius' Senior Secured Credit Facilities was completed. Substantial oversubscription facilitated the increase of the targeted amount by US$ 500 million to US$ 2,950 million. As a consequence, Fresenius was able to reduce the Bridge Facility, which has a maturity of 7 years, utilized with US$ 1,300 million at the time of closing of the acquisition, by half to US$ 650 million.

Cash flow statement (Summary)

in million €	**Q1–3/2008**	Q1–3/2007	Change in %
Net income before minority interest	440	579	-24
Depreciation and amortization	521	301	73
Change in accruals for pensions	14	12	17
Cash flow	**975**	**892**	**9**
Change in working capital	-239	20	--
Operating cash flow	**736**	**912**	**-19**
Capital expenditure, net	-496	-461	-8
Cash flow before acquisitions and dividends	**240**	**451**	**-47**
Cash used for acquisitions, net	-2,875	-186	--
Dividends paid	-235	-191	-23
Free cash flow after acquisitions and dividends	**-2,870**	**74**	**--**
Cash provided by/used for financing activities	2,838	-5	--
Effect of exchange rates on change in cash and cash equivalents	4	-11	136
Net change in cash and cash equivalents	**-28**	**58**	**--**

THIRD QUARTER 2008

Group sales increased by 9 % at actual rates to € 3,051 million (Q3 2007: € 2,798 million). In constant currency, sales increased by 14 %. Organic sales growth was 9 %. Acquisitions contributed 5 %.

Adjusted EBIT increased by 6 % at actual rates to € 428 million (Q3 2007: € 404 million). In constant currency, EBIT increased by 11 %. Group EBIT (including special items) was € 272 million.

Adjusted Group net income rose by 9 % to € 112 million (Q3 2007: € 103 million). In constant currency, strong growth of 14 % was achieved. Group net income including special items was € -59 million.

Adjusted earnings per ordinary share and adjusted earnings per preference share increased by 6 % to € 0.70 (Q3 2007: earnings per ordinary share € 0.66; earnings per preference share € 0.66). In constant currency, both share classes improved by 10 %. Earnings per ordinary share and per preference share including special items was € -0.39.

Investments in property, plant and equipment decreased by 5 % to € 170 million (Q3 2007: € 179 million). Acquisition spending was € 3,468 million (Q3 2007: € 23 million). 95 % of the acquisition spending relates to the business segment Fresenius Kabi and its acquisitions of APP Pharmaceuticals and Dabur Pharma.

BUSINESS SEGMENTS

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, 2008, Fresenius Medical Care was treating 181,937 patients in 2,349 dialysis clinics.

in million US$	**Q3/2008**	Q3/2007	Change in %	**Q1–3/2008**	Q1–3/2007	Change in %
Sales	**2,713**	2,426	12	**7,890**	7,151	10
EBITDA	**530**	486	9	**1,547**	1,412	10
EBIT	**422**	397	6	**1,240**	1,152	8
Net income	**206**	181	14	**603**	520	16
Employees				**67,342 (Sep 30, 2008)**	64,662 (Dec 31, 2007)	4

1st to 3rd quarters 2008

- Strong nine months results – Excellent revenue growth in all regions
- Outlook 2008 fully confirmed

Fresenius Medical Care achieved sales growth of 10 % to US$ 7,890 million (Q1–3/2007: US$ 7,151 million). Organic growth was 7 %. Currency translation effects had a positive impact of 3 %. Sales in dialysis care increased by 7 % to US$ 5,753 million (Q1–3/2007: US$ 5,357 million). In dialysis products sales grew by 19 % to US$ 2,136 million (Q1–3/2007: US$ 1,794 million).

In North America sales increased by 4 % to US$ 5,153 million (Q1–3/2007: US$ 4,957 million). Dialysis services revenue increased by 3 % to US$ 4,615 million. Sales outside North America ("International" segment) grew by 25 % (13 % in constant currency) to US$ 2,737 million (Q1–3/2007: US$ 2,194 million). Strong sales growth in constant currency was achieved in Asia-Pacific (+11 %), Europe (+13 %) and Latin America (+18 %).

EBIT rose by 8 % to US$ 1,240 million (Q1–3/2007: US$ 1,152 million) resulting in an EBIT margin of 15.7 % (Q1–3/2007: 16.1 %). This development mainly reflected higher research and development expenses and start-up costs for new clinics. Reduced reimbursement rates for EPO, lower utilization levels of EPO as well as increased costs for the anticoagulant drug Heparin were offset by increases in underlying reimbursement rates and strong contributions from renal products.

Net income increased by 16 % to US$ 603 million (Q1–3/2007: US$ 520 million).

Third quarter 2008

Fresenius Medical Care increased sales by 12 % to US$ 2,713 million (Q3 2007: US$ 2,426 million). In constant currency, sales grew by 9 %. Organic sales growth was 8 %. Average revenue per treatment for the U.S. clinics increased to US$ 333 in the third quarter of 2008. This represents an increase of US$ 6 per treatment compared to the third quarter of 2007 as well as sequentially from the second quarter of 2008. The improvement in the revenue per treatment was primarily due to increased commercial revenue rates. EBIT increased to US$ 422 million (Q3 2007: US$ 397 million). Net income in Q3 2008 grew by 14 % to US$ 206 million (Q3 2007: US$ 181 million).

For further information, please see Fresenius Medical Care's Investor News at www.fmc-ag.com.

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 €	**Q3/2008**	Q3/2007	Change in %	**Q1–3/2008**	Q1–3/2007	Change in %
Sales	**613**	508	21	**1,734**	1,494	16
EBITDA	**135**	102	32	**358**	299	20
EBIT	**109**	83	31	**290**	242	20
Net income	**52**	45	16	**149**	132	13
Employees				**20,504 (Sep 30, 2008)**	16,964 (Dec 31, 2007)	21

1st to 3rd quarters 2008

- Excellent organic sales growth of 9 %
- Sales outlook 2008 at upper end of guidance, earnings outlook fully confirmed (pre-APP acquisition)

Fresenius Kabi increased sales by 16 % to € 1,734 million (Q1–3/2007: € 1,494 million). Organic sales growth was 9 %. Net acquisitions contributed a further 10 % to sales. This includes the acquisitions of APP Pharmaceuticals and Dabur Pharma which were both consolidated as from September 1, 2008. Currency translation effects had a negative impact of 3 %. This was mainly due to the depreciation of currencies in Great Britain, South Africa, Korea and China.

Organic sales growth in Europe (excluding Germany) was 7 %. In Germany, organic sales growth was 3 %. In the Asia-Pacific region, Fresenius Kabi achieved high organic sales growth of 23 %. Organic sales growth in Latin America was 11 % and in other regions 10 %.

EBIT grew by 20 % to € 290 million (Q1–3/2007: € 242 million). EBIT includes € 2 million amortization of APP intangible assets. The EBIT margin increased to 16.7 % (Q1–3/2007: 16.2 %). Net income grew by 13 % to € 149 million (Q1–3/2007: € 132 million).

Acquisition of APP Pharmaceuticals

On September 10, 2008, Fresenius SE closed the acquisition of APP Pharmaceuticals, Inc. APP is a leading manufacturer of intravenously administered generic drugs (I.V. generics) in North America. The acquisition is an important step in Fresenius Kabi's growth strategy. Through the acquisition of APP, Fresenius Kabi enters the U.S. pharmaceuticals market and achieves a leading position in the global I.V. generics market. This North American platform provides further attractive growth opportunities for Fresenius Kabi's existing product portfolio.

APP Pharmaceuticals' revenues increased by 20 % to US$ 544 million (Q1–3/2007: US$ 453 million). Adjusted EBITDA was US$ 217 million.

Third quarter 2008

In the third quarter of 2008, Fresenius Kabi increased sales by 21 % to € 613 million (Q3 2007: € 508 million). Organic sales growth of 9 % was excellent. Net acquisitions contributed 15 % to sales. The sales contribution of APP Pharmaceuticals was € 48 million in the third quarter of 2008. Fresenius Kabi's EBIT grew by 31 % to € 109 million (Q3 2007: € 83 million). The EBIT margin was 17.8 % (Q3 2007: 16.3 %). APP Pharmaceuticals contributed € 15 million to EBIT. Fresenius Kabi's net income improved by 16 % to € 52 million (Q3 2007: € 45 million).

FRESENIUS HELIOS

Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS Kliniken Group owns 61 hospitals, including five maximum care hospitals in Berlin-Buch, Erfurt, Krefeld, Schwerin and Wuppertal. HELIOS treats about 530,000 in-patients per year at its clinics and operates a total of approximately 17,700 beds.

in million €	**Q3/2008**	Q3/2007	Change in %	**Q1–3/2008**	Q1–3/2007	Change in %
Sales	**528**	458	15	**1,568**	1,348	16
EBITDA	**63**	58	9	**183**	149	23
EBIT	**44**	42	5	**127**	110	15
Net income	**22**	18	22	**59**	44	34
Employees				**30,804 (Sep 30, 2008)**	30,043 (Dec 31, 2007)	3

1st to 3rd quarters 2008

- Continued excellent sales and earnings growth
- Sales outlook 2008 raised, EBIT guidance confirmed at the upper end of range

Fresenius Helios increased sales by 16 % to € 1,568 million (Q1–3/2007: € 1,348 million). Acquisitions contributed 11 % to overall sales growth. Organic growth remained at a strong 5 %*, driven by a significant increase in hospital admissions.

EBIT grew by 15 % to € 127 million (Q1–3/2007: € 110 million) due to the very good business operations of the established clinics. The EBIT margin was 8.1 % (Q1–3/2007: 8.2 %). Net income improved by 34 % to € 59 million (Q1–3/2007: € 44 million).

At the established clinics, sales rose by 5 %* to € 1,423 million. EBIT improved by 24 % to € 136 million. The EBIT margin increased to 9.6 % (Q1–3/2007: 8.2 %). The acquired clinics (consolidation < 1 year) achieved sales of € 145 million and an EBIT of € -9 million.

The Mariahilf hospital in Hamburg was consolidated as from August 1, 2008.

HELIOS has undertaken a further important step for the independent and transparent publication of treatment quality: together with six hospital operators comprising about 100 clinics with approximately 1 million patients treated a Germany-wide quality improvement initiative has been launched. All hospital operators are committed to standardized quality measurement of the treatment processes at the clinics and to publish the respective results. The commitment also includes peer review processes. Within the framework of these processes, internal and external experts examine treatment results not meeting the initiative's quality standards. Improvement measures are discussed jointly with the respective clinic. The aim of this analysis is to systematically improve the procedures and structures of the treatment processes. This is the first joint initiative of hospital operators for quality improvement in Germany and reflects HELIOS' efforts to improve the transparency of quality indicators in the German health care industry.

Third quarter 2008

Fresenius Helios reported sales growth of 15 % to € 528 million (Q3 2007: € 458 million). Organic sales growth was excellent at 4 %*. Acquisitions contributed 11 % to overall sales growth. EBIT increased by 5 % to € 44 million (Q3 2007: € 42 million). EBIT margin was 8.3 % (Q3 2007: 9.2 %). Net income grew by 22 % to € 22 million (Q3 2007: € 18 million).

* growth rate on a like for like basis

FRESENIUS VAMED

Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

in million €	**Q3/2008**	Q3/2007	Change in %	**Q1–3/2008**	Q1–3/2007	Change in %
Sales	**113**	74	53	**290**	234	24
EBITDA	**6**	4	50	**17**	15	13
EBIT	**5**	2	150	**14**	11	27
Net income	**5**	3	67	**14**	11	27
Employees				**1,833 (Sep 30, 2008)**	1,767 (Dec 31, 2007)	4

1st to 3rd quarters 2008

- Strong sales and earnings growth
- Outlook 2008 raised

Fresenius Vamed achieved excellent sales growth of 24 % to € 290 million (Q1–3/2007: € 234 million). Acquisitions contributed 4 % whereas de-consolidations had a negative impact of 4 %. Organic sales growth was 24 %. Sales in the project business rose by 34 % to € 167 million (Q1–3/2007: € 125 million). Sales in the service business increased by 13 % to € 123 million (Q1–3/2007: € 109 million).

EBIT increased by 27 % to € 14 million (Q1–3/2007: € 11 million). The EBIT margin was 4.8 % (Q1–3/2007: 4.7 %). Net income also increased by 27 % to € 14 million (Q1–3/2007: € 11 million).

Order intake in the project business increased by 9 % to € 242 million (Q1–3/2007: € 222 million). In the third quarter of 2008, VAMED received – among others – two orders worth about € 25 million each. One is for the construction of a new post-acute care clinic in Schruns, Austria. Secondly, VAMED has signed a contract for construction and equipment of a medical training centre in Gabon. The facility is adjacent to the regional hospital of Libreville which was constructed and is managed by VAMED.

Order backlog as of September 30, 2008 was € 569 million, an increase of 12 % (December 31, 2007: € 510 million).

Third quarter 2008

Fresenius Vamed reported sales growth of 53 % to € 113 million in Q3 2008 (Q3 2007: € 74 million). Organic sales growth was excellent at 52 %. EBIT more than doubled to € 5 million (Q3 2007: € 2 million). EBIT margin was 4.4 %, compared to 2.7 % in Q3 2007. Net income was € 5 million (Q3 2007: € 3 million), an increase of 67 %.

EMPLOYEES

As of September 30, 2008, Fresenius increased the number of its employees by 6 % to 121,288 worldwide (December 31, 2007: 114,181). The increase was mainly driven by Fresenius Medical Care and by Fresenius Kabi due to the acquisitions of APP Pharmaceuticals and Dabur Pharma.

Employees by business segment

	Sep 30, 2008	Dec 31, 2007	Change in %
Fresenius Medical Care	67,342	64,662	4
Fresenius Kabi	20,504	16,964	21
Fresenius Helios	30,804	30,043	3
Fresenius Vamed	1,833	1,767	4
Corporate/Other	805	745	8
Total (per capita on balance sheet date)	**121,288**	**114,181**	**6**

RESEARCH AND DEVELOPMENT

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

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

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

Dialysis

Research and development at Fresenius Medical Care is focused on products and therapies for dialysis and other extracorporeal blood therapies. Fresenius Medical Care benefits from its unique position as a vertically integrated company, covering both dialysis products and dialysis care. Our projects' main focus was on the further development of dialyzers and on market-specific adaptations for our hemodialysis machines.

Infusion therapy and clinical nutrition

Fresenius Kabi's research and development efforts are focused on infusion therapy and clinical nutrition as well as on medical devices. Our development competence spans all product-relevant components: the primary packaging, pharmaceutical solutions for infusion therapy and clinical nutrition, medical devices for application and the manufacturing technology for their production.The research and development strategy is built on the development of innovative products in product areas where we hold a leading position as well as on the continuous improvement of our pharmaceutical products and medical devices.

Antibody therapies

Fresenius Biotech develops innovative therapies with trifunctional antibodies for the treatment of cancer. 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.

The registration process for Removab in Europe in the indication malignant ascites is proceeding according to plan. Fresenius Biotech dispatched the marketing authorization application to the European Medicines Agency (EMEA) in December 2007 and expects a recommendation from EMEA's Committee for Human Medicinal Products in early 2009.

Fresenius Biotech's EBIT was € -32 million (Q1-3/2007: € -33 million).

Research and development expenses by business segment

in million €	Q1–3/2008	Q1–3/2007	Change in %
Fresenius Medical Care	40	32	25
Fresenius Kabi	71	61	16
Fresenius Helios	0	1	-100
Fresenius Vamed	0	0	0
Corporate/Other[1]	34	36	-6
Total	**145**	**130**	**12**

[1] Before special items from the APP acquisition (depreciation of acquired in-process R & D activities of € 175 million)

OPPORTUNITIES AND RISK REPORT

Compared to the presentation in the 2007 annual report, there have been no material changes in Fresenius' overall opportunities and risk situation. The debt level of the group has significantly increased with the acquisition of APP Pharmaceuticals. For a detailed description of the APP Pharmaceuticals risk factors please see the S-4 and 10-Q SEC filings of Fresenius Kabi Pharmaceuticals Holding, Inc.

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

In addition, we report on legal proceedings, currency and interest risks on pages 45 to 52 in the Notes of this report.

SUBSEQUENT EVENTS

There were no significant changes in the Group position or environment sector since the end of the first three quarters of 2008.

OUTLOOK 2008

Fresenius Group

Based on the Group's excellent revenue development in the first three quarters Fresenius raises its sales outlook for 2008. Fresenius now expects to achieve sales growth of 9.5 to 10.5 % in constant currency. Previously, Fresenius expected sales growth of 8 to 10 % in constant currency. Net income is expected to increase by 10 to 15 % in constant currency. The outlook excludes the APP acquisition and related special items.

Fresenius Medical Care

For 2008, Fresenius Medical Care confirms its outlook and expects to achieve revenue of more than US$ 10.4 billion, an increase of more than 7 %. Net income is projected to be between US$ 805 million and US$ 825 million, an increase of 12 % to 15 %.

Fresenius Kabi

To allow accurate tracking of the company's underlying performance, Fresenius Kabi's guidance for 2008 does not comprise any effects of the APP acquisition. On this basis, Fresenius Kabi fully confirms its outlook: The company now targets sales growth in constant currency at the upper end of the previously announced range of 12 to 15 %. Fresenius Kabi forecasts an EBIT margin of about 16.5 %. Inclusion of APP Pharmaceuticals would increase both metrics.

APP has modified its 2008 outlook provided in July. This is mainly the result of lowered sales expectations for Heparin. The company now expects sales in the range of US$ 765 to 785 million (previously US$ 800 to 820 million), an increase of 19 to 22 % compared to US$ 647 million in 2007. Adjusted EBITDA is expected to rise 24 to 28 % to between US$ 315 to 325 million (previously US$ 325 to 350 million), compared to US$ 253 million last year. The new guidance is still slightly ahead of Fresenius Kabi's acquisition business plan.

Fresenius Helios

Fresenius Helios raises the sales outlook for 2008: The company expects to achieve sales of € 2,050 to 2,100 million. Previously, Fresenius Helios expected sales of more than € 2,050 million for 2008. EBIT is projected to reach the upper end of the announced range of € 160 to 170 million, including the negative contribution from the hospitals Krefeld and Hüls.

Fresenius Vamed
Fresenius Vamed raises its outlook for 2008 and expects to grow sales by 15 to 20 %. EBIT is expected to grow by more than 10 %. Previously, both sales and EBIT were expected to grow by 5 to 10 %.

Fresenius Biotech
For 2008, Fresenius Biotech expects an EBIT of € -45 million to € -50 million.

Investments
Fresenius plans to invest in further growth and to increase capital expenditure in property, plant and equipment. In 2008, we expect to invest about € 750 million in property, plant and equipment and in intangible assets.

Employees
For 2008, we expect to increase the number of employees in all business segments. This should be driven by strong organic growth as well as by acquisitions.

Research and development
We will continue to concentrate our research and development on products for the treatment of patients with chronic kidney failure and on infusion and nutrition therapies. We are also focusing on targeted development in the biotechnology sector, mainly in the field of antibody therapies for the treatment of cancer.

Group Financial Outlook 2008

(excl. APP Pharmaceuticals and before acquisition-related special items)

	Old guidance	New guidance
Revenue growth in constant currency	8–10 %	9.5–10.5 %
Net income growth in constant currency	10–15 %	Confirmed

Business Segments Financial Outlook 2008

		Old guidance	New guidance
Fresenius Medical Care	Sales	> US$ 10.4 bn	Confirmed
	Net income	US$ 805 – 825 m	Confirmed
Fresenius Kabi (excl. APP Pharmaceuticals)	Sales growth (in constant currency)	12–15 %	Confirmed at upper end of range
	EBIT margin	~16.5 %	Confirmed
Fresenius Helios	Sales	> € 2,050 m	€ 2,050 – 2,100 m
	EBIT	€ 160 – 170 m	Confirmed at upper end of range
Fresenius Vamed	Sales growth	5–10 %	15–20 %
	EBIT growth	5–10 %	> 10 %
Fresenius Biotech	EBIT	~ € -50 m	€ -45 to -50 m

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

in million €	**Q3/2008**	Q3/2007	**Q1–3/2008**	Q1–3/2007
Sales	**3,051**	2,798	**8,761**	8,390
Cost of sales	**-2,094**	-1,874	**-5,973**	-5,642
Gross profit	**957**	924	**2,788**	2,748
Selling, general and administrative expenses	**-458**	-474	**-1,415**	-1,434
Research and development expenses	**-227**	-46	**-320**	-130
Operating income (EBIT)	**272**	404	**1,053**	1,184
Net interest	**-104**	-94	**-271**	-279
Other financial result	**-34**	0	**-34**	0
Financial result	**-138**	-94	**-305**	-279
Earnings before income taxes and minority interest	**134**	310	**748**	905
Income taxes	**-94**	-112	**-308**	-326
Minority interest	**-99**	-95	**-287**	-281
Net income	**-59**	103	**153**	298
Basic earnings per ordinary share in €	**-0.39**	0.66	**0.97**	1.92
Fully diluted earnings per ordinary share in €	**-0.38**	0.66	**0.96**	1.90
Basic earnings per preference share in €	**-0.39**	0.66	**0.98**	1.93
Fully diluted earnings per preference share in €	**-0.38**	0.66	**0.97**	1.91

See accompanying Notes to the unaudited Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

in million €	September 30, 2008	December 31, 2007
Cash and cash equivalents	**333**	361
Trade accounts receivable, less allowance for doubtful accounts	**2,430**	2,159
Accounts receivable from and loans to related parties	**16**	8
Inventories	**1,149**	875
Prepaid expenses and other current assets	**783**	603
Deferred taxes	**306**	285
I. Total current assets	**5,017**	4,291
Property, plant and equipment	**3,354**	2,971
Goodwill	**10,194**	7,094
Other intangible assets	**1,051**	546
Other non-current assets	**354**	290
Deferred taxes	**144**	132
II. Total non-current assets	**15,097**	11,033
Total assets	**20,114**	15,324
Trade accounts payable	**485**	485
Short-term accounts payable to related parties	**4**	5
Short-term accrued expenses and other short-term liabilities	**2,223**	1,897
Short-term borrowings	**616**	362
Short-term loans from related parties	**–**	–
Current portion of long-term debt and liabilities from capital lease obligations	**374**	115
Current portion of Senior Notes	**100**	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	**0**	455
Short-term accruals for income taxes	**149**	158
Deferred taxes	**41**	26
A. Total short-term liabilities	**3,992**	3,503
Long-term debt and liabilities from capital lease obligations, less current portion	**5,704**	2,887
Senior Notes, less current portion	**1,344**	1,434
Mandatory Exchangeable Bonds	**554**	0
Long-term accrued expenses and other long-term liabilities	**432**	326
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	**450**	446
Pension liabilities	**283**	270
Long-term accruals for income taxes	**141**	87
Deferred taxes	**464**	312
B. Total long-term liabilities	**9,372**	5,762
I. Total liabilities	**13,364**	9,265
II. Minority interest	**2,905**	2,644
Subscribed capital	**161**	155
Capital reserve	**2,043**	1,739
Other reserves	**1,686**	1,636
Accumulated other comprehensive loss	**-45**	-115
III. Total shareholders' equity	**3,845**	3,415
Total liabilities and shareholders' equity	**20,114**	15,324

See accompanying Notes to the unaudited Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

in million €	Q1–3/2008	Q1–3/2007
Cash provided by/used for operating activities		
Net income	153	298
Minority interest	287	281
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	521	301
Change in deferred taxes	31	25
Gain/loss on sale of fixed assets	-67	0
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	-164	-62
Change in inventories	-96	-140
Change in prepaid expenses and other current and non-current assets	-109	7
Change in accounts receivable from/payable to related parties	-9	-1
Change in trade accounts payable, accruals and other short-term and long-term liabilities	154	160
Change in accruals for income taxes	35	43
Cash provided by/used for operating activities	736	912
Cash provided by/used for investing activities		
Purchase of property, plant and equipment	-513	-492
Proceeds from the sale of property, plant and equipment	17	31
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	-2,961	-235
Proceeds from divestitures	86	49
Cash used for investing activities	-3,371	-647
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	62	67
Repayments of short-term borrowings	-179	-40
Proceeds from borrowings from related parties	0	–
Proceeds from long-term debt and liabilities from capital lease obligations	2,401	580
Repayments of long-term debt and liabilities from capital lease obligations	-167	-470
Repayments of trust preferred securities of Fresenius Medical Care Capital Trusts	-443	0
Proceeds from the issuance of bearer ordinary shares	143	0
Proceeds from the issuance of bearer preference shares	146	0
Payments of additional costs of capital increase	-6	0
Proceeds from the issuance of mandatory exchangeable bonds	554	0
Changes of accounts receivable facility	297	-198
Proceeds from the exercise of stock options	33	42
Dividends paid	-235	-191
Change in minority interest	-3	0
Exchange rate effect due to corporate financing	–	14
Cash provided by/used for financing activities	2,603	-196
Effect of exchange rate changes on cash and cash equivalents	4	-11
Net decrease/increase in cash and cash equivalents	-28	58
Cash and cash equivalents at the beginning of the reporting period	361	261
Cash and cash equivalents at the end of the reporting period	333	319

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, 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 obligation						
Comprehensive income (loss)						
As of September 30, 2007	**77,521**	**77,521**	**77,521**	**77,521**	**155,042**	**155**
As of December 31, 2007	**77,582**	**77,582**	**77,582**	**77,582**	**155,164**	**155**
Issuance of bearer ordinary and bearer preference shares	2,748	2,748	2,748	2,748	5,496	5
Proceeds from the exercise of stock options	238	238	238	238	476	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 obligation						
Comprehensive income (loss)						
As of September 30, 2008	**80,568**	**80,568**	**80,568**	**80,568**	**161,136**	**161**

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, 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 obligation					5	5
Comprehensive income (loss)		298	-79	-17	5	207
As of September 30, 2007	**1,730**	**1,524**	**-45**	**13**	**-62**	**3,315**
As of December 31, 2007	**1,739**	**1,636**	**-86**	**-9**	**-20**	**3,415**
Issuance of bearer ordinary and bearer preference shares	278					283
Proceeds from the exercise of stock options	12					13
Compensation expense related to stock options	14					14
Dividends paid		-103				-103
Comprehensive income (loss)						
Net income		153				153
Other comprehensive income (loss) related to						
Cash flow hedges				-11		-11
Foreign currency translation			83			83
Adjustments relating to pension obligation					-2	-2
Comprehensive income (loss)		153	83	-11	-2	223
As of September 30, 2008	**2,043**	**1,686**	**-3**	**-20**	**-22**	**3,845**

See accompanying Notes to the unaudited Consolidated Financial Statements.

SEGMENT REPORTING FIRST THREE QUARTERS

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other[4]			Fresenius Group		
by business segment, in million €	**2008**	2007	Change	**2008**	2007	Change	**2008**	2007[1]	Change	**2008**	2007[1]	Change	**2008**	2007[1]	Change	**2008**	2007	Change
Sales	**5,184**	5,320	-3 %	**1,734**	1,494	16 %	**1,568**	1,348	16 %	**290**	234	24 %	**-15**	-6	-150 %	**8,761**	8,390	4 %
thereof contribution to consolidated sales	**5,181**	5,318	-3 %	**1,707**	1,461	17 %	**1,568**	1,348	16 %	**290**	234	24 %	**15**	29	-48 %	**8,761**	8,390	4 %
thereof intercompany sales	**3**	2	50 %	**27**	33	-18 %	**0**	0	0 %	**0**	0	0 %	**-30**	-35	14 %	**0**	0	
contribution to consolidated sales	**59 %**	63 %		**20 %**	18 %		**18 %**	16 %		**3 %**	3 %		**0 %**	0 %		**100 %**	100 %	
EBITDA	**1,016**	1,051	-3 %	**358**	299	20 %	**183**	149	23 %	**17**	15	13 %	**0**	-29	100 %	**1,574**	1,485	6 %
Depreciation and amortization	**201**	194	4 %	**68**	57	19 %	**56**	39	44 %	**3**	4	-25 %	**193**	7	--	**521**	301	73 %
EBIT	**815**	857	-5 %	**290**	242	20 %	**127**	110	15 %	**14**	11	27 %	**-193**	-36	--	**1,053**	1,184	-11 %
Net interest	**-166**	-209	21 %	**-64**	-37	-73 %	**-44**	-36	-22 %	**4**	4	0 %	**-1**	-1	0 %	**-271**	-279	3 %
Net income	**396**	387	2 %	**149**	132	13 %	**59**	44	34 %	**14**	11	27 %	**-465**	-276	-68 %	**153**	298	-49 %
Operating cash flow	**470**	662	-29 %	**144**	119	21 %	**185**	159	16 %	**0**	19	-100 %	**-63**	-47	-34 %	**736**	912	-19 %
Cash flow before acquisitions and dividends	**147**	395	-63 %	**69**	33	109 %	**98**	60	63 %	**-3**	15	-120 %	**-71**	-52	-37 %	**240**	451	-47 %
Total assets[2]	**10,337**	9,626	7 %	**6,293**	2,310	172 %	**3,105**	3,072	1 %	**383**	390	-2 %	**-4**	-74	95 %	**20,114**	15,324	31 %
Debt[2]	**4,019**	3,833	5 %	**4,151**	1,121	--	**1,082**	1,136	-5 %	**2**	0	--	**-666**	-391	-70 %	**8,588**	5,699	51 %
Capital expenditure	**330**	283	17 %	**73**	76	-4 %	**88**	112	-21 %	**3**	4	-25 %	**8**	6	33 %	**502**	481	4 %
Acquisitions	**150**	114	32 %	**3,564**	41	--	**4**	84	-95 %	**12**	6	100 %	**30**	1	--	**3,760**	246	--
Research and development expenses	**40**	32	25 %	**71**	61	16 %	**0**	1	-100 %	**0**	0	0 %	**209**	36	--	**320**	130	146 %
Employees (Per capita on balance sheet date)[2]	**67,342**	64,662	4 %	**20,504**	16,964	21 %	**30,804**	30,043	3 %	**1,833**	1,767	4 %	**805**	745	8 %	**121,288**	114,181	6 %
Key figures																		
EBITDA margin	**19.6 %**	19.7 %		**20.6 %**	20.0 %		**11.7 %**	11.1 %		**5.9 %**	6.4 %					**17.6 %[5]**	17.7 %	
EBIT margin	**15.7 %**	16.1 %		**16.7 %**	16.2 %		**8.1 %**	8.2 %		**4.8 %**	4.7 %					**13.8 %[5]**	14.1 %	
Depreciation and amortization in % of sales	**3.9 %**	3.6 %		**3.9 %**	3.8 %		**3.6 %**	2.9 %		**1.0 %**	1.7 %					**3.8 %[5]**	3.6 %	
Operating cash flow in % of sales	**9.1 %**	12.4 %		**8.3 %**	8.0 %		**11.8 %**	11.8 %		**0.0 %**	8.1 %					**8.4 %**	10.9 %	
ROOA[2]	**12.5 %**	12.5 %		**8.5 %**	17.7 %		**6.1 %**	5.6 %		**13.8 %**	22.8 %					**9.5 %[3]**	11.4 %	

[1] Prior year's segment data have been adjusted according to the new company structure as of January 1, 2008.
[2] 2007: December 31
[3] The underlying pro-forma EBIT does not include one-time items relating to the APP acquisition.
[4] including special items from the APP acquisition
[5] before special items from the APP acquisition

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

SEGMENT REPORTING THIRD QUARTER

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other[2]			Fresenius Group		
by business segment, in million €	**2008**	2007	Change	**2008**	2007	Change	**2008**	2007[1]	Change	**2008**	2007[1]	Change	**2008**	2007[1]	Change	**2008**	2007	Change
Sales	**1,802**	1,766	2 %	**613**	508	21 %	**528**	458	15 %	**113**	74	53 %	**-5**	-8	38 %	**3,051**	2,798	9 %
thereof contribution to consolidated sales	**1,801**	1,765	2 %	**603**	497	21 %	**528**	458	15 %	**113**	74	53 %	**6**	4	50 %	**3,051**	2,798	9 %
thereof intercompany sales	**1**	1	0 %	**10**	11	-9 %	**0**	0	0 %	**0**	0	0 %	**-11**	-12	8 %	**0**	0	
contribution to consolidated sales	**59 %**	63 %		**20 %**	18 %		**17 %**	16 %		**4 %**	3 %		**0 %**	0 %		**100 %**	100 %	
EBITDA	**352**	354	-1 %	**135**	102	32 %	**63**	58	9 %	**6**	4	50 %	**20**	-10	--	**576**	508	13 %
Depreciation and amortization	**71**	65	9 %	**26**	19	37 %	**19**	16	19 %	**1**	2	-50 %	**187**	2	--	**304**	104	192 %
EBIT	**281**	289	-3 %	**109**	83	31 %	**44**	42	5 %	**5**	2	150 %	**-167**	-12	--	**272**	404	-33 %
Net interest	**-58**	-69	16 %	**-30**	-13	-131 %	**-14**	-13	-8 %	**1**	2	-50 %	**-3**	-1	--	**-104**	-94	-11 %
Net income	**137**	132	4 %	**52**	45	16 %	**22**	18	22 %	**5**	3	67 %	**-275**	-95	-189 %	**-59**	103	-157 %
Operating cash flow	**208**	280	-26 %	**54**	57	-5 %	**63**	54	17 %	**-41**	-5	--	**-29**	-27	-7 %	**255**	359	-29 %
Cash flow before acquisitions and dividends	**102**	191	-47 %	**25**	25	0 %	**37**	13	185 %	**-42**	-7	--	**-31**	-29	-7 %	**91**	193	-53 %
Capital expenditure	**106**	96	10 %	**36**	32	13 %	**26**	46	-43 %	**1**	1	0 %	**1**	4	-75 %	**170**	179	-5 %
Acquisitions	**62**	22	182 %	**3,401**	3	--	**4**	0	--	**1**	0	--	**0**	-2	100 %	**3,468**	23	--
Research and development expenses	**14**	11	27 %	**27**	21	29 %	**0**	0	0 %	**0**	0	0 %	**186**	14	--	**227**	46	--
Key figures																		
EBITDA margin	**19.5 %**	20.0 %		**22.0 %**	20.1 %		**11.9 %**	12.7 %		**5.3 %**	5.4 %					**18.0 %[3]**	18.2 %	
EBIT margin	**15.6 %**	16.4 %		**17.8 %**	16.3 %		**8.3 %**	9.2 %		**4.4 %**	2.7 %					**14.0 %[3]**	14.4 %	
Depreciation and amortization in % of sales	**3.9 %**	3.7 %		**4.2 %**	3.7 %		**3.6 %**	3.5 %		**0.9 %**	2.7 %					**3.9 %[3]**	3.7 %	
Operating cash flow in % of sales	**11.6 %**	15.9 %		**8.8 %**	11.2 %		**11.9 %**	11.8 %		**-36.3 %**	-6.8 %					**8.4 %**	12.8 %	

[1] Prior year's segment data have been adjusted according to the new company structure as of January 1, 2008.
[2] including special items from the APP acquisition
[3] before special items from the APP acquisition

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

FRESENIUS

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of Fresenius SE, the operating activities were split into the following legally-independent business segments (subgroups) as of September 30, 2008:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

As of January 1, 2008, Fresenius has reorganized its hospital business. The business segment Fresenius ProServe has been replaced by the two new business segments – Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is focused on hospital operations. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

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

II. BASIS OF PRESENTATION

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

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2008 have not been audited and should be read in conjunction with the notes included in the consolidated financial statements as of December 31, 2007, published in the 2007 Annual Report. In addition to the reported acquisitions (see Note 2, Acquisitions), there have been no other major changes in the entities consolidated.

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2008 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 ended September 30, 2008 are not necessarily indicative of the results of operations for the fiscal year 2008 ending December 31, 2008.

Classification

Certain items in the prior year's quarterly financial reports and the prior year's consolidated financial statements have been reclassified to conform with the current year's presentation. The prior year's segment data have been adjusted according to the new company structure. The data reported for Fresenius ProServe in the year 2007 have mainly been allocated to the new segments Fresenius Helios and Fresenius Vamed. The holding functions of Fresenius ProServe have been incorporated into the segment Corporate/Other.

Use of estimates

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

IV. NEW ACCOUNTING STANDARDS

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

The fair value option:

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

This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Fresenius Group has not opted to measure any eligible items at fair value at this time.

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

In December 2007, FASB issued **Statement No. 141** (revised), Business Combinations (FAS 141(R)). This Statement replaces FASB Statement No. 141, Business Combinations and retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control.

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

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

In March 2008, FASB issued **Statement No. 161**, Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133 (FAS 161). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

The requirements of this Statement are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages comparative disclosures for earlier periods at initial adoption. The Fresenius Group is currently evaluating the impact of this standard on its consolidated financial statements.

In June 2008, FASB issued **Emerging Issues Task Force (EITF) Issue No. 08-3**, Accounting by Lessees for Maintenance Deposits under Lease Arrangements. EITF 08-3 rules how to account for maintenance deposits when the excess amounts on the deposit at the expiration of the lease are to be retained by the lessor (non-refundable maintenance deposits). According to EITF 08-3, all non-refundable maintenance deposits shall be accounted for as deposits. For the Fresenius Group, this standard is effective for interim periods and fiscal years beginning after December 15, 2008. The Fresenius Group is currently evaluating the impact of this standard on its consolidated financial statements.

2. ACQUISITIONS

The Fresenius Group made acquisitions of € 3,760 million and € 246 million in the first three quarters of 2008 and the first three quarters of 2007, respectively. Of this amount, € 2,961 million were paid in cash and € 796 million were assumed obligations in the first three quarters of 2008.

In the first three quarters of 2008, acquisition spending of Fresenius Medical Care in an amount of € 150 million related mainly to the purchase of dialysis clinics and the license agreements described in the following.

In July 2008, Fresenius Medical Care entered into two separate and independent license and distribution agreements, one for the US and one for certain countries in Europe and the Middle East, to market and distribute Galenica Ltd.'s and Luitpold Pharmaceuticals, Inc.'s intravenous iron products, such as Venofer® and Ferinject® for dialysis treatment. In North America, the license agreement among Fresenius Medical Care Holdings, Inc. (FMCH), Luitpold Pharmaceuticals, Inc., American Regent, Inc. and Vifor (International), Inc. provides FMCH with exclusive rights to manufacture and distribute Venofer® to freestanding (non-hospital based) US dialysis facilities. In addition, it grants FMCH similar rights for Injectafer® (ferric carboxymaltose), a proposed new IV iron medication currently under clinical study in the US. The US license agreement has a term of ten years, includes FMCH extension options, and requires payment by FMCH over the ten year term of aggregate royalties of approximately US$ 2 billion, subject to certain early termination provisions.

In the first three quarters of 2008, Fresenius Kabi spent € 3,564 million which mainly referred to the acquisitions of APP Pharmaceuticals, Inc. (APP), United States, and Dabur Pharma Ltd., India.

In July 2008, Fresenius Kabi has signed definitive agreements to acquire 100 % of the share capital of APP. APP is a leading manufacturer of intravenously administered generic drugs (I.V. generics) in North America. Through the acquisition of APP, Fresenius Kabi enters the US pharmaceuticals market and achieves a leading position in the global I.V. generics market.

APP focuses on I.V. generics for hospital use and distributes its products in the US and Canada. The company employs around 1,400 people and has modern production facilities in Illinois, New York and Puerto Rico as well as a distribution company in Toronto, Canada. In 2007, APP achieved sales of US$ 647 million and an adjusted EBITDA of US$ 253 million.

After receipt of all necessary regulatory approvals and fulfillment of further closing conditions, Fresenius Kabi has completed the acquisition of APP on September 10, 2008.

APP shareholders received a Cash Purchase Price of US$ 23.00 per share. Based on the Cash Purchase Price, the transaction values the fully diluted equity capital of APP at approximately US$ 3.7 billion. Furthermore, the shareholders received a registered and tradable Contingent Value Right (CVR) that could deliver up to US$ 6.00 per share additionally, payable in 2011, if APP exceeds a cumulative adjusted EBITDA target for 2008 to 2010.

The acquisition is financed with a mix of debt and equity. On July 17, 2008, the Fresenius Group launched an issue of mandatory exchangeable bonds with an aggregate nominal amount of € 554.4 million (see Note 13, Mandatory Exchangeable Bonds). As a further financing component, Fresenius SE completed a capital increase in an amount of approximately € 289 million on August 15, 2008 (see Note 17, Shareholders' Equity).

Furthermore, Fresenius SE syndicated senior secured credit facilities in an amount of US$ 2.45 billion to finance the acquisition of APP on August 20, 2008. Thereof, US$ 2.25 billion were used for the purchase price, the refinancing of APP's existing debt, transaction fees and expenses. In October 2008, Fresenius SE has increased the facilities by converted US$ 500 million to US$ 2.95 billion (see Note 11, Debt and liabilities from capital lease obligations).

In addition, the Fresenius Group entered into a Bridge Credit Agreement of US$ 1.3 billion on August 20, 2008. In October 2008, the Bridge Credit Agreement was reduced to US$ 650 million using the proceeds of the increase of the senior secured credit facilities and with funds obtained under other existing credit facilities (see Note 11, Debt and liabilities from capital lease obligations).

The Fresenius Group has consolidated APP with a net income of € -160 million as of September 1, 2008. Included therein are special revenues in an amount of € 36 million resulting from the valuation of the CVR (see Note 4, Other financial result) as well as one-time special charges in an amount of € 200 million in connection with the first-time consolidation and the financing of the acquisition.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This preliminary allocation of the purchase price is based upon the best information available to management at present. Due to the relatively short interval between the closing date of the acquisition and the balance sheet date, this information may be incomplete. Any adjustments to the preliminary allocation, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

The preliminary purchase price allocation is as follows:

in million US$	
Net working capital and other assets	183
Property, plant and equipment	133
In-process research and development	252
Identifiable intangible assets	610
Deferred tax liability, net	-126
Non-current assets	128
Non-current liabilities	-4
Goodwill	3,732
Total	**4,908**

The acquisition increased the total assets of the Fresenius Group by € 3.5 billion. The identifiable intangible assets acquired in an amount of US$ 610 million mainly comprise product rights and have an average useful life of 15 years. The capitalized goodwill in an amount of US$ 3.7 billion is not deductible for tax purposes.

The following financial information on a pro forma basis reflects the consolidated results of operations as if the acquisition of APP had been consummated at the beginning of 2008 and 2007, respectively. To achieve better comparability, special items were solely adjusted in 2008. The pro forma information includes adjustments mainly for interest expense on acquisition debt and income taxes. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the acquisition of APP been consummated at the beginning of the respective periods.

in million €	Q1–3/2008 as reported	Q1–3/2008 pro forma	Q1–3/2007 as reported	Q1–3/2007 pro forma
Sales	**8,761**	**9,066**	8,390	8,723
Adjusted net income[1)]	**324**	**282**	298	221
Net income	**153**	**95**	298	221
Basic earnings per ordinary share in €	**0.97**	**0.60**	1.92	1.42
Fully diluted earning per ordinary share in €	**0.96**	**0.59**	1.90	1.40
Basic earnings per preference share in €	**0.98**	**0.61**	1.93	1.43
Fully diluted earning per preference share in €	**0.97**	**0.60**	1.91	1.41

1) Before special items relating to the APP acquisition (for details see management report, chapter "Results of operations, financial position, assets and liabilities")

In April 2008, Fresenius Kabi has entered into agreements to acquire 73.3 % of the share capital of the Indian company Dabur Pharma Ltd. for a price of Indian rupee 76.50 per share in cash (total amount: € 139 million). In accordance with Indian regulations, Fresenius Kabi also announced a public offer to acquire up to a further 20 % shareholding for a price of Indian rupee 76.50 per share in cash. Meanwhile, the public offer was successfully completed. After closing of the transaction on August 11, 2008, Fresenius Kabi holds about 90 % of the shares. The total cash purchase price of Dabur Pharma Ltd. was € 177 million.

In the first quarter of 2008, in the segment Corporate/Other additional shares of HELIOS Kliniken GmbH, Germany, were acquired for a purchase price of € 31 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

The consolidated statement of income for the first three quarters of 2008 includes several special items relating to the acquisition of APP. These special items are explained in the chapter "Results of operations, financial position, assets and liabilities" of the management report. Including special items, EBIT is € 1,053 million and net income is € 153 million. EBIT before special items and net income before special items were € 1,209 million and € 324 million, respectively.

3. SALES

Sales by activity were as follows:

in million €	**Q1–3/2008**	Q1–3/2007
Sales of services	**5,548**	5,485
Sales of products and related goods	**3,088**	2,765
Sales from long-term production contracts	**125**	140
Other sales	**–**	0
Sales	**8,761**	8,390

4. OTHER FINANCIAL RESULT

The item other financial result includes the following special charges and revenues with regard to the acquisition of APP and its financing:

The registered and tradable Contingent Value Rights awarded to the APP shareholders are traded at the NASDAQ Stock Exchange in the United States. The corresponding liability is therefore valued with the current stock exchange price at the reporting date. This valuation resulted in a revenue of € 36 million as of September 30, 2008.

Due to its contractual definition, the issued Mandatory Exchangeable Bonds include derivative financial instruments that have to be measured at fair value. This measurement resulted in an expense of € 38 million as of September 30, 2008. However, this measurement does not cause a change of the Mandatory Exchangeable Bonds' nominal amount of € 554.4 million that has to be settled in ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) upon maturity, but merely reflects the share price development of these shares (see Note 13, Mandatory Exchangeable Bonds).

Furthermore, in the third quarter of 2008, the Fresenius Group incurred one-time financing expenses in an amount of € 32 million relating to the APP acquisition.

5. TAXES

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 reduced Fresenius Group's German entities' combined corporate income tax rate to an average of 29.8 % effective as of January 1, 2008. Deferred tax assets and liabilities for German entities which will be realized in 2008 and beyond are calculated with the new enacted tax rate.

Fresenius SE and its subsidiaries are subject to tax audits on a regular basis. On May 28, 2008, Fresenius Medical Care entered into a settlement agreement with the Internal Revenue Service (IRS) to resolve its appeal of the IRS's disallowance of deductions for the civil settlement payments made to qui tam relators in connection with the resolution of the 2000 investigation. As a result of this settlement agreement, Fresenius Medical Care received a refund in September 2008 of US$ 37 million (€ 26 million) inclusive of interest. The settlement agreement preserves Fresenius Medical Care´s right to continue to pursue claims in the US Federal courts for refund of all other disallowed deductions. For the tax year 1997, Fresenius Medical Care recognized an impairment of one of its subsidiaries which the German tax authorities have disallowed in the audit for the years 1996 and 1997. Fresenius Medical Care disagrees with such conclusion, believes it has valid arguments and has filed a complaint with the appropriate German court to challenge the tax authority’s decision. An adverse determination in this litigation could have a material adverse effect on Fresenius Medical Care’s results of operations in the relevant reporting period. Furthermore, during the first three quarters of 2008, there were no material changes according to tax audits, unrecognized tax benefits as well as recognized and accrued payments for interest and penalties. Explanations regarding the tax audits and further information can be found in the consolidated financial statements in the 2007 Annual Report.

6. 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 for the first three quarters ending September 30.

	Q1–3/2008	Q1–3/2007
Numerators in million €		
Net income	**153**	298
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	**152**	296
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**78,283,473**	77,338,119
Weighted-average number of preference shares outstanding	**78,283,473**	77,338,119
Weighted-average number of shares outstanding of all classes	**156,566,946**	154,676,238
Potentially dilutive ordinary shares	**655,800**	837,431
Potentially dilutive preference shares	**655,800**	837,431
Weighted-average number of ordinary shares outstanding assuming dilution	**78,939,273**	78,175,550
Weighted-average number of preference shares outstanding assuming dilution	**78,939,273**	78,175,550
Weighted-average number of shares outstanding of all classes assuming dilution	**157,878,546**	156,351,100
Basic earnings per ordinary share in €	**0.97**	1.92
Preference per preference share in €	**0.01**	0.01
Basic earnings per preference share in €	**0.98**	1.93
Fully diluted earnings per ordinary share in €	**0.96**	1.90
Preference per preference share in €	**0.01**	0.01
Fully diluted earnings per preference share in €	**0.97**	1.91

NOTES ON THE CONSOLIDATED BALANCE SHEET

7. CASH AND CASH EQUIVALENTS

As of September 30, 2008 and December 31, 2007, cash and cash equivalents were as follows:

in million €	September 30, 2008	December 31, 2007
Cash	325	349
Securities (with a maturity of up to 90 days)	8	12
Cash and cash equivalents	**333**	361

As of September 30, 2008 and December 31, 2007, committed funds of € 74 million and € 65 million, respectively, were included in cash and cash equivalents.

8. TRADE ACCOUNTS RECEIVABLE

As of September 30, 2008 and December 31, 2007, trade accounts receivable were as follows:

in million €	September 30, 2008	December 31, 2007
Trade accounts receivable	2,679	2,382
less allowance for doubtful accounts	249	223
Trade accounts receivable, net	**2,430**	2,159

9. INVENTORIES

As of September 30, 2008 and December 31, 2007, inventories consisted of the following:

in million €	September 30, 2008	December 31, 2007
Raw materials and purchased components	285	200
Work in process	172	125
Finished goods	692	550
Inventories	**1,149**	875

10. GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2008 and December 31, 2007, intangible assets, split into amortizable and non-amortizable intangible assets, consisted of the following:

Amortizable intangible assets

	September 30, 2008			December 31, 2007		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Non-compete agreements	153	98	55	144	88	56
Technology	70	7	63	68	3	65
Other	1,056	448	608	347	239	108
Total	**1,279**	**553**	**726**	559	330	229

Non-amortizable intangible assets

	September 30, 2008			December 31, 2007		
in million €	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	172	0	172	168	0	168
Management contracts	153	0	153	149	0	149
Goodwill	10,198	4	10,194	7,098	4	7,094
Total	10,523	4	10,519	7,415	4	7,411

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

in million €	Q4/2008	2009	2010	2011	2012	Q1–3/2013
Estimated amortization expenses	21	71	67	62	60	41

The carrying amount of goodwill has developed as follows:

in million €	
Carrying amount as of January 1, 2008	**7,094**
Additions	2,957
Disposals	-6
Foreign currency translation	149
Carrying amount as of September 30, 2008	**10,194**

11. DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

SHORT-TERM BORROWINGS

Short-term borrowings of € 616 million and € 362 million at September 30, 2008 and December 31, 2007, respectively, consisted of € 241 million borrowed by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks and US$ 537 million (€ 375 million) outstanding short-term borrowings under the accounts receivable facility of Fresenius Medical Care. In addition, Fresenius SE has a commercial paper program which was not utilized at September 30, 2008.

The rise of short-term borrowings mainly refers to the increase of Fresenius Medical Care's short-term borrowings under its accounts receivable facility. Fresenius Medical Care used the proceeds, together with borrowings under its other existing long-term credit facilities, to redeem its trust preferred securities that became due on February 1, 2008.

LONG-TERM DEBT AND LIABILITIES FROM CAPITAL LEASE OBLIGATIONS

As of September 30, 2008 and December 31, 2007, long-term debt and liabilities from capital lease obligations consisted of the following:

in million €	**September 30, 2008**	December 31, 2007
Fresenius Medical Care 2006 Senior Credit Agreement	**2,337**	2,151
2008 Senior Credit Agreement	**1,468**	0
Bridge Credit Agreement	**909**	0
Euro Notes	**800**	440
European Investment Bank Agreements	**312**	169
Capital lease obligations	**41**	42
Other	**211**	200
Subtotal	**6,078**	3,002
less current portion	**374**	115
Long-term debt and liabilities from capital lease obligations, less current portion	**5,704**	2,887

2008 Senior Credit Agreement

In connection with the acquisition of APP, the Fresenius Group entered into a US$ 2.45 billion syndicated credit agreement (2008 Senior Credit Agreement) on August 20, 2008.

The 2008 Senior Credit Agreement consists of:

- five-year Term Loan A Facilities in the aggregate principal amount of US$ 1,000 million (of which US$ 500 million is available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE, and US$ 500 million is available to APP Pharmaceuticals, LLC). The Term Loan A Facilities amortize and are repayable in 10 unequal semi-annual installments commencing on June 10, 2009 with a final maturity date on September 10, 2013;
- six-year Term Loan B Facilities in the aggregate principal amount of US$ 1,000 million (of which US$ 502.5 million is available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE, and US$ 497.5 million is available to APP Pharmaceuticals, LLC). The Term Loan B Facilities amortize and are repayable in 11 substantially equal semi-annual installments commencing on June 10, 2009 with a final bullet payment equal to 94.25 % of such loans on September 10, 2014; and
- five-year Revolving Credit Facilities in the aggregate principal amount of US$ 450 million (of which US$ 150 million is available to APP Pharmaceuticals, LLC and US$ 300 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE).

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate per annum equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euro, EURIBOR for the relevant interest period, subject, in the case of Term Loan B, to a minimum LIBOR of 3.25 % per annum. The applicable margin for Term Loan A Facilities and the Revolving Credit Facilities is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement.

Subject to certain exceptions and threshold amounts, mandatory prepayments are required to be made on the 2008 Senior Credit Agreement upon the occurrence of certain events, including asset dispositions, incurrence of additional indebtedness, equity issuances and intercompany loan repayments.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of APP Pharmaceuticals, LLC under the 2008 Senior Credit Agreement that refinance outstanding indebtedness under the former APP credit facility are secured by the assets of APP and its subsidiaries and guaranteed by APP's subsidiaries on the same basis as the former APP credit facility. The lenders also benefit from indirect security through pledges over the shares of certain subsidiaries of Fresenius Kabi AG and pledges over certain intercompany loans.

The 2008 Senior Credit Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include, among others, limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum interest coverage ratio and limits amounts spent on capital expenditure.

The following table shows the available and outstanding amounts under the 2008 Senior Credit Agreement at September 30, 2008:

	Maximum amount available		Balance outstanding	
	in million US$	in million €	in million US$	in million €
Revolving Credit Facilities	450	315	100	70
Term Loan A Facilities	1,000	699	1,000	699
Term Loan B Facilities	1,000	699	1,000	699
Total	**2,450**	**1,713**	**2,100**	**1,468**

In October 2008, the 2008 Senior Credit Agreement was amended to increase the Term Loan B Facility available to Fresenius US Finance I, Inc. by US$ 210.5 million and € 200 million (US$ 273 million). The proceeds were used for the bridge credit agreement described on the following pages.

Fresenius Medical Care 2006 Senior Credit Agreement

Fresenius Medical Care entered into a US$ 4.6 billion syndicated credit agreement (Fresenius Medical Care 2006 Senior Credit Agreement) with Bank of America, N.A.; 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 a prior credit agreement.

The following table shows the available and outstanding amounts under the Fresenius Medical Care 2006 Senior Credit Agreement at September 30, 2008 and December 31, 2007:

	Maximum amount available		Balance outstanding	
in million US$	**Sept 30, 2008**	Dec 31, 2007	**Sept 30, 2008**	Dec 31, 2007
Revolving Credit	**1,000**	1,000	**248**	38
Term Loan A	**1,521**	1,550	**1,521**	1,550
Term Loan B	**1,574**	1,578	**1,574**	1,578
Total	**4,095**	4,128	**3,343**	3,166

In addition, at September 30, 2008 and December 31, 2007, US$ 100 million and US$ 87 million, respectively, were utilized as letters of credit which are not included as part of the balances outstanding at those dates.

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

As of September 30, 2008, Fresenius Medical Care was in compliance with all financial covenants under the Fresenius Medical Care 2006 Senior Credit Agreement.

On July 2, 2007, Fresenius Medical Care voluntarily repaid portions of the term loans outstanding utilizing a portion of the proceeds from the issuance of senior notes in an amount of US$ 500 million. 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 were made or were due for either Term Loan A or B until the end of the third quarter of 2008.

On January 31, 2008, the Fresenius Medical Care 2006 Senior Credit Agreement was amended to increase certain types of permitted borrowings and to remove all limitations on capital expenditures.

Bridge Credit Agreement

On August 20, 2008, the Fresenius Group entered into a Bridge Credit Agreement of US$ 1.3 billion to fund part of the purchase price of APP. The facility is available to Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE, and was fully drawn down on September 10, 2008.

In October 2008, the Bridge Credit Agreement was reduced to US$ 650 million using proceeds of the increase of the Term Loan B Facilities under the 2008 Senior Credit Agreement and with funds obtained under other existing credit facilities.

The Bridge Credit Agreement is guaranteed on a senior basis by Fresenius SE, Fresenius Kabi AG and Fresenius ProServe GmbH and contains covenants substantially identical to those contained in the 2008 Senior Credit Agreement.

If the initial loans under the Bridge Credit Agreement are not paid in full on or before September 10, 2009, the loans will convert into extended term loans maturing on September 10, 2015, provided that certain events of default have not occurred. Holders of any of the extended term loans may choose to exchange the loans for exchange notes maturing on September 10, 2015.

Interest on the initial loans is variable and is based on LIBOR plus applicable margin.

Prepayments of the Bridge Credit Agreement will be required under specified circumstances, including upon specified non-ordinary course asset sales, specified incurrences of debt, and equity issuances by Fresenius or its subsidiaries (in each case, other than by Fresenius Medical Care or any of its subsidiaries) and upon a change of control or the issuance of debt securities for the purpose of refinancing the Bridge Credit Agreement.

Euro Notes

As of September 30, 2008, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	**Notional amount in million €**
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51 %	**26**
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**74**
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75 %	**38**
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59 %	**62**
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**138**
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98 %	**112**
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	4.57 %	**126**
FMC Finance S.à.r.l. Luxembourg IV 2005/2009	July 27, 2009	variable	**74**
Euro Notes			**800**

The notional amount of the Euro Notes equals the book value. In April 2008, Fresenius Finance B.V. issued Euro Notes in an amount of € 400 million in four tranches with four and six year terms. The proceeds from the issuance of the Euro Notes were mainly utilized to redeem Euro Notes of € 40 million that were due in May 2008 as well as for the repayment of short-term debt and general corporate purposes. The Euro Notes issued by FMC Finance S.à.r.l. Luxembourg IV have been reclassified as short-term debt and shown as current portion in the balance sheet.

European Investment Bank Agreements

The following table shows the outstanding amounts under the European Investment Bank (EIB) facilities as of September 30, 2008:

	Maximum amount available in million €	Maturity	**Book value in million €**
Fresenius SE	96	2013	**96**
FMC-AG & Co. KGaA	221	2013/2014	**124**
HELIOS Kliniken GmbH	96	2019	**92**
Loans from EIB	413		**312**

Some advances under these agreements can be denominated in certain foreign currencies including US dollars. Accordingly, the liabilities of FMC-AG & Co. KGaA comprise loans of US$ 49 million and € 90 million. FMC-AG & Co. KGaA issued this € 90 million loan as part of a credit agreement with the EIB as of December 2006. This facility was fully drawn down on February 1, 2008, at an initial interest rate of 4.35 %. The interest rate is variable and changes quarterly. The term loan matures on February 1, 2014, with interest payments due quarterly.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part as of reporting date. As of September 30, 2008, the additional financial cushion resulting from unutilized credit facilities was approximately € 1.2 billion.

12. SENIOR NOTES

As of September 30, 2008, Senior Notes of the Fresenius Group consisted of the following:

	Notional amount	Maturity	Interest rate	**Book value in million €**
Fresenius Finance B.V. 2003/2009	€ 100 million	April 30, 2009	7.50 %	**100**
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan 31, 2013	5.00 %	**500**
Fresenius Finance B.V. 2006/2016	€ 500 million	Jan 31, 2016	5.50 %	**500**
FMC Finance III S.A. 2007/2017	US$ 500 million	July 15, 2017	6⅞ %	**344**
Senior Notes				**1,444**

As of September 30, 2008, the Fresenius Group was in compliance with all financial covenants under the terms of its Senior Notes. The Senior Notes issued by Fresenius Finance B.V. which mature on April 30, 2009 are classified as short-term liability and shown as current portion in the balance sheet.

13. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP, the Fresenius Group launched Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million. Fresenius Finance B.V. subscribed for the MEB issued by Fresenius Finance (Jersey) Ltd. at 100 % of their principal amount and on-lent the MEB to Fresenius SE who placed the MEB in the market. The bonds carry a coupon of 5⅝ % per annum and will mature on August 14, 2011. Upon maturity, the bonds will be mandatorily exchangeable into ordinary shares of FMC-AG & Co.KGaA with a maximum of 16.80 million and a minimum of 14.24 million shares being deliverable, subject to anti-dilution adjustments with respect to FMC-AG & Co.KGaA (e. g. in case of corporate actions). The MEB are not redeemable in cash.

The initial minimum exchange price equaling the reference share price was set to € 33.00 and the initial maximum exchange price was set to € 38.94 (i.e. 118 % of the initial minimum exchange price). Pursuant to the terms and conditions of the MEB, both the holder and the issuer may procure for the exchange of the bonds before maturity. In principal, the issuer, Fresenius Finance (Jersey) Ltd., may procure the exchange of all of the outstanding MEB for shares of FMC-AG & Co. KGaA at the maximum exchange ratio calculated on the relevant exchange date plus payment of any accrued and unpaid interest and a make whole amount. Furthermore, the MEB shall be mandatorily exchangeable at the maximum exchange ratio plus such payments if the corporate credit ratings of Fresenius SE fall below certain benchmarks and such benchmarks are subsequently not reinstated. Moreover, in the event of a change of control of Fresenius SE or FMC-AG & Co.KGaA, each holder of the MEB may elect to exchange its MEB at the maximum exchange ratio plus such payments. Each holder of the MEB may also exchange his MEB at the minimum exchange ratio calculated on the relevant exchange date without payment of accrued interest or any make-whole amount.

Fresenius SE guarantees in favor of Fresenius Finance (Jersey) Ltd. the payment of certain interest payments by Fresenius Finance B.V. and, via a pledge agreement, secures the delivery of the underlying shares for exchange. In addition, the terms and conditions of the MEB include a negative pledge in relation to certain capital market indebtedness.

The derivative financial instruments embedded in the MEB are measured at fair value and are shown separately under the balance sheet item “long-term accrued expenses and other long-term liabilities“.

14. PENSIONS AND SIMILAR OBLIGATIONS

DEFINED BENEFIT PENSION PLANS

At September 30, 2008, the pension liability of the Fresenius Group was € 293 million. The current portion of the pension liability in an amount of € 10 million is recognized in the balance sheet as short-term accrued expenses and other short-term liabilities. The non-current portion of € 283 million is recorded as pension liabilities. At September 30, 2008, prepaid pension costs in an amount of € 8 million related to the North American pension plan and are recorded within other non-current assets.

71 % of the pension liabilities in an amount of € 293 million relate to the “Versorgungsordnung der Fresenius-Unternehmen“ established in 1988, which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from entities of Fresenius Helios in Germany and non-German Group entities. Fresenius Medical Care Holdings, Inc., a subsidiary of Fresenius Medical Care, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans.

Contributions to the Fresenius Group's pension fund were € 4 million in the first three quarters of 2008. The Fresenius Group expects approximately € 6 million contributions to the pension fund during 2008.

Defined benefit pension plans' net periodic benefit costs of € 22 million were comprised of the following components:

in million €	**Q1–3/2008**	Q1–3/2007
Interest cost	**21**	20
Service cost	**11**	13
Amortization of unrealized actuarial losses, net	**1**	4
Amortization of prior service costs	**–**	–
Amortization of transition obligations	**–**	–
Settlement loss	**0**	–
Expected return on plan assets	**-11**	-12
Net periodic benefit cost	**22**	25

The following weighted-average assumptions were used in determining net periodic benefit cost for the first three quarters ended September 30:

in %	**Q1–3/2008**	Q1–3/2007
Discount rate	**5.80**	5.02
Expected return of plan assets	**7.03**	7.07
Rate of compensation increase	**3.66**	3.75

Pension liabilities at September 30, 2008 and December 31, 2007 related to the following geographical regions:

in million €	**September 30, 2008**	December 31, 2007
Germany	**257**	244
Europe (excluding Germany)	**35**	34
North America	**0**	0
Asia-Pacific	**–**	–
Latin America	**1**	1
Africa	**0**	0
Total pension liabilities	**293**	279

15. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts. The sole asset of each trust is a senior subordinated note of FMC-AG & Co. KGaA or a wholly-owned subsidiary of FMC-AG & Co. KGaA. As of September 30, 2008, Fresenius Medical Care was in compliance with all covenants under all trust preferred securities agreements.

The trust preferred securities outstanding as of September 30, 2008 and December 31, 2007 were as follows:

	Year issued	Stated amount	Interest rate	Mandatory redemption date	**Sept 30, 2008 in million €**	Dec 31, 2007 in million €
Fresenius Medical Care Capital Trust II	1998	US$ 450 million	7⅞%	Feb 1, 2008	**0**	301
Fresenius Medical Care Capital Trust III	1998	DM 300 million	7⅜%	Feb 1, 2008	**0**	154
Fresenius Medical Care Capital Trust IV	2001	US$ 225 million	7⅞%	Jun 15, 2011	**152**	149
Fresenius Medical Care Capital Trust V	2001	€ 300 million	7⅜%	Jun 15, 2011	**298**	297
Trust preferred securities					**450**	901

The trust preferred securities of Fresenius Medical Care Capital Trust II und III were due on February 1, 2008 and were therefore classified as a short-term liability and shown as current portion in an amount of € 455 million at December 31, 2007. Fresenius Medical Care used existing credit facilities for the repayment on February 1, 2008.

16. MINORITY INTEREST

Minority interest in the Group was as follows:

in million €	**September 30, 2008**	December 31, 2007
Minority interest in FMC-AG & Co. KGaA	**2,651**	2,426
Minority interest in HELIOS Kliniken GmbH	**4**	8
Minority interest in VAMED AG	**26**	25
Minority interest in the business segments		
Fresenius Medical Care	**101**	72
Fresenius Kabi	**30**	27
Fresenius Helios	**92**	85
Fresenius Vamed	**1**	1
Corporate/Other	**–**	–
Total minority interest	**2,905**	2,644

In the first three quarters of 2008, minority interest increased by € 261 million to € 2,905 million. The change resulted from currency effects as well as first-time consolidations in a total amount of € 106 million and from the minorities' share of profit of € 287 million as well as proportionate dividend payments of € 132 million.

17. SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

On August 15, 2008, Fresenius SE successfully closed a capital increase to finance the acquisition of APP. In connection with the capital increase, 2,748,057 new ordinary shares were issued at a price of € 52.00 and 2,748,057 new preference shares were issued at a price of € 53.00. The transaction has generated gross proceeds of approximately € 289 million. The new shares will have full dividend entitlement for the fiscal year 2008.

During the first three quarters of 2008, 475,152 stock options were exercised.

Accordingly, at September 30, 2008, the subscribed capital of Fresenius SE was divided into 80,568,018 bearer ordinary shares and 80,568,018 non-voting bearer preference shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is € 1.00 per share.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III which 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, 2003 and 2008 (see Note 23, Stock options).

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares (Conditional Capital III). The change in Fresenius SE's Articles of Association with regard to the Conditional Capital III became effective after its registration in the commercial register on July 11, 2008.

The following table shows the development of the Conditional Capital:

in €	Ordinary Shares	Preference Shares	**Total**
Conditional Capital I Fresenius AG Stock Option Plan 1998	768,306.00	768,306.00	1,536,612.00
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,364,711.00	2,364,711.00	4,729,422.00
Total Conditional Capital as of January 1, 2008	**3,133,017.00**	**3,133,017.00**	**6,266,034.00**
Fresenius AG Stock Option Plan 1998 – options exercised	-84,087.00	-84,087.00	-168,174.00
Fresenius AG Stock Option Plan 2003 – options exercised	-153,489.00	-153,489.00	-306,978.00
Conditional Capital I as of September 30, 2008	684,219.00	684,219.00	1,368,438.00
Conditional Capital II as of September 30, 2008	2,211,222.00	2,211,222.00	4,422,444.00
Conditional Capital III as of September 30, 2008	3,100,000.00	3,100,000.00	6,200,000.00
Total Conditional Capital as of September 30, 2008	**5,995,441.00**	**5,995,441.00**	**11,990,882.00**

CAPITAL RESERVES

In the third quarter of 2008, the capital reserves increased by € 284 million in connection with Fresenius SE's capital increase to finance the acquisition of APP. The accrued expenses in an amount of € 6 million were charged against the capital reserves.

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 2008, a dividend of € 0.66 per bearer ordinary share and € 0.67 per bearer preference share was approved by Fresenius SE's shareholders at the Annual General Meeting and paid. The total dividend payment was € 103 million.

OTHER NOTES

18. LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing healthcare services and products. The outcome of litigation and other legal matters is always difficult to accurately predict and outcomes that are not consistent with the Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

COMMERCIAL LITIGATION

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

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

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

No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly: Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon confirmation of a plan that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

In April 2008, W.R. Grace & Co. announced an agreement in principle with the asbestos creditors' and equity security holders' committees in the Grace Chapter 11 Proceedings to settle all present and future asbestos-related personal injury claims. The agreement in principle and W.R. Grace & Co.'s related bankruptcy reorganization plan are subject to conditions including resolution of claims of other creditors and Bankruptcy Court and District Court approvals.

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 patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the alleged patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$ 140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding that all the asserted claims of the Baxter patents are invalid as obvious and/or anticipated in light of prior art. On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$ 14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10 % of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7 % of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the 2008K machine effective January 1, 2009. Fresenius Medical Care has appealed the court's rulings to the Court of Appeals for the Federal Circuit. Fresenius Medical Care is confident that it will prevail on appeal and has made no provision in its financial statements for any potential liability in this matter. If Fresenius Medical Care is unsuccessful on all appeals, including any appeal of the royalty, the royalties payable to Baxter on the machines and disposable supplies that are subject to the court's order are estimated to be in the range of US$ 2 million to US$ 4 million per month. In the interim period until its appeal is decided, Fresenius Medical Care is funding a court-approved escrow account at the rate noted above. If Fresenius Medical Care wins the appeal, the escrowed funds will be returned to it with interest. Fresenius Medical Care is pursuing design modifications to the 2008K machine that it expects will limit the scope of royalty payment exposure and permit the continued sale of the modified 2008K machine after the January 1, 2009 injunction effective date, irrespective of the outcome of Fresenius Medical Care's appeal.

On April 28, 2008, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, Eastern Division (Chicago), styled Baxter International, Inc. and Baxter Healthcare Corporation v. Fresenius Medical Care Holdings, Inc. and Fresenius USA, Inc., Case No. CV 2389, asserting that FMCH's hemodialysis machines infringe four recently issued patents (late 2007-2008), all of which are based on one of the patents at issue in the April 2003 Baxter case described above. The new patents expire in April 2011 and relate to trend charts shown on touch screen interfaces and the entry of ultrafiltration profiles (ultrafiltration is the removing of liquid from a patient's body using pressure). The court has stayed the case pending the outcome of the appeal in the April 2003 Baxter case. Fresenius Medical Care believes that its hemodialysis machines do not infringe any valid claims of the Baxter patents at issue.

On October 17, 2006, Baxter and Deka Products Ltd. (Deka) filed suit in the U.S. District Court for the Eastern District of Texas which was subsequently transferred to the Northern District of California, styled Baxter Healthcare Corporation and DEKA Products Limited Partnership v. Fresenius Medical Care Holdings, Inc. d/b/a Fresenius Medical Care North America and Fresenius USA, Inc., Case No. CV 438 TJW. The complaint alleges that FMCH's Liberty peritoneal cyclers infringe certain patents owned by or licensed to Baxter. Sales of the Liberty cyclers commenced in July 2008. Fresenius Medical Care believes that the Liberty peritoneal cycler does not infringe any valid claims of the Baxter/DEKA patents.

Gambro Pty Limited and Gambro Lundia AB (Gambro AB, together with Gambro Pty Limited: Gambro Group) commenced litigation against FMC-AG & Co.KGaA's Australian subsidiary, Fresenius Medical Care Australia Pty Limited (Fresenius Medical Care Australia) regarding infringement and damages with respect to a 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. In May 2008, the Gambro Group and Fresenius

Medical Care Australia and FMC-AG & Co. KGaA entered into a Deed of Settlement and Release pursuant to which Fresenius Medical Care made certain cash payments to the Gambro Group and pursuant to which the proceedings and all claims under the Gambro Patent, including any claims for relief for losses alleged to have been incurred after the expiry of the Gambro Patent, were resolved.

Two patent infringement actions have been pending in Germany between Gambro Industries (Gambro) on the one side and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH), one of Fresenius Medical Care's German subsidiaries, and FMC-AG & Co. KGaA on the other side (hereinafter collectively: Fresenius Medical Care). Gambro herein alleged patent infringements concerning a patent on a device for the preparation of medical solutions by Fresenius Medical Care. The first case was dismissed as being unfounded. Such decision has already become final. In the second case, the District Court of Mannheim rendered a judgment on June 27, 2008 deciding in favor of Gambro and declaring that Fresenius Medical Care has infringed a patent claim. Accordingly, the court ordered Fresenius Medical Care to pay compensation (to be determined in a separate court proceeding) for alleged infringement and to stop offering the alleged patent infringing technology in its original form in Germany. Such verdict could be enforced provisionally by way of security to be deposited by Gambro, however, Fresenius Medical Care has received no notice that Gambro has applied for provisional enforceability, as yet. FMC D-GmbH brought an invalidity action in the Federal German Patent Court (BPatG) against Gambro's patent. This case is currently pending with the Federal Court of Justice as the court of appeal. Fresenius Medical Care has also filed an appeal against the District Court's verdict. Irrespective of the outcome of the appeal, Fresenius Medical Care has developed design modifications to the concerned devices which are an alternative technical solution. In view of the pending appeal against BPatG's verdict and Fresenius Medical Care's appeal against the District Court's verdict, Fresenius Medical Care continues to believe that the alleged patent infringing technology does not infringe any valid patent claims of Gambro.

OTHER LITIGATION AND POTENTIAL EXPOSURES

Renal Care Group, Inc. (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 Fresenius Medical Care's acquisition of RCG (the RCG acquisition) and in connection with alleged improper backdating and/or timing of stock option grants. The amended complaint was styled Indiana State District Council of Laborers and Hod Carriers Pension Fund, on behalf of itself and all others similarly situated and derivatively on behalf of RCG, Plaintiff, vs. RCG, Gary Brukardt, William P. Johnston, Harry R. Jacobson, Joseph C. Hutts, William V. Lapham, Thomas A. Lowery, Stephen D. McMurray, Peter J. Grua, C. Thomas Smith, Ronald Hinds, Raymond Hakim, and R. Dirk Allison, Defendants. The complaint sought damages against former officers and directors and did not state a claim for money damages directly against RCG. On August 30, 2007, this suit was dismissed by the trial court without leave to amend. Plaintiff subsequently appealed and the matter remains pending in the appellate court of Tennessee.

In October 2004, FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of New York, in connection with a civil and criminal investigation, which requires production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents relating to laboratory testing for parathyroid hormone (PTH) levels and vitamin D therapies. Fresenius Medical Care is cooperating with the government's requests for information. Fresenius Medical Care believes that it has fulfilled all requests for information made by government investigators in this matter, and that it has complied with applicable laws relating to PTH testing and use of vitamin D therapies.

FMCH and its subsidiaries, including RCG (prior to the RCG acquisition), received subpoenas from the U.S. Department of Justice, Eastern District of Missouri, in connection with a joint civil and criminal investigation. FMCH received its subpoena in April 2005. RCG received its subpoena in August 2005. The subpoenas require production of a broad range of documents relating to FMCH's and RCG's operations, with specific attention to documents related to clinical quality programs, business development activities, medical director compensation and physician relationships, joint ventures, 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.

In May 2006, RCG received a subpoena from the U.S. Department of Justice, Southern District of New York, in connection with an investigation into RCG's administration of its stock option programs and practices, including the procedure under which the exercise price was established for certain of the option grants. The subpoena required production of a broad range of documents relating to the RCG stock option program prior to the RCG acquisition. Fresenius Medical Care believes that it has fulfilled all requests for information made by government investigators in this matter, and that RCG complied with applicable laws relating to the issuance of stock options.

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. Although the court dismissed the original allegations against Fresenius Medical Care, it granted plaintiff leave to amend and this litigation was subsequently consolidated with other cases in the

Epogen® and Aranesp® Off-Label Marketing and Sales Practices Multidistrict Litigation and assigned to the Central District of California. On July 2, 2008, a consolidated complaint was filed in the Multidistrict Litigation that renews allegations against Fresenius Medical Care and DaVita, in addition to those against Amgen.

On November 27, 2007, the United States District Court for the Western District of Texas (El Paso) unsealed and permitted service of two complaints previously filed under seal by a qui tam relator, a former FMCH local clinic employee (Qui tam is a legal provision under the United States False Claims Act, which allows for private individuals to bring suit on behalf of the U.S. federal government, as far as such individuals believe to have knowledge of presumable fraud committed by third parties). The first complaint alleges that a nephrologist unlawfully employed in his practice an assistant to perform patient care tasks that the assistant was not licensed to perform and that Medicare billings by the nephrologist and FMCH therefore violated the False Claims Act. The second complaint alleges that FMCH unlawfully retaliated against the relator by discharging her from employment constructively. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. Counsel for the nephrologist asserted that a criminal investigation of the relator's allegations was in process and therefore moved the Court to stay all activity in the qui tam until the alleged criminal investigation concluded. The Court denied the nephrologist's motion to stay and the litigation is processing.

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

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 (€ 80 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.

19. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards 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. FASB Staff Position No. 157-2 (FSP 157-2) issued February 12, 2008 delayed application of this Statement for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Fresenius Group adopted this standard, except for those sections affected by FSP 157-2, as of January 1, 2008.

The Fresenius Group holds interest rate swaps and foreign exchange contracts which are carried at fair value initially and on a recurring basis. The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency. Under FAS 157, the Fresenius Group is now required to take into account credit risks when measuring the fair value of derivative financial instruments. In accordance with these requirements, the credit risk is incorporated in the fair value estimation of interest rate derivatives that are liabilities. For foreign exchange forward derivatives that are liabilities, due to the relatively short length of the contracts, the Fresenius Group did not take into account its credit risk in the fair value estimation. Counterparty credit-risk adjustment is negligible due to the high credit ratings of the counterparties and is therefore not factored into the valuation of derivatives that are assets.

The following table presents the carrying amounts and fair values of the Group's financial instruments as of September 30, 2008 and December 31, 2007, respectively.

	September 30, 2008		December 31, 2007	
in million €	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**333**	**333**	361	361
Assets recognized at carrying amount	**2,446**	**2,446**	2,167	2,167
Liabilities recognized at carrying amount	**9,036**	**8,829**	6,147	6,118
Derivatives	**-35**	**-35**	- 16	- 16

For the fair value measurement of derivatives, significant other observable inputs are used. Therefore, they are classified as Level-2 in accordance with FAS 157 and were recognized at gross values as other current assets in an amount of € 4 million and other liabilities in an amount of € -39 million.

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes, trust preferred securities and commercial papers and enters into mainly long-term credit agreements and mid-term Euro Notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of balance sheet items bearing fixed interest rates.

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

Derivative financial instruments

Foreign exchange risk management

Solely for the purpose of hedging foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. As of September 30, 2008, the notional amounts of foreign exchange contracts totaled € 1,209 million with a fair value of € -9 million. These foreign exchange contracts included foreign exchange options with a nominal value of € 14 million and a market value of € 0 million.

These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with intercompany loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge.

As of September 30, 2008, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 27 months.

Interest rate risk management

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 medium-term and long-term borrowings at variable rates by swapping them into fixed rates. In addition, the Fresenius Group used interest rate swaps to hedge against changes of the fair value of the underlying fixed rate financial liabilities.

The Fresenius Group enters into interest rate swaps that are designated as cash flow hedges. The US dollar interest rate swaps and the Euro interest rate swaps have a notional volume of US$ 4,350 million (€ 3,041 million) and € 403 million and a fair value of US$ -43 million (€ -30 million) and € 4 million, respectively. These interest rate derivatives include interest rate swaps with a notional amount of US$ 800 million and US$ 600 million, respectively, entered into in connection with the acquisition of APP in the third quarter of 2008. These swaps fix the variable interest rate exposure on a large portion of the US dollar denominated loans under the 2008 Senior Credit Agreement (see Note 11, Debt and liabilities from capital lease obligations).

At December 31, 2007, US dollar interest rate swaps designated as fair value hedges at Fresenius Medical Care had a notional volume of US$ 450 million. On February 1, 2008, the fair value hedges of Fresenius Medical Care expired together with the mandatory redemption of the underlying debt. At September 30, 2008, no further fair value hedges existed within the Fresenius Group.

20. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. As of September 30, 2008, the equity ratio (including minority interest) was 33.56 % and the debt ratio 42.70 %. The adjusted net debt/EBITDA ratio before one-time items resulting from the acquisition of APP was 3.7.

The aims of the capital management and further information can be found in the consolidated financial statements in the 2007 Annual Report.

The Fresenius Group is covered by both of the two leading rating agencies, Moody's and Standard & Poor's. Following the announcement of the acquisition of APP, Standard & Poor's revised the outlook of the company rating to negative on July 9, 2008. Moody's announced on July 7, 2008 that the rating has been placed on review for a possible downgrading in connection with the acquisition of APP. On August 28, 2008, Moody's confirmed the Ba1 company rating of Fresenius SE. The outlook has been changed from stable to negative.

The following table shows the company rating of Fresenius SE and the ratings for the major financial liabilities of the Fresenius Group.

	Standard & Poor's	Moody's
Company rating	BB	Ba1
Outlook	negative	negative
Senior Notes Fresenius Finance B.V.	BB	Ba1
2008 Senior Credit Agreement	BBB-	Baa3
Fresenius Medical Care 2006 Senior Credit Agreement	BBB-	Baa3

21. SUPPLEMENTARY INFORMATION ON CASH FLOW STATEMENT

The cash flow statement is shown on page 20. The following summaries provide additional information on the consolidated cash flow statement:

in million €	**Q1–3/2008**	Q1–3/2007
Interest paid	**297**	317
Income taxes paid	**267**	247

Cash paid for acquisitions consisted of the following:

in million €	**Q1–3/2008**	Q1–3/2007
Assets acquired	**6,157**	321
Liabilities assumed	**-2,377**	-69
Notes assumed in connection with acquisitions	**-764**	-11
Cash paid	**3,016**	241
Cash acquired	**-99**	-10
Cash paid for acquisitions, net	**2,917**	231

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

in million €	Q1–3/2008	Q1–3/2007
Operating cash flow	**736**	912
Purchase of property, plant and equipment	-513	-492
Proceeds from sale of property, plant and equipment	17	31
Cash flow before acquisitions and dividends	**240**	451
Purchase/sale of shares in related companies, investments and intangible assets, net	-2,875	-186
Cash flow before dividends	**-2,635**	265
Dividends paid	-235	-191
Free cash flow after dividends	**-2,870**	74

22. NOTES ON SEGMENT REPORTING

GENERAL

The segment reporting shown on pages 23 and 24 is an integral part of the Notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed which corresponds to the internal organizational and reporting structures (Management Approach) at September 30, 2008.

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

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with FAS 131, Disclosures about Segments of an Enterprise and Related Information, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 181,937 patients in its 2,349 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.

As of January 1, 2008, Fresenius ProServe was replaced by two new business segments – Fresenius Helios and Fresenius Vamed, which so far have formed Fresenius ProServe. Fresenius Helios is a leading German, private hospital operator with 61 facilities. Fresenius Vamed offers engineering and services for hospitals and other health care facilities.

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE as well as Fresenius Netcare GmbH, which provides services in the field of information technology as well as Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments.

NOTES ON THE BUSINESS SEGMENTS

Explanations regarding the notes on the business segments can be found in the consolidated financial statements in the 2007 Annual Report.

Reconciliation of key figures to consolidated earnings

in million €	**Q1–3/2008**	Q1–3/2007
Total EBITDA of reporting segments	**1,574**	1,514
Depreciation and amortization	**-521**	-301
General corporate expenses Corporate/Other (EBITDA)	**0**	-29
Net interest	**-271**	-279
Other financial result	**-34**	0
Total earnings before income taxes and minority interest	**748**	905
Total EBIT of reporting segments	**1,246**	1,220
General corporate expenses Corporate/Other (EBIT)	**-193**	-36
Net interest	**-271**	-279
Other financial result	**-34**	0
Total earnings before income taxes and minority interest	**748**	905
Depreciation and amortization of reporting segments	**328**	294
Depreciation and amortization Corporate/Other	**193**	7
Total depreciation and amortization	**521**	301

Reconciliation of net debt with the consolidated balance sheet

in million €	September 30, 2008	December 31, 2007
Short-term borrowings	616	362
Short-term liabilities and loans from related parties	–	–
Current portion of long-term debt and liabilities from capital lease obligations	374	115
Current portion of Senior Notes	100	0
Current portion of trust preferred securities of Fresenius Medical Care Capital Trusts	0	455
Long-term debt and liabilities from capital lease obligations, less current portion	5,704	2,887
Senior Notes, less current portion	1,344	1,434
Trust preferred securities of Fresenius Medical Care Capital Trusts, less current portion	450	446
Debt	8,588	5,699
less cash and cash equivalents	333	361
Net debt	8,255	5,338

23. STOCK OPTIONS

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

In the first three quarters of 2008, the Fresenius Group recognized compensation cost in an amount of € 23 million for stock options granted since 1998. For stock incentive plans which are performance based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the then current market values of the underlying stock.

FAIR VALUE OF STOCK OPTIONS

Fresenius Group's determination of the fair value of grants is based on a binomial option pricing model. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150 % of the exercise price.

The weighted-average assumptions for the calculation of the fair value of grants under the Fresenius SE Stock Option Plan 2008 (2008 Plan) made during the year 2008 are as follows:

	2008
Expected dividend yield	1.63 %
Risk-free interest rate	4.20 %
Expected volatility	27.82 %
Expected life of options	7 years
Exercise price per option in €	53.56

FRESENIUS SE STOCK OPTION PLANS

On September 30, 2008, Fresenius SE had three stock option plans in place – the stock option based plan of 1998 (1998 Plan), the 2003 Plan which is based on convertible bonds and the new stock option based plan of 2008. The latter is currently the only plan under which stock options can be granted.

Fresenius SE Stock Option Plan 2008

On May 21, 2008, Fresenius SE's Annual General Meeting has resolved upon the Fresenius SE Stock Option Plan 2008 (2008 Plan) by authorizing the granting of subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies. To fulfill the subscription rights under the 2008 Plan, the subscribed capital of Fresenius SE was increased conditionally by up to € 6.2 million through the issue of up to 3.1 million no par value bearer ordinary shares and 3.1 million no par value bearer preference shares.

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE's Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. Options under the 2008 Plan can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE's ordinary shares and preference shares, respectively, on the Frankfurt Stock Exchange during the 30 calendar days immediately prior to each grant date. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income of the Fresenius Group, adjusted for extraordinary effects, has increased by at least 8 % compared to the respective adjusted net income of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income shall be calculated on the basis of the calculation method of the accounting principles according to US GAAP. For the purposes of the 2008 Plan, the adjusted net income is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

Transactions during the first three quarters of 2008

In the first three quarters of 2008, Fresenius SE awarded 997,572 stock options under the 2008 plan, including 180,600 to members of the Management Board of Fresenius SE, at a weighted-average exercise price of € 53.56, a weighted-average fair value of € 15.80 each and a total fair value of € 16 million, which will be amortized evenly over three years.

During the first three quarters of 2008, Fresenius SE received € 13 million from the exercise of 475,152 stock options.

At September 30, 2008, out of 647,658 outstanding and exercisable options issued under the 1998 Plan, 25,800 were held by the members of the Fresenius SE Management Board. The number of outstanding stock options issued under the 2003 Plan was 3,020,832, of which 1,263,008 were exercisable. The members of the Fresenius SE Management Board held 514,500 options.

Stock option transactions are summarized as follows:

Options for ordinary shares	Number of options	Weighted-average exercise price in €
Balance at December 31, 2007	**2,121,996**	**34.93**
granted	498,786	54.69
exercised	237,576	26.33
forfeited	50,175	34.86
Balance at September 30, 2008	**2,333,031**	**40.04**

Options for preference shares	Number of options	Weighted-average exercise price in €
Balance at December 31, 2007	**2,121,996**	**35.74**
granted	498,786	52.43
exercised	237,576	27.77
forfeited	50,175	36.16
Balance at September 30, 2008	**2,333,031**	**40.12**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at September 30, 2008:

	Number of options	Average remaining contractual life in years	Weighted-average exercise price in €
Options for ordinary shares	955,333	5.0	26.01
Options for preference shares	955,333	5.0	27.09

At September 30, 2008, total unrecognized compensation costs related to non-vested options granted under the 2003 Plan and the 2008 Plan were € 26 million. These costs are expected to be recognized over a weighted-average period of 2.4 years.

FRESENIUS MEDICAL CARE STOCK OPTION PLANS

On July 28, 2008, Fresenius Medical Care awarded 2,499,021 options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006, including 398,400 to members of the Management Board of Fresenius Medical Care Management AG, Fresenius Medical Care's general partner, at an exercise price of € 35.49, a fair value of € 9.80 each and a total fair value of € 24 million which will be amortized over the three year vesting period.

24. RELATED PARTY TRANSACTIONS

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE, is a member of the management board of Allianz SE and the chairman of the management board of Allianz Deutschland AG. Dr. Gerd Krick, chairman of the Supervisory Board of Fresenius SE, is a member of the supervisory board of Allianz Private Krankenversicherungs-AG. In the first three quarters of 2008, the Fresenius Group paid € 5 million for insurance premiums to Allianz. Furthermore, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Dresdner Bank, a wholly-owned subsidiary of Allianz. Moreover, the Fresenius Group keeps business accounts under customary conditions with Dresdner Bank.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius SE, is a partner in the law firm Nörr Stiefenhofer Lutz that provides legal services to the Fresenius Group. In the first three quarters of 2008, the Fresenius Group paid this law firm € 1 million for services rendered.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Roland Berger Strategy Consultants. In the first three quarters of 2008, the Fresenius Group paid this company € 2 million for consulting services rendered.

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius SE, is the chairman of the supervisory board of Commerzbank AG. In the first three quarters of 2008, the Fresenius Group paid € 2 million for services in connection with the commitment relating to the financing for the APP acquisition to Commerzbank. Furthermore, the Fresenius Group keeps business accounts with Commerzbank under customary conditions.

25. SUBSEQUENT EVENTS

There were no significant changes in the Group position or environment sector since the end of the first three quarters of 2008. 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.

26. CORPORATE GOVERNANCE

The members of the Management Boards and the Supervisory Boards of Fresenius SE and Fresenius Medical Care AG & Co. KGaA have submitted the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in accordance with the German Corporate Governance Code dated June 14, 2007 and made this permanently available to the shareholders.

FINANCIAL CALENDAR

Report on Fiscal Year 2008 Analyst Meeting, Bad Homburg v.d.H. Press conference, Bad Homburg v.d.H. Live webcast	February 19, 2009
Report on 1st quarter 2009 Conference Call Live webcast	April 30, 2009
Annual General Meeting, Frankfurt am Main	May 8, 2009
Payment of dividend *	May 9, 2009
Report on the first half 2009 Conference Call Live webcast	August 4, 2009
Report on 1st – 3rd quarters 2009 Conference call Live webcast	November 3, 2009

All dates are preliminary and subject to change.

* subject to the prior approval by the Annual General Meeting

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Chairman of the Supervisory Board: Dr. Gerd Krick