Employees in 2011

79,159

BEING BETTER THAN WE HAVE TO IS NOT JUST WHAT WE ASPIRE TO, BUT ALSO THE CORE OF OUR CORPORATE CULTURE.

FRESENIUS MEDICAL CARE

CORPORATE REPORT

FINANCIAL REPORT

MAGAZINE 2011

Motivation
between the reports

MOTIVATION IS ONE OF THE ANSWERS TO THE QUESTION WHY FRESENIUS MEDICAL CARE IS SO SUCCESSFUL.

▼

Fresenius Medical Care's market leadership, the outstanding quality of our products and services as well as our economic success are the result of a unique motivation: to be the best when it comes to improving dialysis treatments.

Motivation comes from doing something worthwhile with the aim of achieving a higher goal. What goals do individuals aspire to, and what goals does the Company pursue? What have we attained so far, and what are the next steps we need to take? The answers to all these questions can be found on the following pages.

A company can only achieve its ambitious goals if it is certain of one thing: that its employees want to be better than they actually have to. This desire, this aspiration, is what shapes the corporate culture at Fresenius Medical Care. It is a corporate culture that promotes and values its employees' efforts and makes success measurable. So that everyone knows what role they play in the bigger picture and to what extent they can fulfill their own expectations.

This motivation is Fresenius Medical Care's most important asset. It drives the entire organization. And it helps patients to live. Worldwide.

Vision of
Fresenius Medical Care

CREATING A FUTURE WORTH LIVING. FOR PEOPLE. WORLDWIDE. EVERY DAY.

More than three decades of experience in dialysis, innovative research, the global leader in dialysis services and products – that is Fresenius Medical Care.

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life.

We use the increasing demand for modern dialysis methods to our advantage and work consistently to enhance the Company's growth. Together with our employees, we focus on pursuing strategies that will enable us to uphold our technological leadership. As a vertically integrated company, we offer products and services for the entire dialysis value chain.

The highest medical standards are our benchmark. This is our commitment to our patients, our partners in the healthcare system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.

TO OUR SHAREHOLDERS

Chapter 1

22 PERCENT GAIN FOR OUR ORDINARY SHARES AND FOR OUR SHAREHOLDERS

Bad Homburg, March 2012

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND FRIENDS OF OUR COMPANY

2011 was a demanding year for our Company, too. Even if we are not affected by the economic environment to the same extent as many other companies thanks to our business model, we faced a major challenge: the introduction of a completely new reimbursement system for dialysis services in the U.S., where we generate almost two thirds of our revenue. At this point last year, I suggested that Fresenius Medical Care was well prepared for the new bundled reimbursement system in the U.S. and would master the challenges related to it. I don't think I promised you too much.

The past financial year was also marked by expansion in the International segment. We acquired the dialysis services business of Euromedics and took over the peritoneal dialysis business from Gambro, to name just two examples. Thanks to these two acquisitions, we were able to once more significantly grow our dialysis services network in the International segment. Of the 119 dialysis clinics acquired in the year under review, 110 were in the International area. In addition, we concluded the takeover of Liberty Dialysis in the U.S. in February 2012, enabling us to further consolidate our position in this important market, too.

In a difficult environment, we were able to meet the ambitious targets we had set ourselves for 2011 and achieve the highest figures in the Company's history: We increased our revenue by another 6% to $12.8 billion compared to 2010. Our operating business also developed extremely well in the previous year. We generated an operating income of $2.08 billion, 8% higher than in 2010. At the same time, we managed to grow our net income faster than revenue, up 9% over the previous year to $1.07 billion. This meant that for the first time, we exceeded the $1 billion mark in terms of net income. Our net cash flow increased to $876 million compared to 2010. Of course we are delighted to be able to report such a positive performance in all our key operating figures.

The number of patients in our care increased by 9% in 2011. This means that in the past year, we treated more than 233,000 patients in our almost 2,900 dialysis clinics. The number of treatments carried out in our dialysis centers is even more impressive: Our teams performed more than 34 million treatments in the past year alone. And in the product business, we covered half of the global demand for new dialysis machines in 2011 und manufactured approximately 93 million dialyzers.

We would not be able to look back on such a successful business year in 2011 with the highest figures in the Company's history without the outstanding commitment, the strong motivation and the pure enthusiasm of our 79,159 employees around the globe. In the name of the entire Management Board, I would like to extend my heartfelt thanks to them. In this annual report, we have tried to explain what drives us and what personal ideals motivate our

employees every day to achieve such an outstanding performance. I believe that the results we have achieved thanks to this commitment are impressive and underscore our aspiration to make life worth living. For people, around the world, every day.

The high degree of reliability and continuity at Fresenius Medical Care is again reflected this year in the dividend. We intend to adhere to our results-oriented dividend policy and will be proposing a dividend increase of 6% to €0.69 per ordinary share. Subject to this resolution being approved, our shareholders can expect the dividend to increase for the 15th consecutive year since the Company's founding in 1996 and thus benefit from our Company's extremely successful performance. This year's proposal takes into account the profitability of our operations and the Company's future prospects.

The sustainability of our Company's business performance was again reflected in the share price in 2011. This developed very positively in the previous year, increasing by 22% – a considerably better performance than that of the DAX index, which dropped by 16%. Over the past ten years, the price of our ordinary shares including the dividend rose by more than 10% a year on average; in the same period, the comparative value for the DAX was just 1.4%. The Company's strategy of always giving priority to its long-term goals has proven successful, even in times of economic turbulence.

But let's look to the future now. We will continue to consistently pursue the four strategic growth paths we defined back in 2000: Fostering the organic growth of our products and services, acquiring further dialysis clinics in attractive markets, expanding our portfolio horizontally, and strengthening our position in the home dialysis market will therefore continue to be key goals to help us further consolidate our leading market position. Based on this strategy, we therefore intend to achieve revenue of approximately $14 billion in the current financial year, corresponding to a 13 to 15% increase over the previous year at constant currency. Net income in 2012 should be around $1.14 billion. This means that we are once more aiming for another record year in 2012. Besides organic growth, a focus will be on successfully integrating the recent acquisitions.

In doing so, our most important strategic guiding principle will remain to continuously improve the quality of life for people suffering from chronic kidney failure. We know that there are challenges to be met: While the number of dialysis patients worldwide is growing, the public funds available for their care are increasingly restricted – a situation that has been further compounded by the financial and economic crisis. At the same time, however, we know that we are in an excellent position to master these challenges, together with our healthcare partners: As a vertically integrated dialysis company, we can offer high-quality

dialysis products and services from a single source. This means that we can provide our patients with integrated care, helping not only to improve the quality of treatment, but also to reduce the costs. I assume that demand for such integrated care concepts for dialysis patients will grow and reimbursement will be increasingly frequently linked to meeting defined quality targets.

That's why we look to the future with great confidence and will again apply all the Company's know-how and resources to make sure that you, our shareholders, continue to share this confidence with us. I am looking forward to another exciting year as part of this unique company.

At the end of the current financial year, I will be handing over responsibility for the management of the Company after 27 years at Fresenius Medical Care, including twelve as CEO. I would like to thank Fresenius Medical Care for making my professional career so interesting, challenging and varied. I would also like to thank you, dear shareholders, for your support and the trust you have placed in me and the Management Board under my command in the past years. I hope you will give my successor, Rice Powell, and the Company's management the same support so that our Company can continue on its successful course.

Yours sincerely

DR. BEN J. LIPPS
Chief Executive Officer of
Fresenius Medical Care

Left to right:
Rice Powell (2), Kent Wanzek (7), Dr. Ben J. Lipps (1), Dr. Rainer Runte (6),
Dr. Emanuele Gatti (5), Roberto Fusté (4), Michael Brosnan (3)

MANAGEMENT BOARD

Chapter 1.1

▼
1
Dr. Ben J. Lipps
Chairman

Dr. Ben J. Lipps (71) was appointed Chief Executive Officer and Chairman of the Management Board of Fresenius Medical Care in 1999. Prior to that, he was CEO of Fresenius Medical Care North America from 1996 to 1999 and of Fresenius U.S. from 1985 to 1996. He has worked in the field of dialysis for about 40 years. After earning his master's degree and doctorate in Chemical Engineering at the Massachusetts Institute of Technology, he led the research team at Dow Chemical that developed the first commercial hollow-fiber artificial kidney at the end of the 1960s.

▼
2
Rice Powell
Vice Chairman and Member of the Management Board responsible for the region North America

Rice Powell (56) has been Vice Chairman of the Management Board and Member of the Management Board responsible for the region North America since January 1, 2010. He joined Fresenius Medical Care in 1997 and was appointed to the Company's Management Board and Co-CEO of Fresenius Medical Care North America in January 2004. He has over 30 years of experience in the healthcare industry. From 1978 to 1996, he held various positions, among others at Baxter International Inc. and Biogen Inc. in the U.S.

▼
3
Michael Brosnan
Finance

Michael Brosnan (56) was appointed Chief Financial Officer on January 1, 2010. Previously, he served as Chief Financial Officer of Fresenius Medical Care North America for seven years. He joined the Company in 1998 as Vice President of Finance and Administration for Spectra Renal Management, the Company's laboratory services organization. Subsequently, he assumed several executive functions at Fresenius Medical Care North America. Prior to joining the Company, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG.

▼
4
Roberto Fusté
Asia-Pacific

Roberto Fusté (59) is Chief Executive Officer for Asia-Pacific. After completing his studies in Economic Sciences at the University of Valencia, Spain, he founded the company Nephrocontrol S.a. in 1983. After Nephrocontrol was acquired by the Fresenius Group in 1991, he held several senior positions within the Company in the Latin America and Asia-Pacific regions, among others. He was appointed to the Management Board of Fresenius Medical Care in 1999.

▼
5
Dr. Emanuele Gatti
Europe, Middle East, Africa and Latin America, and Global Chief Strategist

Dr. Emanuele Gatti (56) is Chief Executive Officer for Europe, Middle East, Africa and Latin America (EMEALA). He is also Global Chief Strategist and responsible for research and development in EMEALA. After completing his studies in Bioengineering, he lectured at several biomedical institutions in Milan. He continues to be involved in research and development activities. He is a visiting professor and honorary senator at the Danube University in Krems, Austria. Emanuele Gatti has been with Fresenius Medical Care since 1989. Before being appointed to the Company's Management Board in 1997, he was responsible for its dialysis business in Southern Europe.

▼
6
Dr. Rainer Runte
Global Law, Compliance, Intellectual Property, Corporate Business Development, and Labor Relations Director Germany

Dr. Rainer Runte (52) is Member of the Management Board responsible for Global Law, Compliance, Intellectual Property and Corporate Business Development. He has also been appointed Labor Relations Director for Germany. He has worked for the Fresenius Group for 20 years. In 1997, he assumed the position of Senior Vice President for Law at Fresenius Medical Care and was appointed to the Management Board in 2002. Before joining the Company, he worked as a scientific assistant in the law department of Goethe University in Frankfurt and as an attorney in a firm specialized in economic law.

▼
7
Kent Wanzek
Production

Kent Wanzek (52) was appointed Member of the Management Board responsible for Global Manufacturing Operations on January 1, 2010. From 2004 onwards, he was in charge of North American operations for the Renal Therapies Group at Fresenius Medical Care North America. Prior to joining the Company in 2003, he held several senior executive positions at Philips Medical Systems, Perkin Elmer, and Baxter Healthcare Corporation, among others.

REPORT OF THE SUPERVISORY BOARD

Chapter 1.2

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA dealt mainly in the financial year 2011 with questions of financing, with the effects of the new cost reimbursement system in the U.S., with the question of the long-term incentive effect in the remuneration system for leading executives and the Management Board, with proposals for the new Supervisory Board elections and again with the effects of the worldwide economic situation on the opportunities and risks for the development of the Company's business.

Details

In the expired financial year 2011, the Supervisory Board again, dealt extensively with the situation and the business perspectives of the Company and various special issues as well as performing the duties imposed on it by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. We regularly advised the Management Board of the general partner, Fresenius Medical Care Management AG, on the management of the Company and supervised the management of the Company within our responsibility as the Supervisory Board of the partnership limited by shares. The management informed us in written and oral reports regularly, promptly and comprehensively about all significant questions of Company policy and the Company planning and strategy, the progress of transactions, acquisitions, the profitability, the situation of the Company and the group and the risk situation and risk management. All business processes significant for the Company were discussed by us on the basis of reports of the Management Board of the general partner in the committees and in full session comprehensively and the strategic direction of the Company was also discussed with the Management Board of the general partner. In accordance with the procedure of previous years, we again reviewed the economic development of acquisitions of the previous years and compared them with the planning and prognoses at the time of each acquisition. The Supervisory Board passed resolutions in the terms of its responsibilities under statutes and under the Articles of Association.

Meetings

In the financial year 2011, five meetings – some of which extended to more than one day – of the Supervisory Board and one telephone conference took place. No Supervisory Board member attended less than half of the meetings. Between the meetings, written reports were provided. The chairman of the Supervisory Board also maintained close contact with the Management Board of the general partner apart from the meetings.

The Supervisory Board availed again of the opportunity of making the acquaintance of leading employees in the course of presentations on selected issues.

Focus of the Discussions in the Supervisory Board

In the expired financial year 2011, the Supervisory Board dealt intensively and in all its meetings with the situation of the Company in the overall economic context particularly in view of worldwide developments.

The new provisions of the reimbursement system in the U.S. in force since the beginning of 2011 and their effects on the Company received special attention (above all the "bundling", according to which specific products and services which were previously charged separately, have been combined into one all-in reimbursement amount). The Supervisory Board was regularly informed of the consequences. The developments in reimbursement systems outside the U.S. and the overall economic environment in each case were discussed.

The business development, the competitive situation and the planning of the Management Board in the various regions were again at the centre of the discussions.

The financing of the Company was again intensively discussed not least in connection with the notes issues in 2011 and the acquisitions of the Company and the expansion of production capacities.

The new elections of Supervisory Board members held in the year under report and the resolutions in that respect to be proposed to the general meeting constituted a further subject of discussion in the Supervisory Board.

Since the participation of the management and leading executives in the financial risks and opportunities of the Company by the grant of stock options belongs to the significant elements of an internationally competitive remuneration system, contributes to the ability to attract worldwide specialists and managers, and ensures their long-term loyalty to the Company, a new program had to be discussed after the expiry of previous stock option program. The Supervisory Board therefore dealt with the design of new long-term remuneration components and in this context also with the Stock Option Program 2011 which was then presented to the general meeting for approval and duly approved by it.

The remuneration of the Supervisory Board was also supplemented by an element to ensure long-term success of the Company in accordance with the recommendations of the German Corporate Governance Code; also approved by resolution of the ordinary general meeting 2011 on the basis of a joint proposal by the general partner and the Supervisory Board.

The Audit and Corporate Governance Committee

Prof. Dr. Fahrholz, Mr. Johnston, Dr. Krick und Dr. Weisman were members of the Audit and Corporate Governance Committee throughout and were re-elected to that committee by the Supervisory Board after the ordinary general meeting 2011. The Audit and Corporate Governance Committee met under the chairmanship of Dr. Walter L. Weisman (independent financial expert in the meaning of section 100 para. 5 German Stock Corporation Act) in the year under report on a total of five occasions in meetings and held a number of telephone conferences. It dealt in the financial year 2011 with the annual and consolidated financial statements, the proposal for the application of profit and the report according to form 20-F for the American Securities and Exchange Commission (SEC). The Audit and Corporate Governance Committee also discussed each quarterly report with the management. It also satisfied itself as to the independence of the auditor of the annual and consolidated financial statements, instructed him to undertake the audit, concluded the fee agreement with him and discussed and determined with him the points of emphasis of the audit. Representatives of the auditor participated in all meetings of the Audit and Corporate Governance Committee and reported thereby on their auditing and the audit review of the quarterly financial statements and, in the absence of members of the Management Board of the general partner, on the cooperation with them. The representatives of the auditor were also available for additional information.

The accountancy process, the effectiveness of the internal control system, of the risk management and of the internal audit system, and the audit were discussed several times in the Audit and Corporate Governance Committee. KPMG AG Wirtschaftsprüfungsgesellschaft reviewed, in the course of the

audit, the internal control system in relation to the accountancy process and the establishment of the early risk recognition system and raised no objections thereto. The Management Board of the general partner provided periodic reports on larger individual risks. The Management Board of the general partner also informed the committee regularly i. e. at all ordinary meetings of the Audit and Corporate Government Committee on the compliance situation of the Company. In addition, the head of internal audit reported periodically to the committee.

In 2011, the Audit and Corporate Governance Committee again dealt with the internal control system of the Company in accordance with the Sarbanes-Oxley Act (SOX 404). The Company received on 21 February 2012 an unqualified audit certificate of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the implementation of the regulations of SOX 404 in the financial year 2011.

The legal and business relations of the Company to Fresenius SE (since 28 January 2011: Fresenius SE & Co. KGaA) and/or its affiliates were again subject matter of the reviews of the Audit and Corporate Governance Committee. It was possible to confirm that the relationships corresponded to those "at arm's length".

The chairman of the Audit and Corporate Governance Committee reported the results of his discussions and resolutions to the Supervisory Board in each case.

Joint Committee

The Joint Committee, the approval of which is acquired in particular for certain important transactions and certain transactions between the Company and Fresenius SE (since 28 January 2011: Fresenius SE & Co. KGaA) and/or its affiliates, did not meet in 2011 because no transactions subject to the approval of the Joint Committee were undertaken.

For the general partner, its Supervisory Board members Dr. Ulf M. Schneider and Dr. Gerd Krick were delegated to the Joint Committee of the Company. In the year under report, Dr. Walter L. Weisman and Mr. William P. Johnston were, on the proposal of the Supervisory Board, elected from among the members of the Supervisory Board to the Joint Committee. Mr. John Gerhard Kringel was replaced by Mr. Johnston in the Joint Committee.

Nomination Committee

The Nomination Committee of the Company, the members of which in the year under report were Dr. Gerd Krick (chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk, prepares personnel proposals of the Supervisory Board and proposes to the Supervisory Board of the Company suitable candidates for its election proposals to the general meeting. In the year under report, the committee prepared the proposals for the election to the Supervisory Board at the ordinary general meeting 2011.

Corporate Governance

The Supervisory Board reviewed the efficiency of its activities and also dealt with the exchange of information between the Management Board of the general partner and the Supervisory Board and between the Supervisory Board and the Audit and Corporate Governance Committee. No objections arose in the course thereof.

The Supervisory Board members Mr. Johnston, Dr. Krick, Dr. Schenk and Dr. Weisman are also members of the Supervisory Board of the general partner, Fresenius Medical Care Management AG as was Mr. Kringel also up to the time of his leaving both Supervisory Boards in each case at the end of the ordinary general meeting 2011 of each. Mr. Rolf A. Classon was, at the ordinary general meeting 2011, elected as a member of the Supervisory Board and is also, since July 2011, a member of the Supervisory Board of the general partner.

Consultancy or other service relationships between Supervisory Board members and the Company apply in the year under report only to Dr. Schenk who is also partner in the law firm Noerr LLP that

provided legal advice to the Company in the year under report, in each case with the approval of the Supervisory Board with Dr. Schenk abstaining. In the year under report, Fresenius Medical Care paid €1,386,241.46 (plus VAT) to law firm Noerr. This is less than 4% of the legal and consultancy costs paid by Fresenius Medical Care worldwide.

No conflicts of interest of Supervisory Board members arose in the year under report.

The Supervisory Board found that it and its committees have, in its opinion, an adequate number of independent members.

By resolution passed by circulation of the draft resolution of 3 June 2011 and at the Supervisory Board meeting of 1 December 2011, the Supervisory Board discussed the conformity declaration of the Company under section 161 Stock Corporation Act on the German Corporate Governance Code and resolved on same. The version of the conformity declaration of December 2011 applies as it appears at present permanently accessible on the website of the Company. The deviations from the recommendations of the Code refer, firstly, to the (absence of an) age limit specified or set for members of the Supervisory Board (likewise for the members of the Supervisory Board and the Management Board of the general partner) and the lack of setting concrete objectives for the composition of the Supervisory Board of Fresenius Medical Care as well as taking these into account in election proposals and reporting on the status of their implementation. As the composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account international activities of the enterprise, potential conflicts of interest and diversity. This includes the aim to establish an appropriate female representation on a long-term basis. However, in the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. Furthermore, in the Management Board service contracts of the general partner newly concluded since the beginning of 2010 no cap on severance is included for the reasons stated in the conformity declaration. The previous Articles of Association did not provide for variable remuneration for the Supervisory Board either. Since the resolution in the ordinary general meeting 2011, the remuneration of the members of the Supervisory Board contains a remuneration component guided by the long-term success of the Company which can be paid for the first time in 2012 on the basis of the targets achieved in financial years 2009, 2010 and the year under report.

The Corporate Governance Report of the general partner and of the Supervisory Board together with the declaration on the management according to section 289a Commercial Code —— *starting on page 130* of the annual report. The declaration on Corporate Governance for the year under report was discussed by the Supervisory Board and approved at its meeting of 20 February 2012.

Annual and Consolidated Financial Statements

The annual financial statements of Fresenius Medical Care AG & Co. KGaA for the financial year 2011 and the annual report were prepared in accordance with the regulations of the German Commercial Code, the consolidated financial statements and consolidated management report pursuant to section 315a Commercial Code in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The accountancy, the annual financial statements and the annual report of Fresenius Medical Care AG & Co. KGaA and the consolidated financial statements and consolidated annual report of Fresenius Medical Care AG & Co. KGaA, in each case for the financial year 2011, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin which was elected as auditor by resolution of the general meeting of 12 May 2011 and instructed by the Audit and Corporate Governance Committee. Each

of the said documents carries an unqualified certificate. The audit reports of the auditor were laid before the Audit and Corporate Governance Committee and before the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual and consolidated financial statements and the annual reports taking account of the audit reports of the auditor, and reported to the Supervisory Board thereon.

The Supervisory Board also reviewed the annual financial statements, the annual report and the proposal for the application of profit and the consolidated financial statements and consolidated annual report in each case for the financial year 2011. The documents were provided to it in due time. The Supervisory Board declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor who signed the audit reports participated in the discussions of the Supervisory Board of the annual and consolidated financial statements, reported on the significant results of the audit and were available for additional information. Even after the final results of its own review, no objections are to be raised by the Supervisory Board to the annual financial statements and the annual report of the Company or to the consolidated financial statements and the consolidated annual report.

At its meeting on 20 February 2012, the Supervisory Board approved the annual financial statements and the annual report of Fresenius Medical Care AG & Co. KGaA for 2011 presented to it by the general partner. The declaration on Corporate Governance for the reporting year 2011 was also a subject of discussion and resolution. At that meeting, the draft of the report according to form 20-F for filing with the Securities and Exchange Commission (SEC), which contains, inter alia, the consolidated financial statements and the consolidated annual report in accordance with the U.S. Generally Accepted Accounting Principles, (U.S. GAAP) with the U.S. dollar as the currency of the report, was also discussed. At its meeting of 8 March 2012, the consolidated financial statements and the consolidated annual report were approved by the Supervisory Board. The Supervisory Board also approved the general partner's proposal for the application of profit which provides for a dividend of €0.69 for ordinary shares and €0.71 for preference shares.

Dependency Report

The general partner, Fresenius Medical Care Management AG, prepared a report on the relationships to affiliates in accordance with section 312 Stock Corporation Act for the financial year 2011. The report contains the final declaration of the general partner that the Company, in accordance with the circumstances known to the general partner at the time at which the transaction was undertaken or the measures taken or omitted, received reasonable consideration for each transaction and was not disadvantaged by the conduct of the measures or their omission.

The Supervisory Board and the Audit and Corporate Governance Committee received the report in due time and reviewed it. The auditor participated in the relevant discussions, reported on the main results of his review and was available for additional information. The Supervisory Board and the Audit and Corporate Governance Committee share the view of the auditor who added the following certificate to that report on 10 February 2012:

"In accordance with our conscientious audit and assessment, we confirm that (1) the statements of fact in the report are correct, (2) the consideration of the Company in the course of the transactions listed in the report was not unreasonably high, (3) the measures listed in the report are not the occasion for an assessment substantially different from that of the general partner".

Even according to the final result of the review by the Supervisory Board, no objections to the declaration of the general partner on the relationships to affiliates at the foot of the report are to be raised.

Composition of the Supervisory Board

Mr. John Gerhard Kringel did not stand for re-election at the ordinary general meeting 2011. We thank Mr. Kringel for his long years of activity on this board and for his valuable contributions.

The Nomination Committee proposed to the Supervisory Board and the Supervisory Board proposed to the ordinary general meeting the election of Mr. Rolf A. Classon as a new member of the Supervisory Board in place of Mr. Kringel, and the re-election of the existing members. The general meeting re-elected all candidates proposed i. e. the existing members of the Supervisory Board with the exception of Mr. Kringel and Mr. Classon was elected as a further member of the Supervisory Board.

At the Supervisory Board meeting immediately following the ordinary general meeting 2011, Dr. Krick and Dr. Schenk were re-elected as chairman and deputy chairman of the Supervisory Board respectively.

The Supervisory Board thanks the members of the Management Board of the general partner as well as all employees for their commitment and for the diligent work performed in 2011.

Bad Homburg v.d.H., 8 March 2012
The Supervisory Board

DR. GERD KRICK
Chairman

CAPITAL MARKET AND SHARES

Chapter 1.3

STOCK MARKET

Our long-term strategy aims at sustainably increasing the shareholder value of Fresenius Medical Care. The long-term trend of our share price shows that investors have confidence in our growth strategy and our growth prospects. Within the last ten years, the price of Fresenius Medical Care's ordinary shares has risen by 81%. Over the same period, prime share indices such as the German DAX and the Dow Jones index in the U.S. dropped by 8% and grew by 13% respectively. An investor seeking long-term growth who invested €10,000 in Fresenius Medical Care ordinary shares ten years ago and reinvested the dividends would have reaped assets of about €26,629 as on December 31, 2011. This reflects an average annual rate of return of 10.3%.

After two successful years for shares in 2009 and 2010, the stock markets started globally 2011 with a modest upturn. Following the natural and nuclear disasters in Japan and their effects on the world economy, which were initially hard to gauge, there was a sharp price correction on the stock markets in March. After rapidly regaining their losses, the prime share indices then moved consistently sideways during the rest of the first half of 2011. With the spread of the sovereign debt crisis, accompanied by a general increase in uncertainty and a lack of economic stimuli, we saw a significant slide in share prices from the end of July. Within about six weeks, the DAX lost 30% of its value and hit a two-year low in mid-September at 5,072 points. By the end of the year, the stock markets managed to recover a part of their losses in a very volatile environment, mainly thanks to robust economic data. Despite this, at the end of 2011 the leading world indices were significantly below the level seen at the start of the year. One of the few indices in positive territory was the U.S. Dow Jones, which posted a modest gain of 5% for 2011. At the end of the financial year it stood at 12,218 points. The DAX ended 2011 at 5,898 points, representing a 16% loss compared to the start of the year. Further information about the performance of these stock indices can be found in table 1.3.1.

The stocks for individual industries developed very differently in 2011. The sovereign debt and banking crisis, as well as a worsening economic outlook and fears of a global recession, particularly affected stocks in export-oriented sectors and the banking sector; these showed the greatest price falls over the past year. On the other hand, the healthcare sector mainly developed positively against the background outlined above.

STOCK INDICES/SHARES

Table 1.3.1

	Country/ region	*Jan. 1, 2011*	*Dec. 31, 2011*	*Change*	*High*	*Low*
DAX	*GER*	6,990	5,898	−16 %	7,528	5,072
Dow Jones	*US*	11,671	12,218	5 %	12,811	10,655
Nikkei	*JP*	10,229	8,455	−17 %	10,858	8,160
CAC	*FR*	3,901	3,160	−19 %	4,157	2,782
FTSE	*GB*	5,900	5,572	−6 %	6,091	4,944
DJ EURO STOXX 50	*EU*	2,839	2,317	−18 %	3,068	1,995
DJ EURO STOXX Healthcare	*EU*	390	435	11 %	435	362
Fresenius Medical Care ordinary share *in €*	*GER*	43.04	52.50	22 %	55.13	41.11
Fresenius Medical Care ADR *in $*	*US*	57.56	67.98	18 %	79.92	55.75

Source: Reuters data, own calculations

PRICE DEVELOPMENT OF FRESENIUS MEDICAL CARE SHARES

Fresenius Medical Care's shares again performed very well in 2011. The ordinary share price stood at €52.50 at the end of the year, up 22% compared to the start of the year. This performance put our ordinary shares in second place among the shares included in the DAX. Only seven of the stocks included in the DAX grew in 2011, most recorded declines in the double-digits. Fresenius Medical Care's ordinary share recorded its year-high on July 26 (€54.51) and its year-low on January 24 (€41.00).

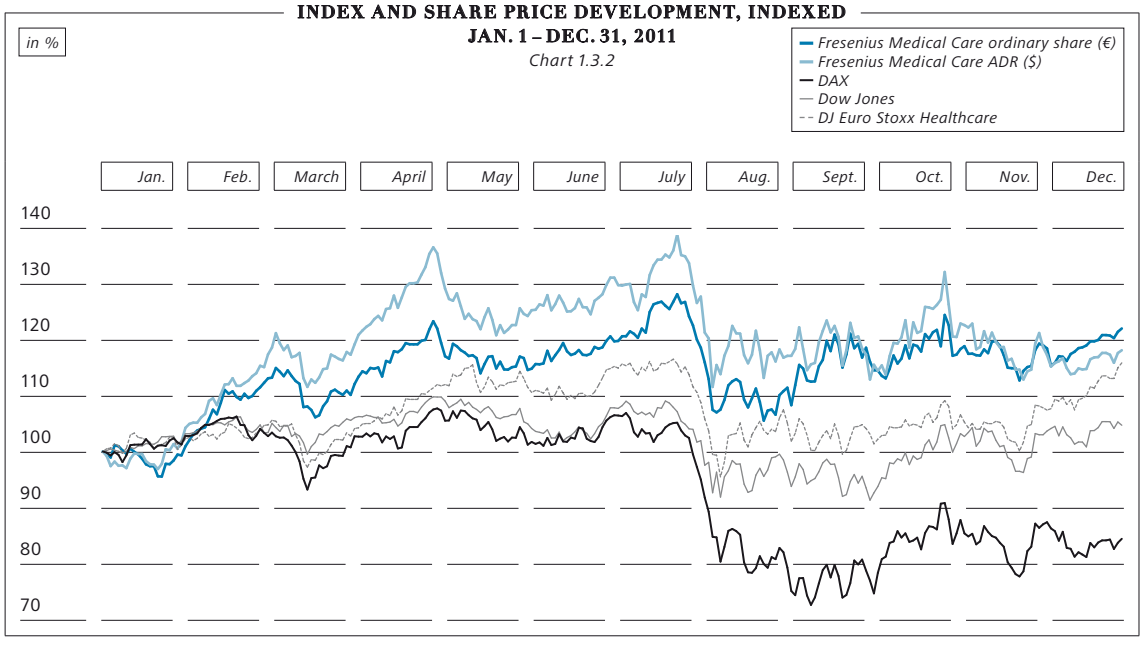
The discussion about the design of the new reimbursement system for publicly insured dialysis patients in the U.S. and the impact this will have on our Company continued to influence our share price in 2011. In this context, the removal of a transition fee as at April 1, 2011 had a positive effect. The share price was also supported by the Company's positive development in terms of revenue and profit: In 2011, we again achieved new records in these areas; see also the chapter "Results of operations" —— *starting on page 58*.

Fresenius Medical Care shares continued to be classified as defensive stock. Given the market conditions described above, this also benefited the development of the share price. Moreover, in 2011 Fresenius Medical Care's shares showed a noticeably better performance than stocks within the narrower peer group of the healthcare sector. For example, the Dow Jones Euro Stoxx Healthcare-Index comprising the leading and largest companies within the sector in Europe rose by 11% last year, only half as much as the ordinary shares of Fresenius Medical Care.

The defensive character of our shares is also reflected in their low volatility: The range within which the stock was traded during the last year continued to be narrow with a difference of just 25% between the lowest and highest price, particularly compared to the fluctuations in the stock market as a whole.

The exchange rate of the euro against the U.S. dollar continued to play an important role in the development of our share price in 2011. An appreciation of local currencies (especially the euro) against the U.S. dollar is advantageous for Fresenius Medical Care's reporting, as we report in U.S. dollars. As a

INDEX AND SHARE PRICE DEVELOPMENT, INDEXED
JAN. 1 – DEC. 31, 2011
Chart 1.3.2



Source: Reuters data, own calculations

result, we benefit from higher values when our balance sheet items and earnings (in local currencies) are translated into U.S. dollars. On the other hand, the appreciation of the euro also means that several conventional valuations, which are usually calculated in U.S. dollars, are less favorable when translated into euros. This can be significant as many investors base their decisions first and foremost on the euro share price.

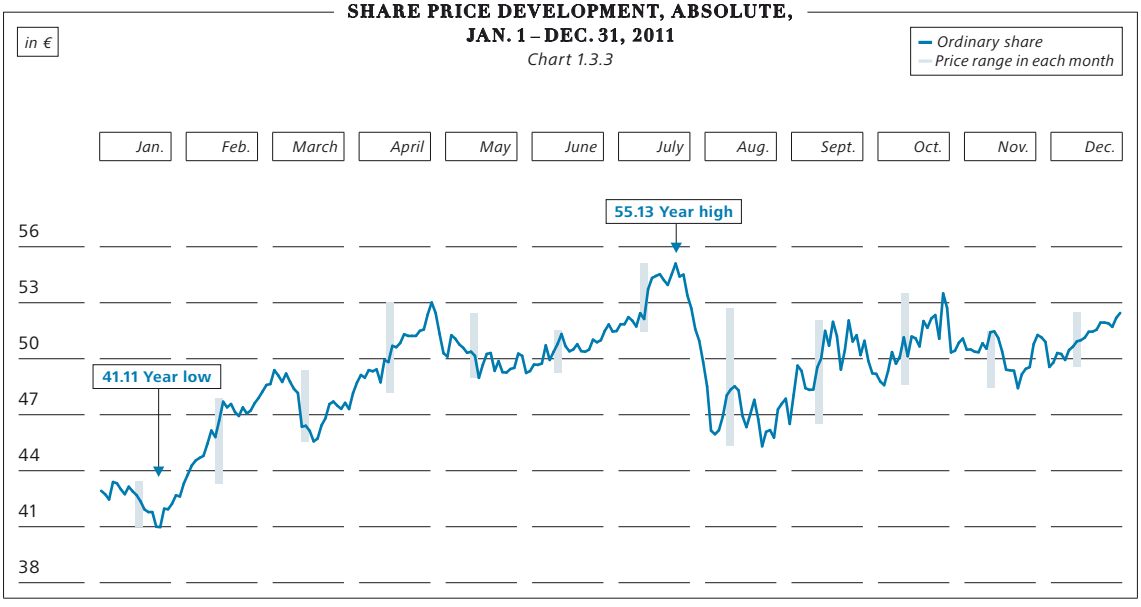
In 2011, the price of Fresenius Medical Care shares traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR) increased by 18%. Each ordinary or preference ADR corresponds to one Fresenius Medical Care ordinary or preference share. The ADR price movement is basically tied to the ordinary and preference shares, taking account in to the development of the euro/U.S. dollar exchange rate.

The price of Fresenius Medical Care's preference shares normally develops in line with the ordinary share price. As the vast majority of preference shareholders accepted the offer in February 2006 to convert their preference shares into ordinary shares, the number of preference shares outstanding and thus the volume of tradable shares is very low. As a result, any further statements regarding the price of our preference shares would be speculative.

The market capitalization of Fresenius Medical Care on December 31, 2011 was €15.93 BN, an increase of around €2.8 BN compared to the previous year's value of €13.14 BN. The trading volume of our ordinary shares was 0.83 M per trading day, on the same level as in the previous year. As expected, the trading volume of our preference shares remained at a very low level of about 1,000 shares per trading day (2010: 1,200). Due to the very small number of outstanding preference shares, their daily fluctuations are much more pronounced than those of ordinary shares.

Our ordinary share further consolidated its position in the rankings published by Deutsche Börse for 2011. These rankings are used to determine the

SHARE PRICE DEVELOPMENT, ABSOLUTE, JAN. 1 – DEC. 31, 2011
Chart 1.3.3



Source: Reuters data, own calculations

composition of the DAX. They are drawn up each month based on the trading volume and market capitalization relating to the free float. At the end of 2011, our weighting in the DAX was 2.16%, clearly higher than the previous year's value of 1.36%. This not only reflects the positive development of the share price in relative terms, but above all the increase in the free float. As a mandatory exchangeable bond was due in mid-August 2011, the holding of Fresenius SE & Co. KGaA in Fresenius Medical Care fell by about 5.3%. This led to an increase in market capitalization based on free float shareholdings. In terms of market capitalization, we moved up five places last year and are now ranked 15th. With regard to trading volume, we moved up three places from 29th to 26th. The Fresenius Medical Care share is included in a number of other important international share indices, such as the Dow Jones, MSCI and the FTSE. For the third consecutive year, our ordinary share was listed in the Dow-Jones-Euro-Stoxx-Sustainability-Index, which takes ecological and social as well as economic criteria into account.

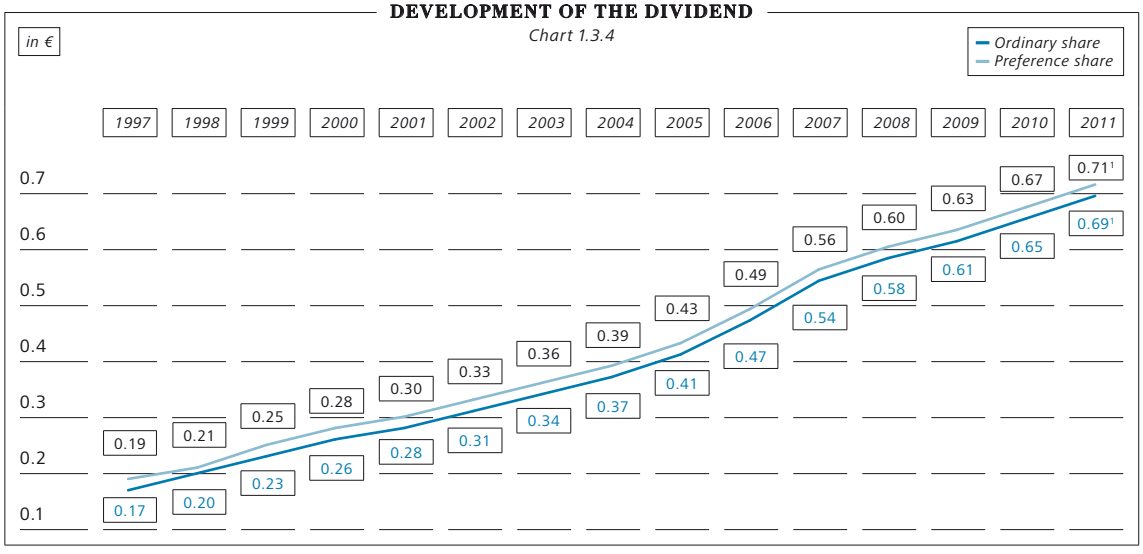
DIVIDEND

Fresenius Medical Care intends to continue its profit-oriented dividend policy. At the Annual General Meeting on May 10, 2012 the Management Board will propose the shareholders an increase of the dividend by 6% to €0,69 per ordinary share. Subject to the approval of the Annual General Meeting the shareholders can expect an increase of the dividend the 15th year in a row since the foundation of Fresenius Medical Care in 1996. Based on the proposed dividend and the closing prices for our shares at the end of 2011, the dividend yield for our ordinary shares should be around 1.3% (2010: 1.5%). Since 1997, the dividend should have risen by around 11% on average each year.

The total payout for 2011 would amount to approximately €210 M. With the exchange rate at the end of the financial year, the total dividend works out approximately $272 M. Based on our consolidated net income of $1,071 M, this represents a payout ratio of about 25%.

DEVELOPMENT OF THE DIVIDEND

Chart 1.3.4



¹ *Proposal to be approved by the Annual General Meeting on May 10, 2012.*

SHAREHOLDER STRUCTURE

At the beginning of 2012, we again had our shareholder structure analyzed. We were able to identify the owners of around 286.6 M shares, representing again a very high proportion of 94.2% (previous year: 98.2%) of the approximately 304.13 M outstanding shares (as at December 31, 2011; including approximately 300.16 M ordinary shares and around 3.97 M preference shares). With regard to the shares in free float (around 211.9 M), we were able to attribute 91.7% (previous year: 97.2%) to individual investors.

The share of total stock held by Fresenius SE & Co. KGaA dropped from 35.3 to 30.3% in the previous year as a result of the expiration of a mandatory exchangeable bond due in mid-August 2011. In July 2008 Fresenius SE & Co. KGaA issued a mandatory exchangeable bond against ordinary shares of Fresenius Medical Care for a total of €554 M. The bond had a term of three years and was due on August 14, 2011. At this point in time, Fresenius SE & Co. KGaA as issuer of the bond had supplied the bond holders with approximately 15.7 M ordinary shares in Fresenius Medical Care. This immediately reduced the absolute number of group shares held in Fresenius Medical Care to initially 90,880,382 ordinary shares compared to the 106,603,026 held on the previous year's balance sheet date. In mid-November 2011, Fresenius SE & Co. KGaA announced its intention to increase its voting share in Fresenius Medical Care by purchasing of approximately 3.5 M Fresenius Medical Care ordinary shares. On December 31, 2011, Fresenius SE & Co. KGaA therefore held a total of 92,280,378 ordinary shares in Fresenius Medical Care.

Overall, we identified 808 institutional investors (previous year: 793) through the shareholder structure analysis. The top 20 institutional investors in our Company held about 40% of identified shares in the free float (previous year: 41%). Ten of the top 20 investors are based in Great Britain, while six are in the U.S., two in Germany and one each in Norway and France.

NUMBER OF IDENTIFIED SHARES

Table 1.3.5

	Number of shares	*in %*	*in % of free float*
Number of shares, *December 31, 2011*	304,130,613	100.0	–
of which ordinary shares	300,164,922	98.7	–
of which preference shares	3,965,691	1.3	–
Identified shares including Fresenius SE & Co. KGaA	286,570,768	94.2	–
Unidentified shares	17,559,845	5.8	8.3
Fresenius SE & Co. KGaA	92,280,378	30.3	–
Free float	211,850,235	69.7	–
▸ **TOTAL IDENTIFIED SHARES BASED ON FREE FLOAT**	**194,290,390**	**–**	**91.7**

1.3
Capital market and shares

At the time of the survey, retail investors accounted for around 8% of identified shares, while owners of ADRs held 1.5% of shares. The proportion of total identified share capital held by institutional investors on the basis of the free float was about 85.7%.

In terms of geographical distribution, 38.3% of identified shares based on free float were held by institutions in North America. 49.6% of shares were held in Europe, excluding Germany. The majority of these (30.5% of shares) were found in Great Britain. Around 8.3% of our Company's shares were held in Germany.

The survey carried out at the beginning of 2012 reveals a shareholder structure that, in our opinion, continues to be well-balanced, both from a geographical point of view and in terms of private and institutional investors. For 2012 and 2013, we see the regional focus of our investor relations activities continuing to be in North America and Europe, as well as in selected countries in Asia and the Middle East.

During 2011, we received six voting rights notifications as required by section 21 (1) of the German Securities Trading Act (WpHG). In its latest announcement dated December 13, 2011, BlackRock Inc. informed us that it had dropped below the reporting threshold of 5%, and was holding 4.99% of Fresenius Medical Care ordinary shares via its subsidiaries. All voting rights notifications can be found on the Investor Relations section of our website www.fmc-ag.com.

GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES
Table 1.3.6

	2012		2011	
	Number of shares	*in %*	*Number of shares*	*in %*
North America	65,125,282	38.3	58,564,166	35.3
Germany	14,075,232	8.3	16,694,460	10.1
Great Britain	51,767,913	30.5	55,552,514	33.5
France	13,204,422	7.8	10,525,656	6.3
Norway	5,275,742	3.1	4,149,440	2.5
Rest of Europe	13,975,306	8.2	14,659,394	8.8
Rest of world	6,536,044	3.8	5,813,879	3.5
▸ SHARES ATTRIBUTABLE TO REGIONS	**169,959,941**	**100.0**	**165,959,509**	**100.0**
Private investors	24,330,449	–	24,178,894	–
▸ TOTAL IDENTIFIED SHARES BASED ON FREE FLOAT	**194,290,390**	**–**	**190,138,403**	**–**

INVESTOR RELATIONS ACTIVITIES

Our investor relations work in 2011 again focused on delivering comprehensive, transparent and timely information to the capital markets. This included disclosing information on the strategy and management principles of Fresenius Medical Care, its operational and financial business developments, as well as the Company's outlook to a wide audience encompassing not only shareholders, other capital market participants and analysts, but also employees, journalists and the general public. Our aim in doing this is to communicate our Company's business performance in an appropriate and accurate manner allowing existing and potential investors to make informed investment decisions and providing other target groups with a balanced overview of the Company and its activities, its strategy and prospects. We want to make a significant contribution to increasing the value of Fresenius Medical Care in the long-term by means of effective financial communication.

Fresenius Medical Care provides all stakeholders with equal and timely access to information which may affect the share price. All communication channels aim to avoid selectively distributing any information which might have an impact on the share price. Depending on the information and recipient, Fresenius Medical Care selects the communication channel that is most suitable at that point in time for effective communication. In doing so, we fulfill the requirements of the valid laws and guidelines in both the U.S. and Germany. These include the regulations

BASIC SHARE DATA

Table 1.3.7

	Ordinary share	*Preference share*
Share type	No par value bearer share	No par value bearer share
Stock exchanges		
Germany: Frankfurt Stock Exchange/Prime Standard	FME	FME3
U.S.: New York Stock Exchange (NYSE)	FMS	FMS/P
Security identification codes		
Securities No. (WKN)	578580	578583
ISIN	DE0005785802	DE0005785836
CUSIP No. (NYSE)	358029106	358029205
Reuters		
Xetra	FMEG.DE	FMEG_p.DE
Frankfurt Stock Exchange	FMEG.F	FMEG_p.F
ADR NYSE	FMS.N	FMS_p.N
Bloomberg		
Xetra	FME GY	FME3 GY
Frankfurt Stock Exchange	FME GR	FME3 GR
ADR NYSE	FMS US	FMS/P US

of the Deutsche Börse and the New York Stock Exchange, as well as the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the German Corporate Governance Code and the Sarbanes-Oxley Act. More on this and other corporate governance issues can be found —— *starting on page 130*.

Generally, Fresenius Medical Care does not respond to rumors relating to the Company unless these contain material information or can be expected to have a significant impact on the Company's share price or related trading activities.

In 2011, we again continued to intensify our contacts with financial analysts as well as with institutional and private investors worldwide. Financial analysts continue to express great interest in our Company. This is reflected by the fact that we are actively tracked and covered by around 35 equity analysts, so-called sell-side analysts. We expect the current banking and debt crisis to lead to further restructuring measures in the banks' equity departments, which could have an impact on the amount and quality of coverage.

In the year under review, we presented Fresenius Medical Care in around 900 one-on-ones with analysts and investors and answered questions about our business performance and the Company's future. In addition, we showcased the Group and its prospects at 15 road shows and 30 investment conferences around the globe. Private investors also play an extremely important role. For this reason, we took part, among others, in events organized by the German Association for the Protection of Shareholders (Deutsche Schutzvereinigung für Wertpapierbesitz, DSW) for private investors.

2011 was also a successful year for the Investor Relations department at Fresenius Medical Care. Our Company received a number of awards for its outstanding work. "Capital" magazine recognized Fresenius Medical Care as having the best IR work in the DAX index. A survey carried out by the U.S. magazine "Institutional Investor" ranked our Company highest in the "healthcare" category in Europe for the fourth year in succession. In addition, our 2010 annual report for 2010 was ranked tenth place among DAX companies in a competition run by "manager magazine", and fourth in the "Design" category. Our annual report was also awarded the "red dot design award".

On our website www.fmc-ag.com, we also provide the following information:

- price information on our shares listed on the Frankfurt and the New York stock exchanges,
- publications such as quarterly reports, annual reports, investor news, and ad hoc announcements,
- full-year and interim reports in the form of live web-casts of analyst meetings and conference calls, including corresponding information and presentation material,
- live transmission of the CEO's speech at the Annual General Meeting,
- financial calendar with information on reporting, the Annual General Meeting and other events.

In addition, it is possible to contact us directly via e-mail on our web site, for example to receive automatic updates on Company developments in future.

1.3
Capital market and shares

KEY FIGURES OF FRESENIUS MEDICAL CARE'S ORDINARY SHARE

Table 1.3.8

		2011	2010	2009	2008	2007
Share capital[1]	in $ M	371.649	369.002	365.672	363.076	361.384
Number of shares[1]	in M	300.16	298.28	295.75	293.93	292.79
Share prices (Xetra-trades)						
Year-high	in €	55.13	45.79	37.71	39.10	38.67
Year-low	in €	41.11	36.10	26.07	29.73	33.05
Year-end price	in €	52.50	43.23	36.94	33.31	36.69
Average daily trading volume	Shares	825,970	824,535	1,040,200	1,498,696	1,676,946
Share prices (ADR NYSE)						
Year-high	in $	79.92	64.01	54.96	59.01	56.70
Year-low	in $	55.75	47.41	47.57	39.84	43.69
Year-end price	in $	67.98	57.69	53.01	47.18	52.75
Market capitalization						
Year-end	in € M	15,930	13,143	11,045	9,919	10,876
Year-end	in $ M	20,621	17,270	15,911	13,787	16,010
Exchange rate	$ to €	1.2945	1.3141	1.4406	1.3900	1.4720
Index weight						
DAX	in %	2.16	1.36	1.31	1.41	0.86
Dividend						
per share[2]	in €	0.69	0.65	0.61	0.58	0.54
Dividend yield	in %	1.3	1.5	1.7	1.7	1.5
Total payout	in € M	210	197	183	173	160
Earnings per share (EPS)						
Number of shares[3]	in M shares	299.01	296.81	294.42	293.23	291.93
Earnings per share (EPS)	in $	3.54	3.25	2.99	2.75	2.43

[1] *As of December 31, 2011.*
[2] *2011: Proposal to be approved by the Annual General Meeting on May 10, 2012.*
[3] *Weighted average number of outstanding shares.*

For a more detailed version, please refer to the five-year summary starting on page 288.

OUR FISCAL YEAR

Chapter 2

34.39 MILLION DIALYSIS TREATMENTS FOR PATIENTS IN MORE THAN 40 COUNTRIES

OPERATIONS AND BUSINESS ENVIRONMENT

Chapter 2.1

GROUP STRUCTURE AND BUSINESS

Fresenius Medical Care is the world's leading provider of dialysis products and services. Dialysis is a vital blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. Dialysis treatment removes toxins and surplus water from the body, which is normally discarded through urination in healthy individuals, as the patient's kidneys can no longer fulfill this task.

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. In the year under review, we cared for 233,156 dialysis patients in 2,898 proprietary dialysis clinics in more than 120 countries worldwide. We are continuously developing this network of clinics – the largest and most international in the world – to accommodate the ever growing number of dialysis patients. At the same time, we operate 41 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The Company's largest plants in terms of production output are in the U.S. (Ogden, Utah, and Walnut Creek, California), Germany (Schweinfurt and St. Wendel), and Japan (Buzen). We also maintain manufacturing facilities in further European and Asian countries as well as in Latin America. As a rule, these sites cover local demand for dialysis products and are therefore relatively small in comparison to the major sites mentioned above. Further information on our production activities can be found in the "Our production sites" section —— *starting on page 79*; a list of our major holdings can be found in the financial report —— *starting on page 286*.

Fresenius Medical Care is organized regionally and divided into the three segments North America, International and Asia-Pacific. For reporting purposes, we have aggregated the International and Asia-Pacific segments as "International". We aggregated these segments due to their similar economic characteristics. This applies not only to the products sold, patient structures, and methods of distributing products and services, but also to the economic environment. Fresenius Medical Care's headquarters and the administration of the International operating segment are based in Bad Homburg v.d.H., Germany, not far from Frankfurt/Main. Our North American headquarters are located in Waltham, Massachusetts, U.S., while the regional headquarters for Asia-Pacific are in Hong Kong, China. An overview of Fresenius Medical Care's locations can be found in chart 2.1.1 —— *on page 36*.

Management and control

Since February 2006, Fresenius Medical Care has been organized in the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the Company's management and supervisory structure are discussed in the corporate governance report —— *starting on page 130*. The members of the Management Board are presented —— *on page 16*; information on the positions of the Management Board and the Supervisory Board can be found —— *starting on page 157*.

Accounting

Fresenius Medical Care reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. This reporting form is due to the Company's high business volume in the U.S. and the fact that it is listed on the New York Stock Exchange. Furthermore, the Company prepares its reports in accordance with International Financial Reporting Standards (IFRS).

Key products, services and business processes

At the end of 2011, about 2.158 M patients regularly underwent dialysis worldwide. We distinguish between two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient through a special filter, the dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business encompasses both therapy methods.

2.1
Operations and business environment

As a globally leading company, Fresenius Medical Care offers dialysis services and products in more than 120 countries around the world with a focus on the following areas:

Hemodialysis

Most dialysis patients undergo hemodialysis in specialized clinics, by far the most common type of renal replacement therapy, accounting for more than 89% of all cases worldwide. HD requires the use of special products, primarily hemodialysis machines and dialyzers – filters that act as "artificial kidneys", filtering toxic substances from the patient's blood. Fresenius Medical Care is the world's leading manufacturer of these and other dialysis products for use both within and outside our own network of clinics. Further information can be found in the chapter "Dialysis market" —— *starting on page 45* and in the glossary —— *on page 162*.

MAJOR LOCATIONS
Chart 2.1.1

America	*Europe*	*Asia-Pacific*
Waltham, US Regional headquarters North America	**Bad Homburg, GER** Company headquarters	**Hong Kong, CN** Regional headquarters Asia-Pacific
01 Ogden, US Dialyzers	**12 Schweinfurt, GER** Dialysis machines	**20 Inukai, JP** Dialyzers
02 Walnut Creek, US Dialysis machines	**13 St. Wendel, GER** Dialyzers	**21 Buzen, JP** Dialyzers
03 Toledo, US Hemodialysis concentrate	**14 L'Arbresle, FR** Dialyzers & dialysis solutions	**22 Jiangsu, CN** Tubing systems
04 Livingston, US Hemodialysis concentrate	**15 Cremona, IT** Tubing systems	**23 Ipoh, MY** Water treatment systems
05 Montreal, CA Hemodialysis concentrate	**16 Borisov, BY** Dialyzers & tubing systems	**24 Smithfield, AU** Hemodialysis concentrate
06 Irving, US Hemodialysis concentrate	**17 Krems, AT** Adsorber	**25 Victoria, AU** Dialysis chairs
07 Reynosa, MX Tubing systems	**18 Vrsac, SRB** Dialyzers & dialysis solutions	
08 Guadalajara, MX Dialysis solutions	**19 Antalya, TR** Adsorber	
09 Santafé de Bogotá, CO Dialysis solutions		
10 Jaguariúna, BR Dialysis machines		
11 Pilar, AR Hemodialysis concentrate		

Home dialysis

The two types of home dialysis are peritoneal dialysis, —— see page 35 and glossary —— on page 164, and home hemodialysis. In the year under review, about 11% of all dialysis patients worldwide underwent PD. Home hemodialysis continues to be a niche market: By the end of 2011, only around 0.6% of all patients received this treatment. We provided products to approximately 45,000 PD patients and more than 3,000 home hemodialysis patients by the end of the year under review; around 20% of all PD patients and approximately 28% of all home hemodialysis patients use our dialysis products.

Acute dialysis

Generally, dialysis patients suffer from chronic kidney failure – a disorder which in most cases develops gradually over many years. But in acute medical emergencies, patients may also be in need of dialysis because of rapid kidney failure, for instance after a serious accident. Fresenius Medical Care offers products and services for so-called acute dialysis as well.

Dialysis drugs

Dialysis drugs enable us to expand our product portfolio horizontally beyond providing dialysis products and services; they therefore fit in perfectly with our strategic focus. Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism. This includes agents to stimulate red blood cell production (Erythropoietin, EPO), iron compounds, phosphate binders, vitamin D preparations and so-called calcimimetics —— see the glossary on page 161. We source the dialysis drugs EPO and vitamin D from specialized providers; however, we produce phosphate binders in own plants for use in our own clinics as well as for sale to third parties. Iron compounds are produced by Vifor Fresenius Medical Care Renal Pharma Ltd., a joint venture between our Company and the Swiss company Galenica.

Laboratory services

Laboratory services round off Fresenius Medical Care's service portfolio in the U.S. Nephrologists rely on extensive laboratory tests to tailor dialysis to each patient. The laboratory results have a significant impact on the quality of the patients' treatment and therefore their quality of life. In 2011, Spectra Laboratories, our subsidiary in the U.S., provided more than 55 M laboratory services for some 178,000 patients in our own as well as external dialysis clinics.

Holiday Dialysis International (HDI)

Usually, patients requiring regular dialysis are constrained in their mobility. Vacations or business trips to other countries seem all but impossible. For patients on HD or PD who wish to travel,

FRESENIUS MEDICAL CARE WORLDWIDE

Table 2.1.2

	Fresenius Medical Care		
Reporting segments	North America	International	
Operating segments	North America	International	Asia-Pacific
	U.S.	Europe	Asia
	Canada	Latin America	Australia
	Mexico	Middle East	
		Africa	

Fresenius Medical Care offers a complimentary reservation service for dialysis treatment outside their normal environment. We use not only our own global network of clinics for this, but also certified third-party dialysis providers, enabling dialysis patients to receive their vital treatment almost anywhere in the world. Further information on HDI can be found in our magazine —— *starting on page 58*.

Major markets and competitive position

Dialysis services

Fresenius Medical Care is the world's leading provider of dialysis services with a market share of about 11% based on the number of treated patients. We not only provide services to most dialysis patients, we also operate more dialysis clinics than any of our competitors with 2,898 clinics worldwide in 2011. We treated 61% of our patients in North America, 21% in Europe, 11% in Latin America and 7% in the Asia-Pacific region.

Dialysis products

The Asia-Pacific region gained importance in the area of dialysis products: We already generate 19% of our overall revenues with dialysis products in this region. However, Europe remains our key market with a revenue share of almost 50%; we generate 25% of our product revenues in North America, and 6% in Latin America. Our dialysis products accounted for a worldwide market share of around 33% in 2011, which means that we are still the market leader in this area. The market share of our key products – dialyzers and dialysis machines – was even higher at around 44 and 55%, respectively.

Further information on the major markets and the position of Fresenius Medical Care can be found in the "Dialysis market" section —— *starting on page 45*.

Legal and economic conditions

Fresenius Medical Care provides life-saving products and therapies for patients suffering from chronic kidney failure and is therefore only exposed to economic cycles to a relatively small extent. In this respect, we are different from manufacturers of consumer goods, for instance, whose products are subject to a more cyclical demand.

Fresenius Medical Care's business is impacted more by government reimbursement rates and systems. Reimbursement schemes for dialysis treatments differ from country to country and often even within countries. Fresenius Medical Care provides dialysis services in approximately 40 countries with different healthcare systems and reimbursement schemes. Our international experience puts us in a position to support national healthcare systems in their endeavors to create suitable reimbursement structures, adapt our business to local needs and regulations, and at the same time act profitably. Further information can be found in the "Dialysis market" section —— *starting on page 45*.

As a life-saving treatment, dialysis is subject to the highest safety and quality standards. These requirements are stipulated in numerous national and international legal provisions, standards and norms, with which our Company is obliged to comply.

Finally, demographic factors contribute to the continued growth of the dialysis market, including the aging population and the rising incidence of diabetes and hypertension – two diseases that often precede chronic kidney failure. In recent years, forecasts on the occurrence of these two diseases have continuously been adjusted upwards. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

Our long-term strategy aims at sustainably increasing shareholder value. We focus our business activities on our patients' health and hence on the quality of treatment with the objective of improving their quality of life and raising their life expectancy. The Management Board uses a number of different tools and indicators to evaluate the Company's business performance, develop its strategy, and make investment decisions. Overall, we are still in an excellent position to achieve our growth targets described in this chapter.

Key performance indicators

The Management Board uses various financial indicators when operating the Company. Furthermore it also bases its decisions on the growth strategy GOAL 13. Its targets will help us to maintain our excellent market position and to explore new paths into the future of dialysis. Fresenius Medical Care pursues four parallel approaches to assure its success in the worldwide dialysis market and achieve its growth targets. More information on this can be found in the "Growth strategy" section —— *starting on page 40*.

We also manage the activities of our segments based on their operational results, defined as EBIT (Earnings before Interest and Taxes). EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is specifically used as an indicator to determine the total DEBT/EBITDA ratio allowing us to assess the Company's creditworthiness.

The Management Board evaluates each segment based on target figures that reflect those revenues and expenses that the segments are actually able to control. For instance, financing is a corporate function and therefore an area over which the individual segments have no control. Therefore, interest expenses for financing are not included in the segments' target figures. Moreover, corporate costs are not included. These are mainly expenses for research and development, legal cost, corporate expenses for accounting and finance, taxes as well as professional services.

The operating cash flow is used to assess whether a business can itself generate the cash required to maintain the assets reported in its balance sheet and make expansion investments.

To determine the total debt/EBITDA ratio, financial liabilities are compared to EBITDA plus other non-cash expenses. The total debt/EBITDA ratio is an indicator of the amount of debt and the length of time needed to service it. It provides more reliable information about the extent to which a company is able to meet its payment obligations than simply taking the absolute amount of financial liability into account. Fresenius Medical Care holds a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of the Company's customers have a high credit rating as the industry is characterized by stable and sustained cash flows that can be planned. This means that we can work with a relatively large share of debt capital compared with companies in other industries (see also "Financial management policies and goals" section —— *starting on page 64*).

KEY PERFORMANCE INDICATORS

Table 2.1.3

	2011	*2010*
EBIT *in $ M*	2,075	1,924
EBITDA *in $ M*	2,632	2,427
Debt EBITDA ratio	2.69	2.38
Return on invested capital (ROIC) *in %*	8.7	8.8
Return on operating assets (ROOA) *in %*	12.2	12.5
Return on equity (ROE) *in %*	13.6	13.3

We also gear our corporate management towards operating indicators based on the following yield calculations:

▸ ROIC (Return on invested capital) expresses how efficiently a company allocates the capital under its control or how well it employs its capital with regard to a specific investment project. Fresenius Medical Care's ROIC in 2011 of 8.7% was at a comparable level as in the previous year of 8.8%.

▸ ROOA (Return on operating assets) expresses how efficiently employed capital is managed throughout the Company by calculating profit in relation to total capital. Fresenius Medical Care's ROOA in 2011 of 12.2% was at a similarly high level as in the prior year (2010: 12.5%).

▸ ROE (Return on equity) provides an insight into the Company's profitability. To calculate it, corporate net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) is placed in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA). In the past business year, ROE (after tax) increased from 13.3 to 13.6% as a result of the rise in earnings.

▸ When calculating our cost of capital, we use the WACC (Weighted average cost of capital) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. Fresenius Medical Care's WACC in 2011 was at 6.7%, after 6.8% in the prior year. Comparing the Company's WACC with its ROIC of 8.7% reveals that in 2011, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

We manage our investments using a detailed coordination and evaluation process. The Management Board sets the complete investment budget for the group as well as the investment targets. Before concrete investment projects or acquisitions are realized, our internal Acquisition Investment Committee (AIC) examines the individual projects and measures taking into account the return on investment and potential yield. The investment projects are evaluated based on commonly used methods such as the net present value and internal interest rate methods; payback periods are also included in the assessment. In this way, we try to ensure that we only make and implement investments and acquisitions that actually increase shareholder value.

Details on the development of these indicators as well as other financial figures can also be found in the chapters "Results of operations" —— *starting on page 58*, "Financial situation" —— *starting on page 64*, and in the Financial report —— *starting on page 178*.

Growth strategy

In September 2010, we presented a mid-term strategy with defined targets in the form of GOAL 13 drawing upon the previous growth strategy GOAL 10. GOAL 13 stands for "Growth Opportunities to Assure Leadership in 2013" and describes four paths —— *see chart 2.1.5* that Fresenius Medical Care follows with the aim of boosting its success across the broadest possible spectrum of the global dialysis market and achieving its growth targets. The defined targets —— *see table 2.1.4* enable us to continue pursuing the four paths in a financially responsible way to consolidate our position as the world's market leader in dialysis.

In 2011, our revenue grew by 6% to $12.80 BN and our net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) increased by 9% to $1.071 BN. For further details see "Comparison of the actual business results with forecasts" —— starting on page 55.

Path 1: Organic growth

We intend to strengthen our leading market position by the expansion of our clinic network and by introducing our innovative dialysis products such as the 5008 and 5008S as well as 2008T and 2008K series dialysis machines. We are planning to expand our clinic network in all important markets and growth regions worldwide to maintain and even improve our leading market position. At the same time, we aim to advance our comprehensive, innovative treatment concepts UltraCare and NephroCare (see "Our dialysis service business" chapter —— starting on page 84) and combine them with dialysis drugs, for example. This strategy makes us stand out significantly against our competitors. We expect that most of our future growth will be generated in an organic way.

Path 2: Acquisitions

With our long-term growth objectives and our aim to boost profitability in mind, we regularly investigate possible acquisitions to selectively expand our dialysis clinic network. To this end, we focus on particularly attractive regions. Acquisitions should help us achieve our long-term objectives. In this fiscal year, besides the acquisition of Liberty Dialysis Holdings Inc., the third largest operator of dialysis clinics in the U.S., we also announced the acquisition of American Access Care (AAC), also located in the U.S. AAC operates freestanding out-patient centers primarily dedicated to serving vascular access needs of dialysis patients. The acquisition enables Fresenius Medical Care to achieve critical mass in its vascular access business.

Fresenius Medical Care also closed the acquisition of International Dialysis Centers (IDC), Euromedic International's dialysis service business in the mid of 2011. Eastern Europe is a key component of the overall growth strategy of Fresenius Medical Care.

Further information on acquisitions can be found in the "Events significant for business development" section —— starting on page 54 and in the "Subsequent events chapter" —— on page 117.

Path 3: Horizontal expansion

Already in the business year 2010, we had expanded our range of dialysis drugs in accordance with our strategy by the formation of a joint venture with the Swiss based Galenica. The formation of Vifor Fresenius Medical Care Renal Pharma Ltd. in which Fresenius Medical Care has a 45% share had

GOAL 13 TARGETS – SAMPLE

Table 2.1.4

	*Results **2011***	*Targets **2011**[2]*	*Goal 13*
Revenue	$ 12.80 BN, +6 % (+5 % in constant currencies)	1 to 2 % < $ 13.00 BN	+6 to 8 % growth in constant currencies
Net income[1]	$ 1.071 BN, +9 %	Lower end of $ 1.07 to $ 1.09 BN	High single-digit to low double-digit growth rate
Operating cash flow	11.3 % of revenue	>10 % of revenue	>10 % of revenue
Investments and acquisitions	$ 570 M for capital expenditures and about $ 1.8 BN for acquisitions	5 % of revenue in capital expenditures ~$ 1.9 BN on acquisitions	~7 % of revenue

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *After adjustment in December 2011.*

been completed on November 1, 2011 after clearance by the antitrust commissions. An exception is the Ukraine, where the approval by the antitrust commissions is still pending. The joint venture is designed to develop and distribute drugs for kidney patients. The products are used to counteract anemia and to regulate the bone metabolism of dialysis patients as well as patients with chronic kidney failure who do not yet need dialysis treatment.

Path 4: Home dialysis

As in the past, only a relatively small number of dialysis patients, approximately 11%, perform dialysis at home. Most patients receive their treatment in specialized dialysis clinics. In the long term, we want to assume an important role in the home therapies market, which includes peritoneal dialysis as well as home hemodialysis. To achieve this goal, we intend to combine our comprehensive and innovative product portfolio with our expertise in the area of dialysis services.

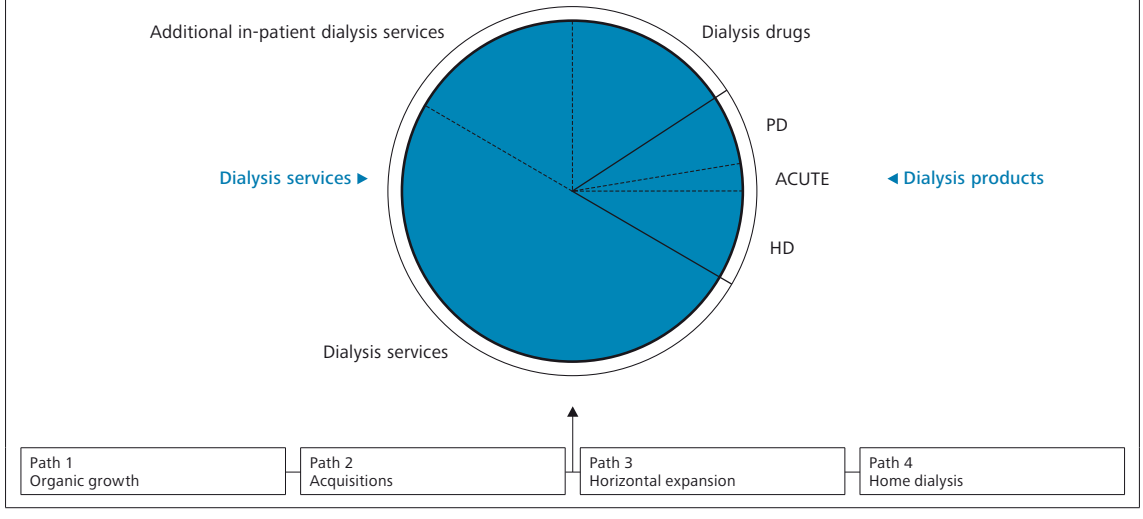
Our strategy takes account of concrete, measurable growth targets as well as long-term trends forecast by us in the dialysis market. We not only expect the number of patients to increase but also the quality of services provided and of the products available to become even more important in future. The ability to fulfill certain quality criteria will determine to what extend dialysis services are reimbursed. More information on this can be found in the "Quality management" section —— *starting on page 85* as well as in the "Dialysis market" section —— *starting on page 45*.

We think, integrated care for kidney patients is another area that will continue to grow in the future. In response to this, we will not only focus our business on individual services or dialysis products, but also on combining the different areas of application related to dialysis.

Our detailed forecast is discussed in detail in the "Outlook" section —— *starting on page 118*.

DIALYSIS MARKET VOLUME IN 2011: ~$ 75 BN

Chart 2.1.5



ECONOMIC ENVIRONMENT

General economic development

In 2011, the global economy's growth continued despite the events with dampening effect on the economy. Effects from the rise in oil prices due to political changes in the Arabian countries as well as due to the unforeseeable natural and nuclear disasters in Japan were largely handled by mid 2011. However, the high level of sovereign debt in many countries, including leading industrialized nations like the U.S. and the so-called GIPS countries – Greece, Ireland, Portugal and Spain – led to an increasing uncertainty, to deterioration in funding conditions and to a dampening effect on overall demand, as the year progressed. Growth in the world economy was not driven by the advanced economies but rather, as in the previous years, predominantly by emerging markets: Their national economies registered the highest growth rates worldwide, led by China. In 2011, global gross domestic product (GDP) grew by 3.8% compared to 5.1% in the previous year.

U.S.

The U.S. economy grew only slightly by 1.7% in 2011; the high level of government debt and the increase in oil prices put a brake on economic growth. The cuts by the U.S. government and the continuing high level of unemployment led to a decrease in private consumption.

Europe

The eurozone as a whole posted only moderate growth in 2011. A rise in employment in individual euro countries leading to an increase in purchasing power as well as growing demand from countries outside the eurozone had a positive impact. Nevertheless, growth was impeded by rising energy prices and a drop in exports. As in the previous year, overall economic trends in the individual regions varied: Germany was the strongest performer in the eurozone. Its major trading partners in Europe benefited from this. The peripheral states in Europe, above all the GIPS states, continued to suffer as a result of cutbacks to finance or reduce their large debts.

REAL GROSS DOMESTIC PRODUCT AND CONSUMER PRICES

Table 2.1.6

Change compared to the previous year in %

	Gross domestic product		*Consumer prices*	
	2011	*2010*	***2011***	*2010*
U.S.	1.7	3.0	3.2	1.6
Germany	2.9	3.7	2.3	1.1
Eurozone	1.5	1.8	2.6	1.6
United Kingdom	0.8	1.8	4.6	3.3
New EU member states	3.1	2.2	4.0	2.9
European Union	1.6	1.9	3.0	2.1
Russia	4.0	3.5	8.5	6.9
Japan	–0.7	4.4	–0.3	–0.7
China	9.5	10.3	5.5	4.0
East Asian emerging markets	4.8	6.9	4.6	3.9
India	6.7	10.4	10.5	12.0
Latin America	4.8	6.0	6.8	6.9
▸ **WORLDWIDE**	**3.8**	**5.1**	**5.7**	**4.6**

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2011", December 19, 2011; monthly reports of the Deutsche Bundesbank and the European Central Bank

Asia

Among all regions of the world, the Asian economy again grew strongest in 2011 despite the natural and nuclear disasters in Japan. However, in the aftermath of these, the Japanese economy contracted: GDP fell by 0.7%. Growth rates were highest in China, India, South Korea and Indonesia.

Latin America

In 2011, the economy in Latin America showed continued strong but slightly less dynamic growth. High levels of investment and strong domestic demand had a positive impact, especially in Brazil, Columbia and Chile.

The dialysis market is only little effected by these macroeconomic influences compared to other sectors. This market is a growing market because of the increasing demand for medical care of an ever aging population. Fresenius Medical Care with its offer of life-preserving products and services is only dependent on economic cycles to a limited extent.

Development of energy and commodity prices

Energy and commodity costs rose significantly again in 2011. For Fresenius Medical Care, an increase in transport and energy costs of 1% means a reduction in the Company's result after tax of approximately 0.3%. Fresenius Medical Care counters these price fluctuations by concluding long-term supply contracts. In this way we can limit the possible negative effects of high short-term price rises on the Company's results.

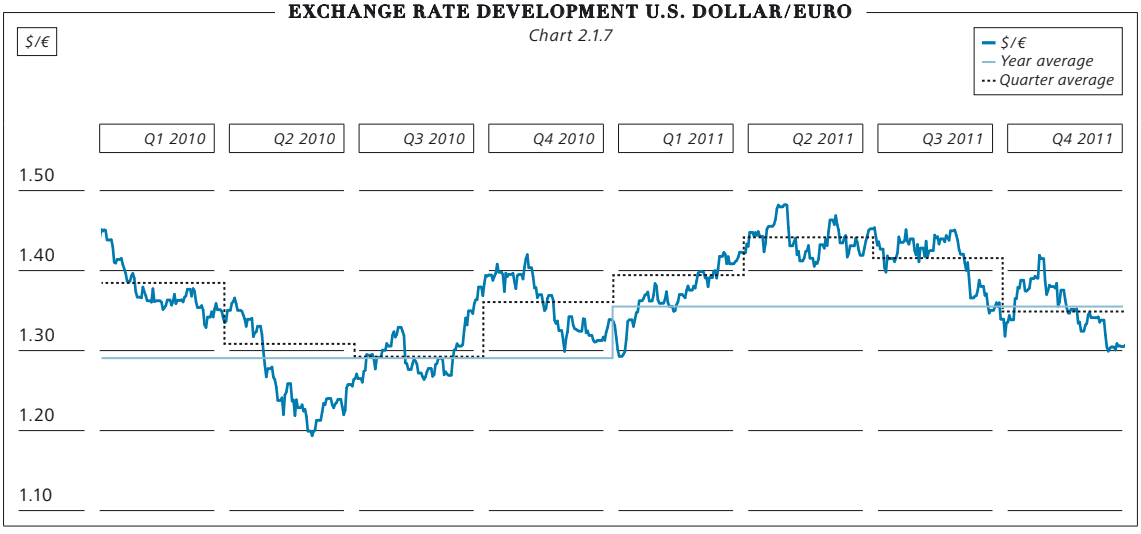
Exchange rate developments

At the close of the year on December 31, 2011, the U.S. dollar/euro exchange rate was about 1.29 and thus approximately 3% below the previous year's value of about 1.34. Overall for the year, the rate averaged at about 1.39, approximately 5% up on the previous year's average of about 1.33.

For Fresenius Medical Care, movements in the U.S. dollar and the euro in relation to one another are especially crucial as we generate a major part of our sales in the U.S. and the eurozone. In reporting terms, an appreciation of the euro is an advantage for us, as our base currency is the U.S. dollar. As a result, balance sheet values achieved in euros are higher (translation effect).

EXCHANGE RATE DEVELOPMENT U.S. DOLLAR/EURO

Chart 2.1.7



Source: Reuters data, Company's own calculations

Our global network of production sites enables us to meet the demand in our dialysis products business. Our production sites are to a large extent based in the markets they serve; costs thus occur in the same currency in which we generate our sales. As a result, we are less affected by long-term currency fluctuations, so that we can minimize our transaction risks, i.e. risks due to foreign currency items or exchange rate fluctuations. In our service business, the risk is even less because we provide our services locally and therefore in the respective currency. As the service business constitutes Fresenius Medical Care's major area of operations, the currency risk can be classified as slight overall.

Fresenius Medical Care's business is generally subject to short-term effects due to volatility in exchange rates, especially fluctuations in the euro against the U.S. dollar, but also in the currencies of our other international locations against the euro. Table 2.1.8 illustrates the effects on our sales of a 10% appreciation of various currencies against the U.S. dollar, based on a sensitivity analysis.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section —— *starting on page 55* and in the "Outlook" section —— *starting on page 118*.

DIALYSIS MARKET

The dialysis market is growing worldwide. As a vertically integrated provider with decades of experience, Fresenius Medical Care can supply patients with both high-quality dialysis products and services from a single source. Our Company is therefore ideally placed to expand its business in the future and thus consolidate its excellent position as market leader.

We estimate the value of the global dialysis market at around $75 BN for 2011 corresponding to an increase in constant currency terms of around 4% compared to the previous year. We assume this market volume can be broken down as follows: dialysis products with a revenue of around $13 BN and dialysis services (including dialysis drugs) with a revenue of approximately $62 BN. Detailed information on how this data is compiled can be found in the section "Collection and analysis of market data" —— *on page 50*.

Dialysis products

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with peritoneal dialysis products; see also glossary —— *starting on page 160*. The three largest manufacturers of dialysis products together

SENSITIVITY ANALYSIS

Table 2.1.8

10% appreciation in currency against the $	*Impact on sales of Fresenius Medical Care in **2011***
Euro	~1.5%
Other European currencies	~0.8%
Renminbi and Hong Kong dollar	~0.2%
Japanese Yen	~0.1%
Other Asian currencies	~0.5%
South American currencies	~0.5%

accounted for approximately 65% of the worldwide market in 2011 in terms of revenue. With a market share of approximately 33%, Fresenius Medical Care was the market leader in this segment, followed by Baxter and Gambro. The remaining, mainly Japanese, dialysis product providers all held market shares in the single-digit percentage range.

Dialyzers are the largest product group in the dialysis market with a worldwide sales volume of around 211 M units in 2011. Around 93 M, or almost half, were made by Fresenius Medical Care, so that we comfortably held the largest market share in that segment. Dialyzers can generally be categorized as cellulose-based or synthetic-based (plastic-based), depending on the material used for the production of the dialysis membrane. More than 90% of dialyzers used around the world have a synthetic membrane. Fresenius Medical Care developed the high-performance Polysulfone fiber —— *see glossary on page 164*, pioneering the development and production of dialyzers while setting new standards in the field of dialysis.

Dialysis machines constitute another key segment of Fresenius Medical Care's product business. Here, too, we are the clear market leader. Of the roughly 73,000 dialysis machines sold in 2011 worldwide, some 55% were produced by Fresenius Medical Care.

In the U.S., which is our largest business region, our market share in these two product groups, dialyzers and dialysis machines, exceeded 80% of the so-called independent market in 2011. We define the independent market as all dialysis clinics that do not belong to the major dialysis service providers Fresenius Medical Care or DaVita. In 2011, more than 85% of all dialysis machines installed in dialysis clinics and centers in the United States and more than 90% of all new machines purchased there were manufactured by Fresenius Medical Care. Our 2008K machine is the leading dialysis system. More than 100,000 units are currently in use in the United States. In the reporting year, we introduced the new 2008K@home dialysis machine, which is specially designed to meet the requirements of home hemodialysis. In addition, we launched the new 2008T dialysis machine in November 2010. It incorporates the "Fresenius Clinical Date Exchange (CDX)" system, a new software developed for capturing and sharing clinical data. In November 2011, the touch screen navigation of the 2008T dialysis machine was further improved. Further information on the 2008T and 2008K@home dialysis machines can be found in the "Research and development" chapter —— *starting on page 70*. Dialyzer sales also developed very positively last year: We achieved record figures in the U.S., selling more than 35 M units.

In the year under review, China was our second-largest sales market for newly sold hemodialysis machines after the U.S.; in 2011, we supplied more than 6,000 units here. Almost half (over 49%) of all hemodialysis machines currently used in China are produced by Fresenius Medical Care. With the product business growing by more than 40% at present, China continues to gain importance as a sales market for Fresenius Medical Care. The

MARKET POSITION IN MAJOR PRODUCT GROUPS 2011

Table 2.1.9

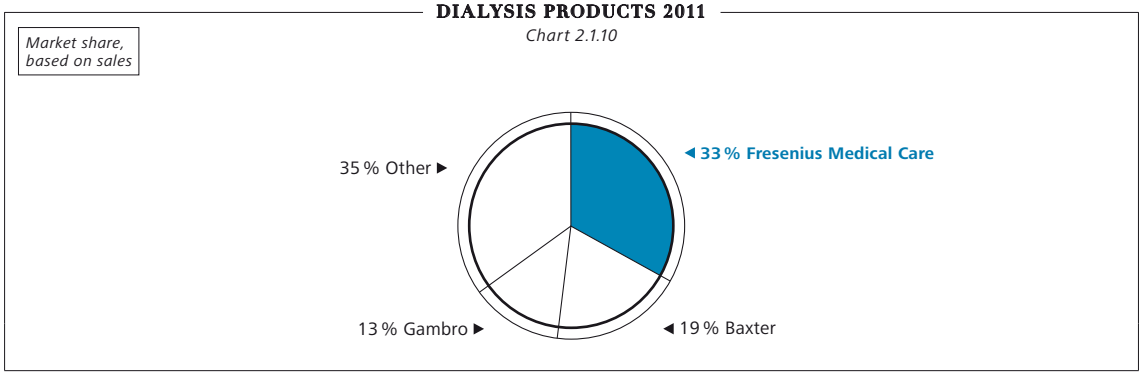
	Rank 1	*Rank 2*	*Rank 3*
Dialyzers	Fresenius Medical Care	Gambro	Nipro
Dialysis machines	Fresenius Medical Care	Nikkiso	Gambro
Concentrates for hemodialysis	Fresenius Medical Care	Fuso	Gambro
Bloodline systems	Fresenius Medical Care	Gambro	Kawasumi
Products for peritoneal dialysis	Baxter	Fresenius Medical Care	Terumo

Source: Company data and estimates

country's government is making efforts to develop a modern healthcare system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers. We are currently building our first dialysis clinic in this region in the Eastern Chinese province of Jiangsu, which will initially care for around 40 patients. We will start offering dialysis services in this country for the first time from mid 2012 as part of a pilot project. This makes Fresenius Medical Care one of the first foreign companies to open a dialysis clinic in this highly restrictive market. However, we will continue to drive our future growth in the Chinese dialysis services market primarily through cooperation with local clinics and management contracts. So far this applies to 52 clinics, which we provide with dialysis machines and disposable products.

DIALYSIS PRODUCTS 2011

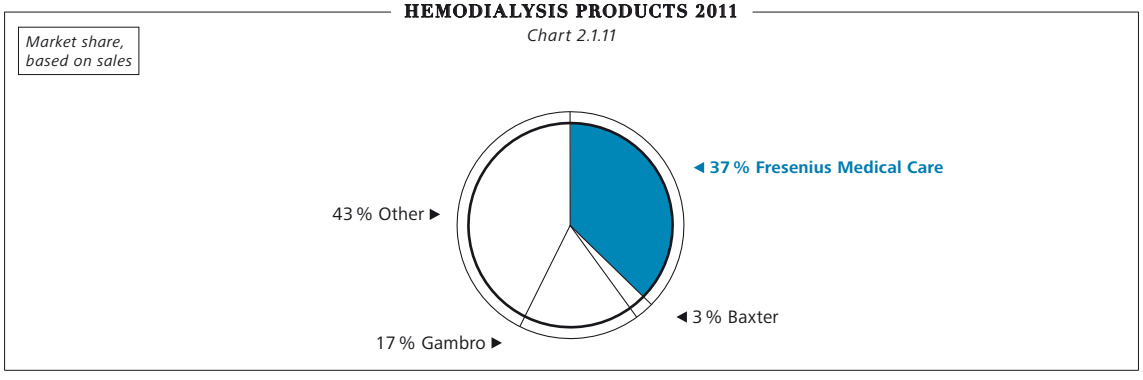
Chart 2.1.10



Source: Company data and estimates

HEMODIALYSIS PRODUCTS 2011

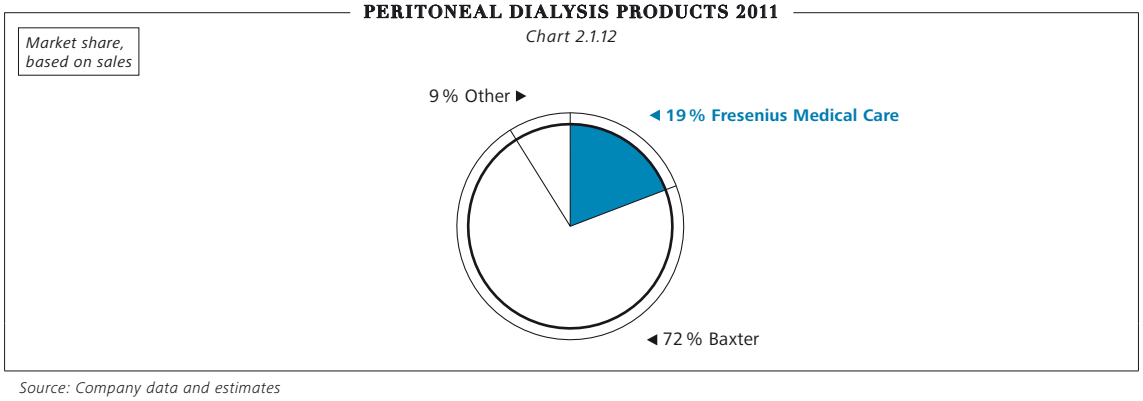
Chart 2.1.11



Source: Company data and estimates

PERITONEAL DIALYSIS PRODUCTS 2011

Chart 2.1.12



Source: Company data and estimates

In the area of peritoneal dialysis, we account for 19% of the global market in terms of revenue, see also chart 2.1.12 ——— *on page 47*. Our market share in the U.S. was 41%. The current market leader in peritoneal dialysis is the U.S. company Baxter. At the end of December 2010, Fresenius Medical Care finalized the acquisition of Gambro's worldwide peritoneal dialysis business with the aim of expanding its activities in the field of home dialysis, particularly in Europe and the Asia-Pacific region. Further information on our position in the home dialysis market, which comprises home hemodialysis and peritoneal dialysis, can be found in the "Home dialysis" section ——— *on page 37*.

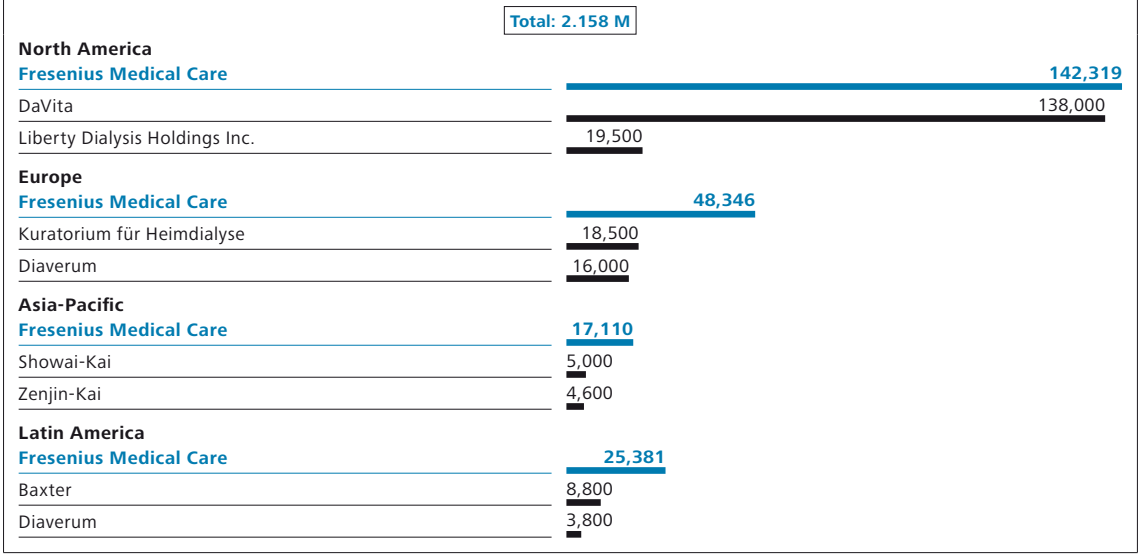
Dialysis services

Renal patients generally receive a dialysis treatment in clinics or dialysis centers, which they visit three times a week for several hours. They are treated either during the day or overnight while they sleep. Further treatment options include home dialysis, which patients generally carry out themselves at home under expert guidance and with the necessary accessories, or dialysis on vacation, for example on a cruise ship or at a resort; Fresenius Medical Care also offers services for these cases. The vast majority of dialysis services, however, involves classical treatment in clinics or centers.

Last year, most dialysis patients were cared for in one of around 31,700 dialysis centers worldwide, resulting in an average of some 70 patients per center. The organization of these centers varies significantly depending on whether the health systems in the individual countries are state-run or private: The United States have around 5,800 and the European Union (EU) have around 5,400 dialysis centers; whereas in the U.S. only around 1% of patients are treated in publicly operated clinics, in the EU this number is about 60%. In Japan, private nephrologists (doctors specializing in renal treatments) play a key role. About 80% of dialysis patients are treated in their facilities.

Fresenius Medical Care can operate its own therapy centers in countries where the healthcare system

DIALYSIS SERVICES WORLDWIDE
NUMBER OF PATIENTS TREATED 2011
Chart 2.1.13



Source: Company data and estimates

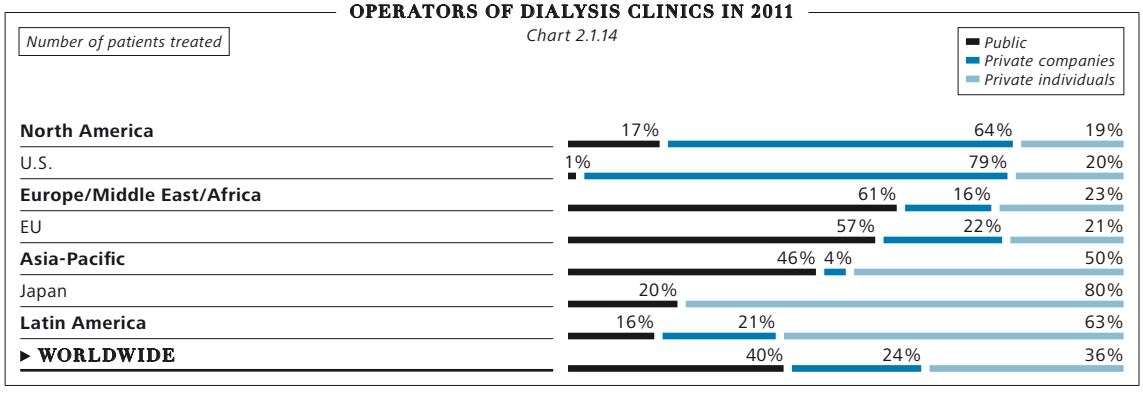
allows private sector companies to provide medical services and an appropriate reimbursement system is in place. For some years now, healthcare systems in a large number of countries have been under pressure to improve the quality of treatment while at the same time keeping healthcare costs as low as possible. Many of them have therefore started to contemplare, whether and how specialized private companies can help them in this. Other countries are currently developing their healthcare systems and are looking to interact with healthcare companies with a good reputation for high quality in their business activities with the aim of developing modern treatment standards. In both cases, Fresenius Medical Care, as an experienced vertically integrated provider, is the right partner: With our high-quality and innovative products and services, we have the ideal prerequisites to continue expanding our position on the dialysis market.

In the U.S., Fresenius Medical Care and the second largest provider, DaVita, together serve about 66% of all dialysis patients; this is a relatively high concentration of dialysis clinics. In the year under review, Fresenius Medical Care upheld its position as market leader and treated about 138,400 patients, approximately 33% of all dialysis patients in the U.S. This number will increase significantly in 2012, partly due to the acquisition of Liberty Dialysis Holdings Inc., currently the third largest operator of dialysis clinics in the U.S. Further information on this can be found in the chapter "Growth strategy" —— *starting on page 40* and in the chapter "Subsequent events" —— *on page 117*.

Outside the U.S., the dialysis service segment is considerably more fragmented: With 1,081 dialysis clinics and almost 95,000 patients in 40 countries, Fresenius Medical Care operates the largest and

OPERATORS OF DIALYSIS CLINICS IN 2011

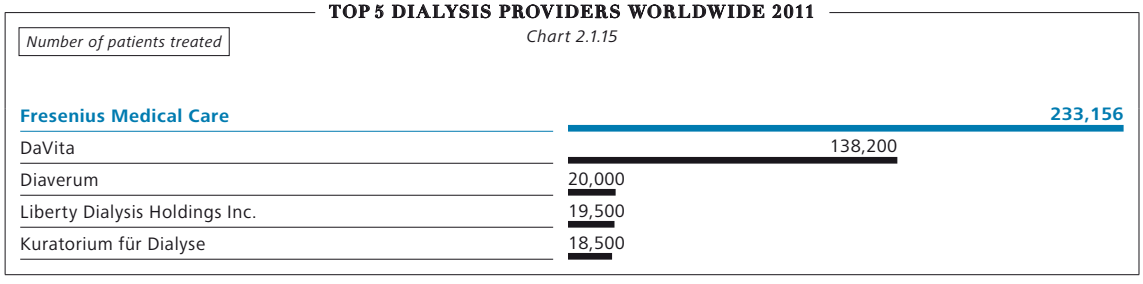
Chart 2.1.14



Source: Company data and estimates

TOP 5 DIALYSIS PROVIDERS WORLDWIDE 2011

Chart 2.1.15



Source: Company data and estimates
Fresenius Medical Care closed the acquisition of Liberty Dialysis Holdings Inc. at the end of February, 2012 (please refer to the chapter "Subsequent events" on page 117)

most international network of clinics by far. In particular the acquisition of International Dialysis Centers (IDC), the dialysis services business of Euromedics, which closure was completed inmid 2011, enabled us to expand our market position in important Eastern European countries.

Overall, Fresenius Medical Care further consolidated its clear position as market leader in the dialysis services business in the reporting period and treated 233,156 patients (2010: 214,648) in 2,898 clinics (2010: 2,744).

Sector-specific conditions

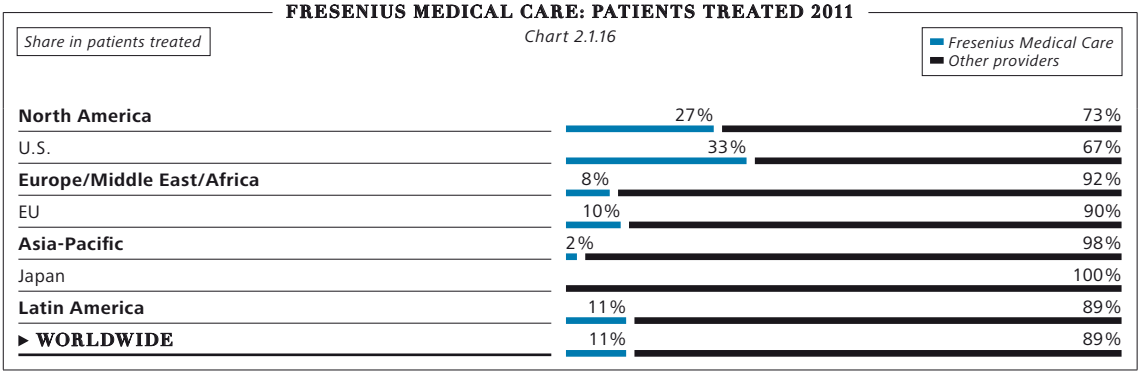
Collection and analysis of market data

Reliable information on the development of the dialysis market and its general conditions both globally as well as on a national and regional level is an important prerequisite for the success of our business. This includes current and future patient numbers, social and medical trends, as well as the position of our competitors. To obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market & Competitor Survey (MCS). The American journal "Nature Reviews Nephrology" recognized the MCS as the industry standard in 2010. The MCS is used to collect and analyze relevant dialysis market and competitor data, distribute it globally throughout the Company and utilize it. For this purpose, we compile data in the individual countries on the number of dialysis patients, the chosen treatment method, the products used, where treatment took place and the structure of service providers. The data is then compared with official figures from national associations and with results of previous surveys to draw conclusions on patient numbers and market values, globally as well as regionally. We use this information together with publicly available data on our competitors as a basis for strategic decisions by our management, research and development and marketing on the one hand, and for our external reporting, such as the annual report, on the other. Unless otherwise stated, the data in this chapter is based on internal estimates provided by the MCS. Through regular updates, we account for new trends such as changes in the use of certain treatments as well as in the structure of our competitive environment, e.g. caused by the entry of new providers.

Fresenius Medical Care uses its own system to collect market data with good reason: Although recognized organizations in many countries publish information on chronic kidney failure (also called end-stage renal disease or ESRD), demographic patient structures and relevant trends, there is either a time lapse between collection and availability or the data is not reliable or detailed enough to give a complete and up-to-date picture of patient numbers worldwide. Furthermore, unlike the MCS, these generally do not track the number of renal products used for dialysis, such as dialyzers or solutions for peritoneal dialysis.

FRESENIUS MEDICAL CARE: PATIENTS TREATED 2011

Chart 2.1.16



Source: Company data and estimates

The results of the MCS are also part of a model that enables us to analyze developments in the global dialysis market. The overall market is represented via the reimbursement structures of the individual countries. We take into account which products and services are included in the reimbursement rates. Services that are reimbursed separately are added. In addition to information on the product market, this model allows us to collect and analyze data for dialysis services and the pharmaceutical market.

Patients

Chronic kidney failure is a global problem: At the end of 2011, approximately 2.776 M patients were being treated. Around 2.158 M of these in more than 145 countries received renal replacement therapy in the form of dialysis. Some 618,000 renal patients live with a transplanted kidney. Of the 2.158 M patients worldwide who underwent regular dialysis treatment at the end of 2011, approximately 20% were treated in the U.S., 15% in the EU, and 14% in Japan. The remaining 51% of all dialysis patients are spread across 120 countries in various regions around the world. In 2011, the number of dialysis patients rose by approximately 6%, although significant regional variations remained.

The patient numbers in individual countries can be compared based on prevalence, which expresses the relative number of people in treatment for chronic kidney failure. Prevalence varies widely from country to country, from well under 100 to over 2,000 patients per million population (p.m.p). Prevalence is highest in Taiwan with around 2,850 p.m.p., followed by Japan with around 2,520 p.m.p. and the U.S. with around 1,950 p.m.p. It averages at about 1,050 p.m.p. in the 27 countries that make up the EU. In the past 10 years, prevalence increased steadily. The average prevalence worldwide is around 400 p.m.p, much lower than in the countries mentioned above. There are several reasons for this:

- The countries differ demographically, because age structures in the population vary worldwide.
- The incidence of risk factors for kidney disease such as diabetes and high blood pressure also diverges.
- The genetic predisposition for kidney disease differs across the world.
- Cultural factors such as nutrition also play a role.
- Access to dialysis is limited in many countries so that many kidney failure sufferers are not treated and thus do not appear in prevalence statistics.

DIALYSIS PATIENTS: REGIONAL DEVELOPMENT

Table 2.1.17

	2011	Change
North America	**518,000**	**~5%**
U.S.	419,000	~4%
Europe/Middle East/Africa	**595,000**	**~4%**
EU	329,000	~2%
Asia-Pacific	**820,000**	**~10%**
Japan	304,000	~2%
Latin America	**225,000**	**~5%**
▸ **WORLDWIDE**	**2,158,000**	**~6%**

Source: Company data and estimates

A comparison of the economic strength of countries – based on their gross domestic product (GDP) – and their prevalence values suggests that economic factors affect not only demographic development, but also treatment options for renal patients. Particularly in countries with an annual GDP per capita of less than $10,000, not all sufferers have access to treatment. In countries with a higher GDP, there is no noticeable correlation between economic strength and prevalence. However, rising global prevalence indicates that, based on the total population, more and more people are receiving renal replacement therapy over the years.

In the U.S., Japan and Western and Central Europe, we recorded a below-average growth in the number of patients in 2011. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average and in some cases reached double-digit figures – an indication that access to dialysis treatment in these countries is still limited but is gradually improving. In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors contribute to a rise in global prevalence, for example the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the general aging of the population due to medical advances.

Treatment methods

There are basically two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient through synthetic bloodlines into a special filter, the dialyzer, where it is cleansed and returned to the patient's body. With PD, the patient's peritoneum is used as a dialyzing membrane. Please refer to the glossary —— *on pages 162 and 164* for a detailed description of HD and PD. Not every patient is equally suited to these two methods. As PD is usually carried out by patients themselves, it requires a high degree of personal responsibility. In addition, the human peritoneum can only be used as a dialyzer for a limited period of time, ideally if the kidneys are still functioning to some extent.

Of the 2.158 M patients who underwent dialysis treatment at the end of 2011, 1.921 M – about 89% – were treated with HD and around 237,000 with PD. In a global comparison of treatment methods, HD is clearly the most commonly used. Within the group of the 15 countries which account approximately for more than three quarters of the world dialysis population, HD is the predominant treatment method in all countries, except Mexico.

A third alternative method for treating patients with end-stage renal disease is kidney transplantation.

PATIENTS WITH END-STAGE RENAL DISEASE

Table 2.1.18

in M

Patients with end-stage renal disease (ESRD)	**2.776**
of which dialysis	2.158
hemodialysis (HD)	1.921
peritoneal dialysis (PD)	0.237
of which patients with transplants	0.618

Source: Company data and estimates

Approximately 618,000 patients were living with a transplanted kidney at the end of 2011. However, for many years now, the number of donated organs worldwide has been significantly lower than the number of patients on transplant waiting lists. Consequently, less than one quarter of patients with chronic kidney failure lives with a donor organ. Despite ongoing and extensive efforts by regional initiatives to increase awareness of kidney donation and willingness to donate, the share of patients receiving kidney transplantation compared to other treatment modes has remained relatively unchanged over the past ten years.

Customers

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. The largest private customer, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care, is the U.S. company DaVita.

Health and reimbursement systems

As renal replacement therapy is a life-saving medical service, patients do not usually have to pay for it themselves, but the costs are carried by the responsible healthcare system. The reimbursement systems for dialysis treatment – in other words the scheme used by a healthcare system to pay for dialysis services – differ from country to country and often vary even within countries. The factors determining reimbursement include regional conditions, the kind of treatment provided, regulatory issues and the type of care provider (public or private). As a provider of dialysis services, Fresenius Medical Care offers dialysis in more than 40 countries with different healthcare systems and reimbursement schemes. Our international experience puts us in a position to support national healthcare systems in their endeavors to customize structures, adapt our business to local needs and regulations and at the same time act profitably.

The healthcare debate in some countries is currently focused on establishing reimbursement structures based on treatment quality. The goal of a reimbursement system of this kind is to improve the quality of treatment for a dialysis patient at a lower overall cost. This requires maintaining high medical standards besides the efficiency in treatments.

The example of the U.S. shows the opportunities that a reimbursement system aimed at maintaining the highest possible quality offers Fresenius Medical Care as a vertically integrated company. In January 2011, the United States, our largest sales market, also introduced a new bundled reimbursement system for the dialysis treatment of public healthcare patients (Medicare patients). All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients' characteristics such as age and weight considering adjustments for patients who require exceptional medical care leading to higher costs. In addition to automated annual inflationary adjustments starting in 2012, other special features of this new reimbursement system include adherence to certain quality parameters. These comprise, among other things, patient satisfaction, regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones. The initial new bundled reimbursement rate for 2011 was introduced with a 2% cut as compared to the estimated costs under the prior reimbursement system. In addition, the authority of the state health care program (Centers for Medicare and Medicaid CMS) initially implemented a further 3.1% reduction.However, this was subsequently eliminated effective April 1, 2011 after successful negotiations with the authority. Beginning in 2012, the payment amount will be subject to an annual inflation adjustment. For 2012, the rate

increase will be 2.1%. The inflation rate should be at a comparable level in forthcoming years according to earlier draft bills.

The new bundled reimbursement system in the U.S. will be phased in over a period of four years. Accordingly the implementation of the new payment system will be completed in January, 2014 for all dialysis centers. Fresenius Medical Care decided at an early stage to convert nearly all of the clinics to the new reimbursement system already on January 1, 2011.

End-stage renal disease is one of the few chronic illnesses whose treatment cost is covered by public health insurance in the U.S. The care of the main part of all U.S. dialysis patients is mainly financed by Medicare and Medicaid, the two American healthcare programs that manage the medical care of the elderly and people on low incomes who do not have private health insurance. Changes to the reimbursement rates and methods of Medicare and Medicaid therefore have a significant effect on our business in North America. At Fresenius Medical Care, we feel that our vertical business model puts us in a good position to work with the new system and to react on possible adjustments in the future.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Acquisitions and divestitures

Our investment strategy remained unchanged in 2011. We stepped up investments in our future growth by continually expanding our network of clinics and product business and by increasing our production capacities. In the year under review, we significantly raised our budget for acquisitions compared to the previous year to take advantage of available growth opportunities. In total, we spent $1.78 BN on acquisitions net of divestitures in the past year, with investment in property, plant and equipment (net) coming in at $570 M.

In the reporting year, we announced the acquisition of Liberty Dialysis Holdings Inc., which is currently the third largest operator of dialysis clinics in the U.S. The total purchase price for Liberty Dialysis Holdings Inc., the holding company of Liberty Dialysis and Renal Advantage, should come to approximately $1.8 BN including the assumption of debt, before the divestiture of dialysis clinics to secure regulatory clearance of the transaction. Prior to this, Fresenius Medical Care had already invested an additional sum of approximately $300 M in Renal Advantage. The acquisition is expected to be accretive to earnings in the first year after closing. Fresenius Medical Care announced the closing of the acquisition of Liberty Dialysis Holdings Inc. end of February 2012. Further details can be found in the "Subsequent events" chapter —— *on page 117.*

In 2011, we also announced the acquisition of U.S.-based American Access Care (AAC). AAC operates 28 out-patient centers primarily dedicated to serving vascular access needs of dialysis patients. The acquisition enables Fresenius Medical Care to boost its vascular access business and improve its revenue by about $175 M. The acquisition of AAC was completed at the beginning of October 2011 and is expected to be accretive to earnings from 2012. The purchase price for AAC amounted to approximately $385 M. For further information see the "Financial situation" chapter —— *starting on page 64.*

Cooperation agreements

We continued our existing cooperations in the previous year. The joint venture between Fresenius Medical Care and Galenica, Vifor Fresenius Medical Care Renal Pharma Ltd. (Vifor) received approval from the antitrust commissions and closed on November 1, 2011 with the exception of the Ukraine, where antitrust approval has not yet been granted. The joint venture will expand its business activities within Europe.

Financing

In line with the Company's financing strategy Fresenius Medical Care successfully placed senior unsecured notes. Proceeds from notes issued in February amounting to approximately $1.35 BN and from notes placed in September and October amounting to approximately $1.09 BN were used to refinance debt and for general business purposes to support corporate activities in the dialysis products and services business. In January 2012, Fresenius Medical Care successfully completed the largest placement of senior notes in the history of the company. Proceeds from the offering amounting to approximately $1.81 BN are intended to be used primarily for the acquisition of Liberty Dialysis Holdings, Inc. Further information on senior unsecured notes can be found in the "Financial situation" chapter —— *starting on page 64*.

Business environment

The Company's business environment remained largely unchanged in 2011, as did the relevant legal frameworks for our business.

At the beginning of 2011, a new reimbursement system for the treatment of dialysis patients with national health insurance (Medicare) was introduced in the United States, our largest sales market. Specific products and services are now reimbursed with one flat fee instead of being paid individually as was previously the case. The basic reimbursement rate for 2011 was reduced one time by approximately 2%. In addition to an annual inflationary adjustment starting in 2012 a particular feature of this new reimbursement system is the focus on certain quality parameters such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones. For further information see the "Health and reimbursement systems" section —— *starting on page 53*.

Conclusion

We successfully made the transition to the new reimbursement system in the U.S. despite a one-time adjustment of the basic reimbursement rate in 2011 and the challenges we faced when implementing the system. No other significant events took place in 2011 that had a significant impact on the operating business or legal structure of Fresenius Medical Care. Fresenius Medical Care continued its outstanding development in the previous fiscal year, achieving record revenue and earnings figures in the year under review. All regions and segments contributed to this success.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

Fresenius Medical Care can look back on another successful business year: We once again achieved new records both in terms of revenue and earnings and were able to sustain our growth path. We largely met our ambitious targets for 2011, particularly against the background of a challenging market environment and the ongoing implementation of the new bundled reimbursement system for the treatment of dialysis patients with national health insurance (Medicare) in the U.S.

At the beginning of December, we revised our revenue forecast mainly due to the sharp decline of the euro and other currencies against the U.S. dollar in the fourth quarter of 2011. According to this revised forecast, we expected revenue in 2011 to be approximately 1 to 2% below the original target of $13 BN. At the beginning of the year under review, we had originally predicted revenue of between $12.8 BN and $13 BN. Due to our strong business performance in the first quarter of 2011 we raised this target to above $13 BN. In fact, revenue increased by 6% to $12.80 BN in 2011. In constant currency terms, this corresponds

to an increase of 5%. The International segment was almost exclusively responsible for the boost in revenue in 2011, to which all regions in this segment contributed equally: Europe/Middle East/Africa, Asia-Pacific and Latin America. The North American segment's revenue was stable in spite of the loss in revenue resulting from the introduction of the new reimbursement system in the U.S. Information on the development of revenue in the individual regions and Company segments can be found in the "Results of operations" chapter —— *starting on page 58*.

At the beginning of the financial year, we predicted a net income of between $1.035 BN and $1.055 BN for 2011. At the beginning of May, we raised this target to between $1.07 BN and $1.09 BN based on our strong performance in the first quarter of 2011 and the elimination of a fee in the new bundled reimbursement system in the U.S. We confirmed our predicted earnings at the beginning of December, despite revising our revenue forecast and taking into account additional one-time costs related to acquisitions, but expected to reach the lower end of the target range. Ultimately, net income in the previous financial year amounted to $1.071 BN (+ 9%) and was therefore within the anticipated range.

In the year under review, the effective tax rate was 33.8%, a slight improvement on our forecast of between 34.5 and 35.0% at the beginning of the financial year.

The expected steady growth of the dividend is reflected in our dividend proposal: Pending approval by the General Meeting, the dividend per ordinary share will increase by 6% to €0.69 (2010: €0.65). More information on this can be found in the "Dividend" section —— *on page 27*.

At the beginning of the year, we set aside about 5% of revenue for investments and up to $1.2 BN for acquisitions. At the beginning of August, as part of our reporting for the second quarter of 2011, we increased our budget for acquisitions to about $1.9 BN, especially taking the acquisition of American Access Care into account. We remained almost completely within our target and used $570 M for investments (net) – corresponding to around 4% of revenue – and $1.78 BN for acquisitions less divestitures. Further information can be found in the "Financial situation" chapter —— *starting on page 64*.

The operating cash flow, driven by earnings performance and ongoing good management of accounts receivable, totaled $1.45 BN, corresponding to 11.3% of revenue, and was therefore higher than our target of more than 10% of revenue.

According to our forecast, the leverage ratio (defined as ratio of the total financial debt to earnings before interest, taxes and depreciation = debt-EBITDA) should be targeted a level of below 3.0 by the end of 2011; at the beginning of the year, we expected the leverage ratio to be below 2.8. The actual leverage ratio as of the reporting date was 2.69, and therefore better than we predicted.

The number of employees at Fresenius Medical Care (full-time equivalents) increased from 73,452 at the end of 2010 to 79,159 at the end of 2011, reaching our forecast figure of more than 78,000. The Company's continued strong organic growth and acquisitions in all regions were key contributing factors.

Research and development expenditures aimed at boosting and enhancing Fresenius Medical Care's ability to adapt to future requirements amounted to $111 M, approximately corresponding to our target of $105 M. The focus is on further developing existing product groups. Details can be found in the "Research and development" section —— *starting on page 70*.

The general economic development was marked by the global financial and debt crisis in the year under review. On balance, all important regions posted

increases in their gross domestic product in 2011 compared to the previous year, as we had expected. The economies of some emerging markets grew faster than those of the U.S. and Europe, our most important markets in terms of their contribution to revenue. However, Fresenius Medical Care's dialysis business is less dependent on economic cycles than many other industries. For further information on global economic development see the "Economic environment" section —— *starting on page 43*.

The dialysis market developed positively as we predicted: Market volume was up by approximately 4% at constant currency, and the number of patients worldwide grew by around 6%. As expected, there were no significant changes concerning the allocation of dialysis patients to different treatment methods over the previous year. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2011. Further information can be found in the "Dialysis market" chapter —— *starting on page 45*.

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

2011 was a very successful year for our Company: Revenue and earnings climbed to record levels. We achieved all the targets we set ourselves.

Fresenius Medical Care experienced stronger growth in each of the regions than the dialysis industry as a whole. As a result, we managed to strengthen our market position. We maintained our position as market leader in North America, by far our biggest market, and recorded significant revenue growth in the markets outside of North America (Europe, Latin America and Asia), reinforcing our market position in these regions.

In addition, Fresenius Medical Care continued to boost its profitability in the year under review. Once again, there were improvements in all relevant key figures. This is partly due to our ongoing high level of investments in maintaining existing clinics, equipping new facilities, and expanding production capacities.

TARGETS AND RESULTS FOR 2011

Table 2.1.19

	*Results **2011***	*2011 targets after adjustment in the course of the year*	*Target achieved*
Revenue	+6% to $ 12.80 BN	1 to 2% < $ 13 BN	✓
Net income[1]	+9% to $ 1.071 BN	Lower end of the range between $ 1.07 BN and $ 1.09 BN	✓
Dividend[2]	+6% per ordinary share to € 0.69	Continuous rise	✓
Investments, net	$ 570 M	~5% of revenue	✓
Acquisitions, net	$ 1.78 BN	~$ 1.9 BN	✓
Tax rate	33.8%	34.5 to 35.0%	✓
Debt/EBITDA	2.69	<3.0	✓
Number of employees	79,159	>78,000	✓
Research and development expenses	$ 111 M	~$ 105 M	✓
Product innovations	Dialysis machine 2008K@home, FX Cordiax dialyzer	Further expansion of product and service range	✓

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Proposal to be approved by the Annual General Meeting on May 10, 2012.*

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

Chapter 2.2

RESULTS OF OPERATIONS

For Fresenius Medical Care 2011 was a very successful financial year. Again, we achieved record revenues and earnings. All regions and areas reported a good business performance. As expected, the International segment exclusively contributed to our growth in revenue. The North American segment's revenues remained stable in spite of the one-time loss in revenue resulting from the introduction of the new bundled reimbursement system for dialysis treatments by the Medicare program in the U.S. Earnings developed well in all regions: We were able to improve both operating results and operating margins.

Revenue

In 2011, Fresenius Medical Care again increased its revenue significantly by 6% to $12.80 BN, corresponding to 5% in constant currency terms. The Company's organic growth amounted to 2%, while acquisitions accounted for 3% of revenue growth. Revenue from dialysis services were up by 5% (4% in constant currency) to $9.51 BN. Revenue from dialysis products rose by 10% (7% in constant currency) to $3.29 BN.

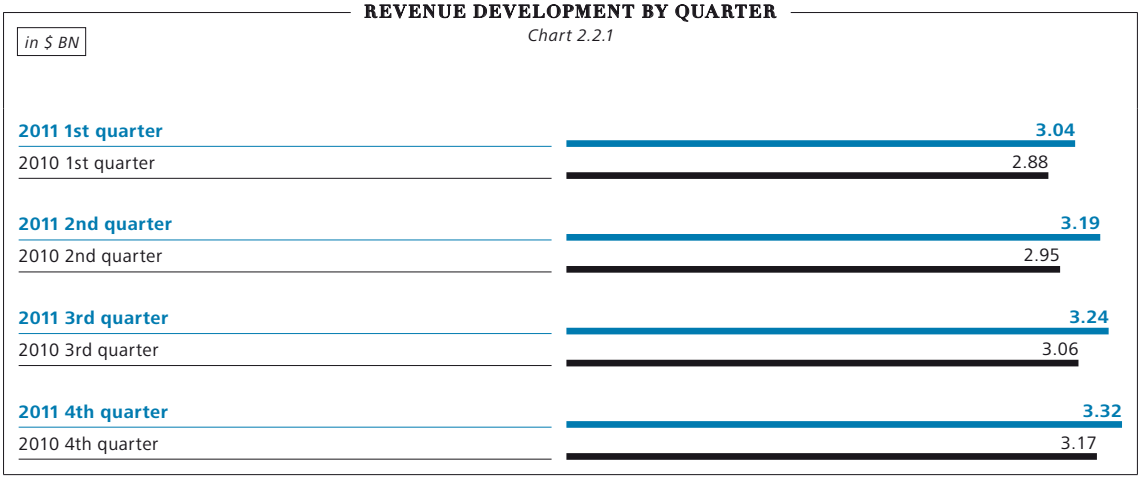
Revenue in North America, still our most important business region with a share of 64%, was $8.15 BN in 2011, slightly above the $8.13 BN generated in the previous year. As in previous years, dialysis services accounted for by far the largest proportion of revenue in North America, at 90%.

Revenue from dialysis services in North America improved in 2011 to $7.34 BN ($7.30 BN in the previous year). The average revenue per treatment in the U.S., our largest single market, fell from $356 in 2010 to $348 in 2011. This decrease was primarily the result of the introduction of the new bundled reimbursement system for dialysis treatments by the Medicare healthcare program in the U.S. Revenue from dialysis products in North America decreased by 2% to $0.81 BN since increased sales of products for hemodialysis and peritoneal dialysis could not fully compensate lower pricing of renal drugs.

Operations in the International segment, which includes all regions outside North America, developed very positively. Revenue in 2011 rose by 18% to $4.63 BN, corresponding to a 14% increase in constant currency terms. Organic growth was 7%, while

REVENUE DEVELOPMENT BY QUARTER

Chart 2.2.1



acquisitions accounted for 7%. As a result of further expanding our clinic network, the relative share of our business in the International segment shifted towards the services business. However, dialysis products continue to dominate, generating 53% of revenue. One reason why services in the International segment account for a lower share of revenue than in North America are the different structures and stages of development of healthcare systems in this region. In some countries, we have not been able to operate our own dialysis clinics to date because the necessary economic and legal structures, such as appropriate reimbursement structures or functioning healthcare systems, are not yet in place.

Revenue from dialysis services in the International segment grew by 23% over the previous year to $2.17 BN. In constant currency terms, this represents an increase of 19%. Acquisitions accounted for 11% of revenue growth, while organic growth was 8%. Revenue from dialysis products rose by 14% to $2.46 BN in 2011 and increased by 9% in constant currency terms. The growth in revenue was mainly driven by increased sales of products for peritoneal dialysis and higher sales of dialyzers, dialysis machines and products for acute care treatments.

At the end of 2011, we operated 2,898 dialysis clinics, 6% more than at the end of 2010. We treated 233,156 dialysis patients in the year under review, an increase of 9%. The number of treatments also rose by 9% to around 34.39 M.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Revenue in this region was up by 16% to $2.95 BN in 2011. Revenue growth was 11% based on constant currencies, further strengthening our market position. The region's share of total revenue was 23% (2010: 21%). By the end of 2011, we were treating 48,346 patients in 600 dialysis facilities, over 10,000 patients (or 27%) more than at the end of the previous year. In 2011, we generated revenue of $1.32 BN from dialysis services in this region, up 22% over the preceding year. In constant currency terms, this represents an 18% increase. Revenue from dialysis products amounted to $1.63 BN, up 11% over the previous year and 7% based on constant currencies.

REVENUE BY SEGMENT

Table 2.2.2

in $ M

	2011	2010	Change
North America			
Dialysis products	813	827	–2 %
Dialysis services	7,337	7,303	0 %
▸ **TOTAL**	**8,150**	**8,130**	**0 %**
International			
Dialysis products	2,458	2,156	14 %
Dialysis services	2,170	1,767	23 %
▸ **TOTAL**	**4,628**	**3,923**	**18 %**
Worldwide			
Dialysis products[1]	3,288	2,983	10 %
Dialysis services	9,507	9,070	5 %
▸ **TOTAL**	**12,795**	**12,053**	**6 %**

[1] *Including revenue generated by corporate functions in the amount of $17 M for 2011 and $0.5 M for 2010.*

Business also developed very favorably in Latin America. Revenue grew by 17% to $700 M and by 16% based on constant currencies. The share of total revenue remained almost constant at 5% as in the previous year. Revenue from dialysis services grew by 21% (also 21% in constant currency terms) to $485 M and revenue from dialysis products increased by 9% to $215 M (5% in constant currency terms). By the end of 2011, over 25,381 patients were receiving dialysis treatment in the 218 clinics in this business region.

The Asia-Pacific region recorded an increase in revenue of 26% to $980 M. This corresponds to a 19% growth based on constant currencies. The region accounted for 8% of total revenue in 2011, compared to 7% in the previous year. Revenue from dialysis services increased by 29% (21% in constant currency terms) to $366 M. Revenue from dialysis products in this region grew by 25% (18% in constant currency terms) to $614 M.

Earnings

Operating income (EBIT)

Earnings before interest and taxes (EBIT) rose by 8% in 2011 to $2.07 BN. The operating income margin increased from 16.0 to 16.2%, primarily due to the Company's improved operating margin in North America.

Operating income in the North American segment rose by 4% in 2011 to $1.44 BN. The operating income margin increased from 17.0% in 2010 to 17.6% in 2011 primarily due to a decrease in the average cost per treatment in the U.S. from $291 to $282. This is the result of the favorable cost development for pharmaceuticals.

In the International segment, we recorded a 19% increase in operating income to $807 M. The operating income margin improved from 17.3 to 17.4%.

REVENUE DEVELOPMENT BY SEGMENT

Table 2.2.3

in $ M

	2011	2010	Change	Organic growth	Acquisitions (net)	Percentage of total revenue
North America	8,150	8,130	0 %	0 %	0 %	64 %
International	4,628	3,923	18 %	7 %	7 %	36 %
▸ **TOTAL**	**12,795**	**12,053**	**6 %**	**2 %**	**3 %**	**100 %**
Dialysis services	9,507	9,070	5 %	1 %	3 %	74 %
Dialysis products[1]	3,288	2,983	10 %	5 %	2 %	26 %
▸ **TOTAL**	**12,795**	**12,053**	**6 %**	**2 %**	**3 %**	**100 %**

[1] *Including revenue generated by corporate functions in the amount of $17 M for 2011 and $0.5 M for 2010.*

REVENUE BY REGION

Table 2.2.4

in $ M

	2011	2010	Change	Percentage of total revenue
North America	8,150	8,130	0 %	64 %
Europe/Middle East/Africa	2,948	2,549	16 %	23 %
Latin America	700	597	17 %	5 %
Asia-Pacific	980	777	26 %	8 %
Corporate	17	–	–	–
▸ **TOTAL**	**12,795**	**12,053**	**6 %**	**100 %**

In 2011, corporate costs increased as expected driven by higher research and development expenditures. The total corporate operating expenditure in 2011 amounted to $168 M, compared to $139 M in the year before.

Earnings before taxes

Pre-tax earnings rose to $1.78 BN, an increase of 8% over the previous year's figure of $1.64 BN.

Net income

Net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) grew by 9% in 2011 to $1.071 BN, compared to $979 M in 2010.

Development of other major items in the income statement

Gross profit

Gross profit in 2011 amounted to $4.52 BN, up 9% year-on-year. The gross profit margin was 35.3%, significantly higher than the previous year's figure of 34.4%. The increase in the margin is largely due to the improved gross profit margin in North America.

Selling, general and administrative expenses rose by 11% to $2.37 BN (2010: $2.13 BN) and from 17.7 to 18.5% as a percentage of revenues. The increase resulted mainly from higher freight and distribution costs due to an increase in fuel prices and freight volume

PATIENTS
Table 2.2.5

	2011	2010	Change
North America	142,319	137,689	3 %
Europe/Middle East/Africa	48,346	38,061	27 %
Latin America	25,381	22,471	13 %
Asia-Pacific	17,110	16,427	4 %
▸ **TOTAL**	**233,156**	**214,648**	**9 %**

TREATMENTS
Table 2.2.6

in M

	2011	2010	Change
North America	21.61	20.85	4 %
Europe/Middle East/Africa	6.61	5.45	21 %
Latin America	3.68	3.39	8 %
Asia-Pacific	2.50	1.97	27 %
▸ **TOTAL**	**34.39**	**31.67**	**9 %**

CLINICS
Table 2.2.7

	2011	2010	Change
North America	1,838	1,810	2 %
Europe/Middle East/Africa	600	499	20 %
Latin America	218	193	13 %
Asia-Pacific	242	242	0 %
▸ **TOTAL**	**2,898**	**2,744**	**6 %**

as well as a lower average revenue per treatment resulting from the introduction of the new bundled reimbursement system for dialysis treatments by the Medicare program in the U.S.

Depreciation and amortization in 2011 grew to $557 M compared to $503 M in 2010. This is a result of higher investment activity in all segments, and in our production sites.

Research and development costs rose from $97 M in the previous year to $111 M, primarily due to additional research and development programs in the area of specific adsorber technologies.

Net interest

Net interest expenses in 2011 amounted to $297 M, compared to $280 M in 2010. This development is largely a consequence of a rise in debt from issuing several tranches of senior notes during 2011. Detailed information on our financial situation can be found —— *starting on page 64* and in note 11 of the financial report —— *starting on page 232*.

Tax rate

Income tax in 2011 amounted to $601 M, compared to $578 M in 2010. This corresponds to an effective tax rate of 33.8% (2010: 35.2%).

OPERATING INCOME (EBIT)

Table 2.2.8

in $ M

	2011	2010	Change
North America	1,435	1,386	4 %
International	807	678	19 %
Corporate	(167)	(140)	20 %
▸ **TOTAL**	**2,075**	**1,924**	**8 %**

CONDENSED STATEMENT OF INCOME

Table 2.2.9

in $ M

	2011	2010	Change
Net revenue	12,795	12,053	6 %
Cost of revenue	8,274	7,908	5 %
▸ **GROSS PROFIT**	**4,521**	**4,145**	**9 %**
In % of revenue	35.3	34.4	–
▸ **OPERATING INCOME (EBIT)**	**2,075**	**1,924**	**8 %**
Interest expense, net	297	280	6 %
▸ **EARNINGS BEFORE TAXES**	**1,778**	**1,644**	**8 %**
▸ **NET INCOME**[1]	**1,071**	**979**	**9 %**

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*

Earnings per share

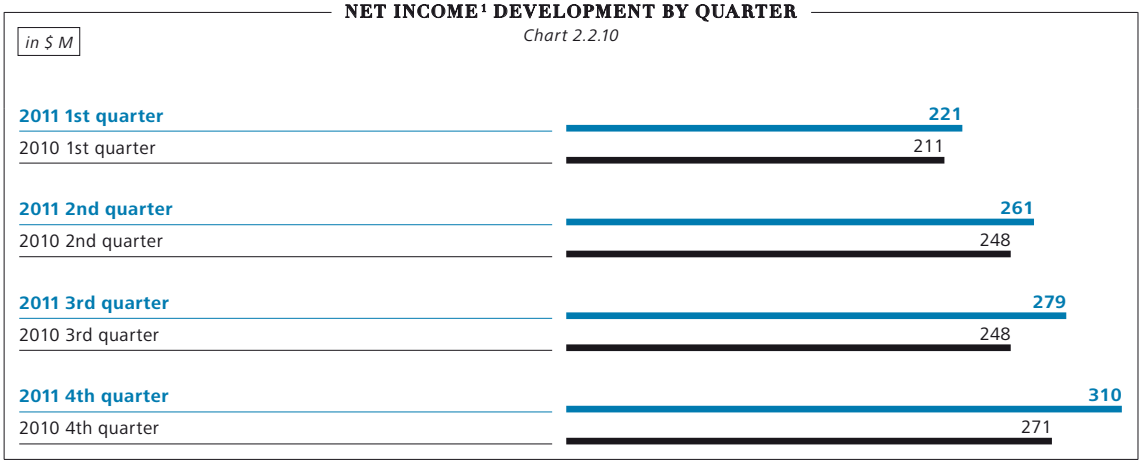
Earnings per share (EPS) rose by 9% in 2011 to $3.54 per ordinary share, compared with $3.25 in 2010. The average weighted number of shares outstanding in 2011 was around 303.0 M (2010: 300.7 M), of which 299.0 M were ordinary shares (2010: 296.8 M ordinary shares). The increase in the number of shares outstanding resulted from stock options exercises. Details on how earnings per share are derived can be found in the financial report —— on page 249.

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2011. All outlays, such as the consumption by value of purchased goods and services, as well as depreciation and amortization have been deducted from the Company's performance. The value added of Fresenius Medical Care in 2011 was $6.5 BN, up 10% from $5.9 BN in 2010. The bulk of this, 67% or $4.4 BN, was paid to staff, while 9% or $601 M went to the public sector.

NET INCOME[1] DEVELOPMENT BY QUARTER

Chart 2.2.10



[1] *Attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*

VALUE ADDED STATEMENT

Table 2.2.11

in $ M

	2011		2010	
Creation				
Company output	12,880	100 %	12,032	100 %
Outlays	(5,826)	−45 %	(5,612)	−47 %
Gross value added	7,054	55 %	6,420	53 %
Depreciation/amortization	(557)	−5 %	(503)	−4 %
▸ **NET VALUE ADDED**	**6,497**	**50 %**	**5,917**	**49 %**
Distribution[1]				
Staff	4,362	67 %	3,968	67 %
Public sector	601	9 %	578	10 %
Lenders	357	6 %	305	5 %
Shareholders and other partners	398	6 %	348	6 %
Company	779	12 %	718	12 %
▸ **NET VALUE ADDED**	**6,497**	**100 %**	**5,917**	**100 %**

[1] *Assuming the distribution of 2011 profits is approved by the Annual General Meeting.*

Lenders received around 6%, or $357 M, while some 6%, or $398 M, went to shareholders and other partners. This left $779 M of value added which was reinvested in the Company.

Order situation

Order volume is not a significant indicator for Fresenius Medical Care as three-quarters of our business model are related to services that are performed regularly. Our product business mainly comprises single-use products and is not defined by project-related orders that could lead to significant changes in order volumes in the reporting period. As a result, Fresenius Medical Care does not report on the basis of this financial indicator.

FINANCIAL SITUATION

Our investment and financing strategy did not change substantially in the past financial year despite the uncertainty in the financial markets. This is due to our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of debt than may be the case in other industries. We significantly increased our budget for acquisitions year over year to take advantage of available growth opportunities in line with our strategy. We still regard our refinancing options as being stable and flexible, and intend to continue our scheduled investments in 2012. The focus of our investing activities is on our dialysis services business, with an emphasis on expanding our dialysis clinic network. We already expanded our manufacturing capacities for major product groups in previous years.

Financial management policies and goals

Besides optimizing our financial costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The Company ensures this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide spread of maturities, ranging from our short-term accounts receivable facility, which is extended annually, to senior notes that mature until 2022.

The main financing instrument used by Fresenius Medical Care is the syndicated credit agreement with two long-term loans and a revolving credit facility. In addition, we use several other mid and long-term financing instruments, including:

- senior, unsecured notes in euros and U.S. dollars and
- on a small scale, senior, unsecured euro notes with fixed-rate and floating-rate tranches.

We have sufficient financial resources comprising only partly drawn credit facilities and our accounts receivable facility, which was renewed and increased from $700 M to $800 M in August 2011. Our target for committed and unutilized credit facilities is between $300 M and $500 M. Our financing requirements in 2012 comprise the dividend payment in the amount of approximately €210 M in May 2012 and increased repayments related to a part of the credit agreement starting in June 2012. We intend to finance in accordance with our described financing strategy.

As a guideline for our long-term financial planning, we primarily use the total debt/EBITDA ratio. This compares total financial debt with earnings before interest, taxes, depreciation and amortization (EBITDA) and other non-cash items. Fresenius Medical Care holds a strong position in the growing dialysis sector, which is considered in general non-cyclical. The industry is characterized by relatively stable cash flows. Our market position is further bolstered by the high creditworthiness of most of our customers. A substantial portion of our accounts receivable are generated by governmental payors. While payment and collection practices vary significantly between countries and even between agencies within one country, governmental payors usually represent low to moderate credit

risks. This allows us to have a more consistent and higher level of borrowing than may be the case for companies in other industries. At the end of 2011, the debt/EBITDA ratio was 2.69 compared to 2.38 in the previous year. Further information on this can be found in the "Strategy, objectives, and corporate management" section —— *starting on page 39*. For detailed information on financing, please see the financial report section "Liquidity and capital resources" —— *starting on page 189*, notes 10 and 11 of the financial report —— *starting on page 231*, and the "Outlook" chapter —— *starting on page 118*.

Rating

Over the course of the past year, the rating agency Moody's confirmed Fresenius Medical Care's rating with "Ba1" and a "stable outlook". The rating by Standard and Poor's remained at "BB" with a "positive outlook" in the year under review, while changing our rating to "BB+" with "stable outlook" in February 2012. Fitch gave Fresenius Medical Care a "BB+" rating with a "stable outlook" (in the previous year, "BB" with a "positive outlook").

Effect of off-balance-sheet financing instruments on our financial situation and assets and liabilities

Fresenius Medical Care is not involved in any off-balance-sheet transactions that could have a significant effect on the Company's financial situation, expenses or earnings, profit and loss position, liquidity, investments, assets or capitalization.

Liquidity analysis

Our main sources of liquidity are our operative cash flow and credits granted by third parties, as well as other financing instruments as required. We need these resources primarily to finance working capital,

MAJOR FINANCING INSTRUMENTS OF FRESENIUS MEDICAL CARE

Table 2.2.12

	Amount in M	*Coupon*	*Maturity*
Credit agreement revolving facility	$ 1,200	–	March 31, 2013
Credit agreement term loan A	$ 1,850[1]	–	March 31, 2013
Credit agreement term loan B	$ 1,750[1]	–	March 31, 2013
Senior note 2010 – 2016	€ 250	5.50 %	July 15, 2016
Senior note 2011 – 2016	€ 100	3-month Euribor +3.50 %	Oct. 15, 2016
Senior note 2007 – 2017	$ 500	6.875 %	July 15, 2017
Senior note 2011 – 2018	$ 400	6.50 %	Sept. 15, 2018
Senior note 2011 – 2018	€ 400	6.50 %	Sept. 15, 2018
Senior note 2011 – 2021	$ 650	5.75 %	Feb. 15, 2021
Senior note 2011 – 2021	€ 300	5.25 %	Feb. 15, 2021
Senior note 2012 – 2019[2]	€ 250	5.25 %	July 31, 2019
Senior note 2012 – 2019[2]	$ 800	5.625 %	July 31, 2019
Senior note 2012 – 2022[2]	$ 700	5.875 %	Jan. 31, 2022
Euro note	€ 155	–	Oct. 27, 2012
Euro note	€ 45	–	Oct. 27, 2014
Accounts receivable facility	$ 800	–	July 31, 2014

[1] *Original amount before repayments.*
[2] *Placed in January 2012 after the balance sheet date of December 31, 2011.*

to fund acquisitions, to build, expand and equip our own dialysis centers and production facilities, and to repay debt and pay out dividends. For detailed information on liquidity, please see the "Liquidity and capital resources" section of the financial report —— *starting on page 189*.

Dividends

Fresenius Medical Care will propose the 15th consecutive dividend increase at the Annual General Meeting. The recommended dividend per ordinary share will increase from €0.65 in 2010 to €0.69 in 2011, and the dividend per preference share to €0.71 (2010: €0.67). In both cases, this represents an increase of 6% over the previous year. The total dividend payout is expected to be approximately €210 M (2010: €197 M). For further information on dividends, please refer to the "Dividend" section —— *on page 27*.

Capital expenditures and acquisitions

Important areas in terms of capital expenditures in 2011 were maintaining existing clinics and equipping new clinics. We also invested in the maintenance and expansion of production sites in the past year. The capitalization of dialysis machines, which were mainly delivered to customers of the International segment, also contributed to capital expenditures. These investments are financed using operating cash flow or existing or new loans.

In 2011, Fresenius Medical Care spent $2.35 BN on capital expenditures, acquisitions and purchasing intangible assets, around $1.22 BN more than in the previous year. $1.05 BN of this was spent in the North America segment, $1.13 BN in the International segment and $165 M for corporate functions.

Total net investment in property, plant and equipment was $570 M, up from $507 M the year before. A large portion of capital expenditures – $314 M – concerned maintaining existing clinics and equipping new ones. In addition, $163 M was invested in the maintenance and expansion of production capacity, primarily in North America, Germany, China and France. $121 M was spent in our distribution companies. A huge portion was spent for the

RATING

Table 2.2.13

	Standard & Poor's	*Moody's*	*Fitch*
Corporate credit rating	BB	Ba1	BB
Outlook	Positive	Stable	Stable
Senior secured debt	BBB–	Baa3	BBB
Senior unsecured debt	BB	Ba2	BB+

NET INVESTMENTS AND ACQUISITIONS BY SEGMENT

Table 2.2.14

in $ M

	2011	*2010*	*Of which property, plant and equipment*	*Of which acquisitions/ intangible assets and other investments*	*Of which divestitures*	*Absolute change compared to 2010*	*Percentage of total volume*
North America	1,047	437	237	818	8	610	45 %
International	1,133	543	175	960	2	590	48 %
Corporate	165	145	158	7	0	20	7 %
▸ **TOTAL**	**2,345**	**1,125**	**570**	**1,785**	**10**	**1,220**	**100 %**

capitalization of dialysis machines provided to customers. We received a relatively small amount of $28 M through divestments. Capital expenditures in property, plant and equipment amounted to some 4% of overall revenue, around the same level as in the previous year.

About 43% of net investments were used for expansion activities, while 57% were spent on maintaining existing production sites and dialysis clinics.

Approximately 42% of our net investments were made in North America, followed by corporate functions with 28%, Europe with 21%, Latin America with 5% and Asia-Pacific with 4%.

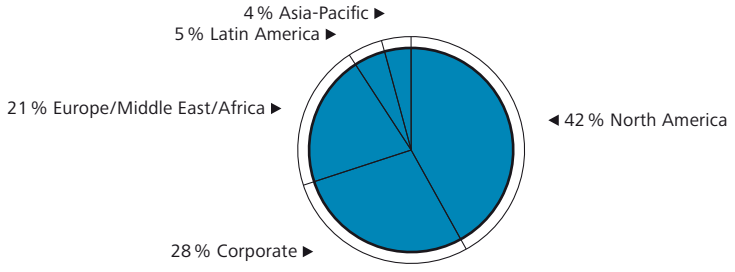
In 2011, around $1,785 M was spent on acquisitions, primarily for purchasing dialysis clinics and licenses. $818 M of this sum went to the North America segment, $960 M to the International segment and $7 M to corporate functions. Acquisitions in 2011 related primarily to the purchase of International Dialysis Centers, the dialysis services business of Euromedic International and the purchase of American Access Care Holdings LLC. Further investments included the disbursement of a loan to the associated company, Renal Advantage Partners LLC, and the expansion of business activities of the joint venture Vifor Fresenius Medical Care Renal Pharma Ltd.

Cash flow analysis

Our operating cash flow in 2011 was $1.45 BN, up by 6% over the previous year ($1.37 BN) and primarily attributable to improved earnings and reduced income tax payments. The cash inflow was used for investments (property, plant and equipment as well as acquisitions). A detailed description of additional factors is presented in the "Liquidity and capital resources" section of the financial report —— *starting on page 189*.

NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGIONS

Chart 2.2.15



DAYS SALES OUTSTANDING

Table 2.2.16

in days

	2011	2010	Change
North America	55	54	1
International	121	116	5
▶ **TOTAL**	**80**	**76**	**4**

In 2011, we observed some regional differences in the payment patterns of our customers. The days sales outstanding, in other words the number of days that pass before customers settle outstanding invoices of Fresenius Medical Care, increased slightly in the year under review, as expected. The days sales outstanding in the North America segment continued to be on a low level in 2011. The days sales outstanding in the International segment increased as we anticipated. This mainly reflects payment delays by government and private entities, particularly in countries with budget deficits. As the majority of our reimbursement comes from public healthcare organizations and private insurers, we expect to recover most of our outstanding accounts receivable, even though it may take a little longer until our invoices are paid in the International segment in the near future. Further information can be found in the "Assets and liabilities" section of this chapter.

In 2011, our free cash flow, excluding acquisitions and dividends, was $876 M compared to $861 M in 2010. Taking account of payments for acquisitions (less disposals) of $1,775 M (2010: $618 M) and dividends of $281 M (2010: $232 M), we achieved a free cash flow of $–1,180 M compared to $11 M in the previous year. For further information, please see the "Capital expenditures and acquisitions" section —— *starting on page 66*.

ASSETS AND LIABILITIES

In 2011, we recorded an increase in total assets and once again improved our asset situation. The key balance sheet indicators reflect our Company's sustained growth and successful performance.

Balance sheet and asset situation

The Company's total assets grew by 14% year-on-year to $19.53 BN, a 16% increase in constant currency terms. Fixed assets rose by 16% (17% in constant currency) to $13.84 BN at the end of 2011. This corresponds to approximately 71% of the Group's total assets. The increase in our assets in absolute terms is mainly attributable to acquisitions and investments in associated companies.

Fixed assets include goodwill of $9.19 BN, mainly from the acquisition of Renal Care Group in 2006 as well

ABBREVIATED STATEMENT OF CASH FLOW[1]

Table 2.2.17

in $ M

	2011	2010	Change
Cash at the beginning of the year	523	301	74 %
Cash flow from operating activities	1,446	1,368	6 %
Cash flow from investing activities	(2,345)	(1,125)	–
Cash flow from financing activities	793	(15)	–
Effect of exchange rate changes on cash and cash equivalents	40	(6)	–
Cash at the end of the year	457	523	–13 %
Free cash flow	876	861	2 %

[1] *A detailed representation can be found in the financial report starting on page 208.*

OPERATING CASH FLOW

Chart 2.2.18

in $ M

as the founding of Fresenius Medical Care in 1996. The increase in goodwill compared to the previous year ($8.14 BN) was primarily the result of acquisitions undertaken in 2011. Property, plant and equipment were up 4% to $2.63 BN in 2011, mainly due to capital expenditures and acquisitions, less depreciation and divestitures. Further information on this can be found in the "Capital expenditures and acquisitions" section —— *starting on page 66*.

Current assets rose by 11% (13% in constant currency) to $5.70 BN at the end of 2011. Key drivers were the increase in trade accounts receivable, inventories and other current assets. In 2011, trade accounts receivable were up by 9% to $2.80 BN, corresponding to an 11% rise in constant currency terms. This was more than the revenue growth of 6% in 2011 and reflects the longer days sales outstanding. Inventories grew by 20% (22% in constant currency terms) to $967 M in 2011. This development is mainly due to the increase in the scope of inventory. For further information, see the "Financial situation" section —— *starting on page 64*.

Shareholders' equity

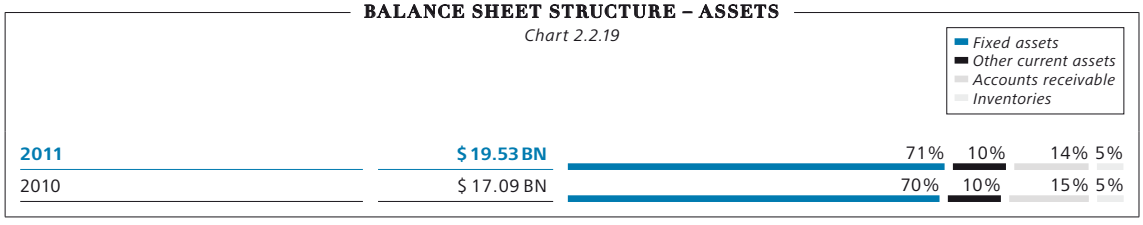
The liabilities side of the balance sheet saw a 7% increase in shareholders' equity to $8.06 BN compared to $7.52 BN in 2010. This was mainly driven by earnings and stock option exercises. Shareholders' equity was reduced by dividend payouts and currency translation effects. In the period under review, the equity ratio dropped three percentage points to 41%.

Liabilities increased by 20% (19% at constant currency) to $11.47 BN compared to $9.57 BN in the previous year. Debt amounted to $7.21 BN (2010: $5.88 BN), $1.72 BN of which were attributable to short-term borrowings (2010: $1.57 BN). Medium to long-term debt increased to $5.49 BN from $4.31 BN in 2010. 70% of our debt ist U.S. dollar denominated, compared to 75% in the previous year.

The Group has no significant accruals. The largest single accrual of $115 M covers a special charge for the final settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 resulting from the bankruptcy of W.R. Grace. Please see note 20 of the financial report —— *starting on page 262*.

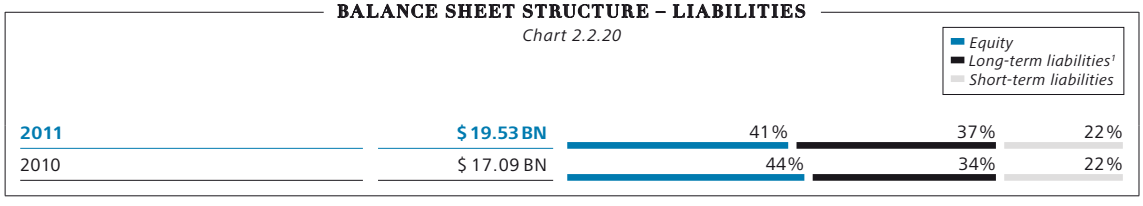
BALANCE SHEET STRUCTURE – ASSETS

Chart 2.2.19



BALANCE SHEET STRUCTURE – LIABILITIES

Chart 2.2.20



[1] *Including minorities of other shareholders with put options.*

RESEARCH AND DEVELOPMENT

Chapter 2.3

With our unique experience in supplying high-quality dialysis products and services, we aim to be the preferred provider for our patients and customers worldwide. Our research and development (R&D) activities will continue to significantly contribute toward this goal with market-oriented product improvements and innovations. Our R&D teams closely align their work to our various stakeholders' needs, carefully observing any changes to these in the course of social, scientific and health policy developments. They are aided in this by the expertise and assessments of the physicians, nurses and patients in our own network of clinics. In addition, our R&D employees work directly with international experts and research facilities on a regular basis to further improve the quality of life of kidney patients. The objective in doing so is to strengthen Fresenius Medical Care's leading position in the dialysis market and to position the Company as an innovative provider in technologically related areas of therapy.

FOCUS OF OUR RESEARCH AND DEVELOPMENT

In our core business, the care of patients with chronic kidney failure, our R&D work is defined in particular by the following requirements and trends:

▸ Advances in medicine and technology:
Dialysis is still a relatively young discipline. It has only been available as a standard treatment, i.e. with reliable, repeatable results, for about 50 years. However, more and more research is being carried out on the complex interactions and concomitant effects that occur when the kidney stops functioning. Parallel to the increase in new medical findings, the technological possibilities for treating patients have also improved. For Fresenius Medical Care's research and development this means quickly translating new insights into market-ready advances and innovations, thereby significantly contributing to gentler, safer and more individual patient treatment. Relevant technological trends include new developments in information technology, technologies to gradually reduce the size of products and simplify their use, the integration of various treatment elements into holistic therapy systems, and the application of promising procedures such as sorbent technology. An example illustrating how we make patient treatment even safer with the use of technological innovations can be found —— *starting on page 71*.

▸ The increase in concomitant diseases:
Patients with chronic kidney failure are growing older, on the one hand, because society is aging overall and the risk of chronic kidney failure increases with age, and on the other hand, because advances in medicine are raising the life expectancy of kidney patients. The older patients get, however, the greater the likelihood of concomitant diseases occurring, for example severe cardiac and vascular conditions. These typically appear when the body is permanently overhydrated as a consequence of kidney failure. Due to their increasing prevalence and new scientific insights, we have extended the focus of our research and development activities to include the side effects of chronic kidney failure such as these, and are developing diagnostic and therapeutic systems that go beyond dialysis itself. An example of such a diagnostic tool can be found —— *starting on page 72*.

▸ Sustained growth in the number of patients:
More people than ever suffer from chronic kidney failure. It is estimated that by 2020, there may be almost 4 M kidney patients worldwide. This trend is boosted by the increase in the number of people suffering from high blood pressure and diabetes – typical precursors of kidney failure that are becoming more and more common around the globe due to "diseases of affluence", such as a lack of exercise, an unhealthy diet, or obesity. For this reason, one key focus of our research and development is on home therapies – peritoneal dialysis, home hemodialysis and, in the long term, the wearable artificial kidney – along with related technologies and products. After all, treatment at home not only provides patients who are suited to it with greater freedom in their daily lives; it also helps to solve the problem of limited capacity in dialysis clinics and gives people who live in areas with a weak healthcare infrastructure access to treatment that may not have been available otherwise. An example of our work in the home therapy sector can be found —— *starting on page 73*.

2.3
Research and development

▸ Rising pressure of healthcare costs:
An aging population, the spread of chronic illnesses and the aspiration to offer new or improved technology in patient care – these trends all present long-term financial challenges to healthcare systems. In recent years, this situation has been aggravated by the financial and economic crisis. Even more reason for Fresenius Medical Care to abide by a principle that is also specified in our internal research guidelines: Innovations not only have to be of high quality, but they must also be affordable so that patients can benefit from them. Based on our long-term experience in operating our own dialysis clinics, these are not incompatible demands. High-quality treatment is also cost effective because it minimizes risks and complications and thereby avoids additional expenses, for example due to hospitalization. Our R&D department works to develop products and services that help our customers to provide high-quality care to their patients at an affordable price. Examples can be found *starting on page 74*.

R&D PROJECTS IN THE REPORTING YEAR

In 2011, Fresenius Medical Care spent around $111 M on research and development (2010: $97 M). Similar to previous years, R&D expenditure corresponded to approximately 3% of our dialysis product revenue and less than 1% of our total revenue. At the end of 2011, our patent portfolio comprised around 4,400 property rights in approximately 850 patent families – groups of patents linked to an invention. Our development work in the reporting year produced around 100 additional patent families. In the following, we present several important projects that our research and development teams worked on in 2011.

Even safer treatment: Venous Needle Disconnect

As with all extracorporeal blood-purification procedures (i.e. that take place outside the human body), dialysis is associated with certain risks for the patient. National as well as international standards and laws therefore stipulate binding minimum

EXPENDITURES FOR RESEARCH AND DEVELOPMENT
Table 2.3.1

in $ M	*2011*	*2010*	*2009*	*2008*	*2007*
▸ **TOTAL**	**111**	**97**	**94**	**80**	**67**

NUMBER OF PATENTS AND PATENT APPLICATIONS
Table 2.3.2

	2011	*2010*	*2009*	*2008*	*2007*
▸ **TOTAL**	**4,415**	**3,601**	**2,850**	**2,402**	**1,932**

safety standards for dialysis products. Beyond that, we have created our own quality guidelines for research and development that partly exceed the legal requirements. We also place importance on training nursing staff as well as patients themselves to ensure that every treatment is as safe and gentle as possible. In addition, Fresenius Medical Care develops procedures and devices as part of a continuous product improvement process to minimize as far as possible the risk of patients suffering harm due to a technical error or human failure.

A rare but particularly dangerous occurrence is the loss of blood during dialysis – for example due to a leak in the bloodline system or the fixture of the venous needle, which connects the patient's vascular access with the bloodline system, coming loose. Blood loss can then occur immediately and lead to death within a very short time. This risk is particularly high when dialysis is unsupervised, for example during treatment at home or overnight – both methods that are particularly compatible for many patients in principle and produce very good results. Dialysis machines have an integrated alarm function: They continuously measure the pressure in the extracorporeal system, i.e. the cycle outside of the patient's body, and respond with an alarm if the pressure drops sharply, causing the blood pump to stop and the venous clamp to close so that no more blood can leave the patient's body. However, so far the measurement technology in standard dialysis machines is not capable of reliably recognizing all the potential causes of blood loss and reacting quickly enough.

The dialysis industry has therefore been working for some years on systems to better protect patients against blood loss. An example of this is the wetness detector, a sensor that reacts to moisture, which we also use in our own dialysis clinics. However, the detector must be positioned exactly where the blood is escaping, otherwise it does not react. Fresenius Medical Care has therefore developed a new safety system based on innovative software: Venous Needle Disconnect (VND). The system is capable of intelligently analyzing extracorporeal pressure signals: It can recognize common disturbances as such and reacts to potentially dangerous, slight irregularities in pressure – for example caused by the needle slipping out, by leaks or kinks in sections of the bloodline – with an alarm that activates the necessary safety responses in the dialysis device. The VND is an important innovation that makes it easier to recognize blood loss. Nevertheless, the risk of blood loss cannot be completely eliminated with this innovation, but it can be minimized, for example by combining the VND with a wetness detector. We are convinced that this new system offers a particularly reliable technology, for which there are no comparable alternatives in the dialysis market to date.

The features mentioned have been on the market with special software for the 5008 hemodialysis therapy system since November 2011 under the name "Venous Access Monitoring" (VAM). This software version also includes the interface for connecting a wetness detector to the patient's vascular access. The VAM has proven successful in comprehensive clinical tests encompassing around 40,000 hemodialysis treatments. This large number of treatments was important as a basis to ensure that the system only activates an alarm signal in cases of actual blood loss with a high degree of probability.

Spotlight on concomitant diseases: the Crit-Line analysis device and the FX CorDiax dialyzer

A typical consequence of chronic kidney failure is overhydration because the patient's body is no longer able to naturally excrete surplus fluids. Around a quarter of hemodialysis patients are overhydrated to a critical degree.

Overhydration is a problem as it is frequently the cause of cardiovascular diseases, the reason for almost half of hospitalizations and at the same time one of the most common causes of death for dialysis

patients in all age groups. In addition, overhydration can reduce the effectiveness of medication prescribed for diseases associated with kidney failure.

The Crit-Line analysis device

With the new Crit-Line analysis device, which was developed for the North American market, physicians and dialysis specialists can exactly measure changes in fluid levels in hemodialysis patients during treatment and thus ascertain whether they are overhydrated. As a result, risk patients can be identified who have excess fluid but otherwise show no clinical symptoms. Crit-Line measures the percentage of red blood corpuscles (hematocrit level) and uses this to determine the percentage change in the volume of blood during dialysis – non-invasively and with laboratory quality results. To do this, an optical sensor on the Crit-Line device is attached to a special chamber in the bloodline system. The results of the analysis are then transferred to the device monitor. Based on these results, the medical staff can adjust the dialysis so that the accurate amount of fluid is removed from the body. In this way, it is possible to reduce overhydration and its impact on the cardiovascular system as well as high blood pressure without causing undesirable attendant symptoms such as a fall in blood pressure due to excessive fluid being removed too fast.

In addition, Crit-Line helps in the treatment of anemia —— *see also glossary on page 160* in renal patients. The measured hematocrit values can also be used to adjust the EPO dose so that no additional blood samples need to be taken. Crit-Line is approved by the U.S. Food and Drug Administration and has the European CE mark for safe and effective medical products.

Crit-Line is increasingly gaining significance at Fresenius Medical Care in North America as a means of controlling the fluid balance in patients with chronic and acute kidney failure – and therefore also recognizing and treating attendant symptoms. In the year under review, we initiated clinical studies to show that using Crit-Line consistently reduces the number and duration of hospital stays. The objective is to establish Crit-Line as the standard in North America for controlling patients' fluid levels and managing anemia.

The FX CorDiax dialyzer

In the past few years, the quality and effectiveness of hemodialysis have again improved significantly. We have contributed to this considerably with our products. However, as described above, the subject of cardiovascular diseases remains crucial for our dialysis patients. The new FX CorDiax dialyzer that we introduced in June 2011 in Europe is particularly effective. It contains a high-performance Helixone® plus membrane that selectively filters out toxins with a medium molecular size and low molecular weight, such as phosphates, from the blood, thus reducing the risk of cardiovascular diseases. The membrane also ensures that substances beneficial to the patient such as the essential blood component albumin are not flushed out at the same time.

Technologies for the growing number of patients: 2008K@home

In November 2011, we introduced a solution for the growing number of dialysis patients and the resulting increase in demand for treatments to the U.S. market at ASN Renal Week organized by the American Society for Nephrology (ASN) in Philadelphia: the new 2008K@home. This treatment system has been especially developed for flexible use in home hemodialysis, as the name suggests. It is the latest in the series of 2008 devices that have been used for HD very successfully for over 30 years. The 2008K@home has already been approved by the FDA, making it one of only two devices for home HD with FDA approval in the whole North American market.

With the new 2008K@home, treatment can be individually adapted to the medical requirements and the everyday life of each patient. Physicians have the

flexibility of offering patients a treatment schedule that is tailored to their lifestyle. The 2008K@home is especially configured for home use: It takes up less space than comparable machines used in dialysis clinics, for example. In addition, the user interface has been drastically simplified compared to clinic devices so that patients can operate the machine intuitively: For example, instructions on the screen guide the patient step by step through the set-up and treatment procedure. The 2008K@home also contains a new alarm feature for additional safety: the wetness detector. A signal sounds as soon as a leak at the vascular access occurs during dialysis, which, if it were to go unnoticed, could be fatal. Patients have access to on-the-spot support from a close-knit network of specially trained customer service staff.

In the current financial year, we are planning to continue working on further optimizing our 2008 series.

Holistic quality and resource efficiency: integrated solutions for dialysis clinics

We want to offer patients in our own clinics and our customers' patients top quality at an affordable price. An approach we are increasingly pursuing is the provision of integrated therapy systems and software solutions. By bundling services in this way, our aim is to improve therapeutic performance on the one hand and to record and monitor it better on the other. This should not only result in higher treatment quality but also a more efficient use of staff, as well as medical and financial resources (more information about the growing demand for integrated services can be found in the "Opportunities" section —— *starting on page 125*).

One example of such a therapy system is our 2008T hemodialysis machine, which we developed for the U.S. market in close collaboration with the Renal Research Institute (RRI) —— *see page 78*. Following approval by the FDA, we launched the device in November 2010, on the occasion of the ASN Renal Week (American Society of Nephrology), the most important industry sector conference in the U.S. The 2008T has proved a great success: We received numerous orders before it was even introduced on the market, and demand in 2011 has continued to grow steadily. Users in our clinics are particularly enthusiastic about the fact that the data are consolidated on one platform. The 2008T is the first approved hemodialysis machine on the U.S. market with an integrated software platform for entering and managing clinical treatment data directly at the treatment couch. The new module is designed to assist physicians and clinic staff in efficiently and promptly recording the data required by the authorities for billing services pursuant to the new reimbursement system; see the section "Health and reimbursement systems" —— *starting on page 53*. In addition, it should generally help simplify daily clinic routines and further improve clinical data and quality management. The 2008T can be connected to the various data management systems used in U.S. dialysis clinics. Care staff benefit from the device as it enables them for the first time to access both dialysis treatment data and data from the medical information system (MIS) in the treatment room so that they can adjust the treatment and treatment plans directly. This data was previously recorded and stored in a variety of sources.

Operation of the 2008T is now even more convenient and time-saving thanks to a new touch screen that was requested by a large number of clinic staff. We introduced this new monitor onto the market after approval by the FDA in November 2011. All 2008T machines manufactured since then have been equipped with it. Because the 2008T is easy to operate and treatment data is immediately available, medical staff can concentrate on what is most important during treatment, the patient. In the current financial year, we will continue to work on an infusion pump for administering iron products intravenously as a module for the 2008T. The pump is designed to make it easier for clinic staff to prepare and administer the exact dosage of iron products, thereby further increasing patient safety.

In the International segment, we introduced the dataXchange panel (dXp), a software platform for managing treatment data, in 2007. It is integrated into the monitor of our 5008 treatment system for hemodialysis. We significantly enhanced the functions of the dXp in 2010 so that it captures all the steps required for dialysis treatment and displays them on the 5008 dialysis system monitor. These include calculating excess fluid in a patient's body based on his weight so the dialysis dose can be individually adjusted (see the section on the Crit-Line in the North America segment above). In addition, the dXp records the patient's individual treatment settings, such as the duration of each dialysis session as well as the treatment parameters prescribed by the patient's physician, for example the blood flow in milliliters per minute or the composition of the dialysis solution. The new dXp stores not only the patient's drug regimen, but also the exact specifications of the consumables used during dialysis, for example the type of dialyzer or the selected dialysis concentrate. Last but not least, the panel indicates whether the dialyzer was prepared after treatment, providing the nursing staff with valuable assistance and an additional tool to increase patient safety. Thanks to these improvements, we have significantly enhanced the dXp as an efficient data interface between the treatment couch and the clinic's central quality management data system.

We are continuously working on improving our reliable 5008 treatment system and the compact 5008S. The new software that is expected to be brought onto the market in mid-2012 will help to reduce the stress of hemodialysis on the patient's heart. A particular focus of our development work is on improving ONLINE HDF therapy —— *see glossary on page 164* and increasing patient safety. In addition, we are adapting the 5008S for use in home hemodialysis so that patients can also use treatments such as ONLINE HDF safely and easily at home. A "pediatric package" will be a new feature of the software to increase the safety of dialysis treatment for children. The 5008/5008S will then be approved treating children with a body weight of over 10 kilograms, whereas our competitors largely allow their HD machines for the treatment of children to be used "off-label" (unapproved) and thus in the responsibility of the physician using them.

In the field of peritoneal dialysis, we further developed the PatientOnline medical data management system in 2010 into an integrated solution: For the first time, it can now be accessed not only by individual users – usually the attending physician – but by several trained users, as a joint data base. In 2011, we further improved PatientOnline and, following successful field tests, introduced it in EMEA (Europe, Middle East, Africa) in July. The current version PatientOnline 6.0 offers a large number of improved and completely new features: For example, data from the Body Composition Monitor (BCM), a diagnostic device, have now also been integrated into the system. The BCM provides medical staff with an objective benchmark for the fluid status of PD patients so that the treatment can be aligned to reduce any overhydration. In addition, thanks to special evaluation options, the system now supports the treatment of children with kidney disease even better. Further innovations include processing a larger number of analysis results and registering sodium levels with the aim of further improving the quality of treatment.

Clinical research

In addition to developing innovative products and procedures as well as enhancing existing ones, a process known as sustaining engineering, our employees also carry out clinical research on chronic kidney failure, dialysis and technologically related blood purification procedures.

At present, the focus of our clinical studies is on peritoneal dialysis (PD) and especially overhydration, which affects over half of PD patients. About 50% of PD patients could benefit from active fluid management according to the results of a study presented last year. This study examined 645 PD patients in six

countries. It revealed that a quarter of patients had more than two liters of excess fluid, and 26% of the total were underhydrated. Active fluid management would increase the survival rate, reduce the number and duration of hospital stays, diminish the occurrence of an enlarged left ventricle of the heart, improve patients' quality of life and better maintain residual renal function.

Results of a further study published at the beginning of 2011 showed that fluid management in PD patients can be improved using the Body Composition Monitor (BCM). Patients were divided into two groups: the fluid status of the patients in group 1 was measured with the BCM and the patients were informed about the results, while the fluid status of those in group 2 were measured using conventional methods and the patients were not informed of the results. Although both patient groups were similar in terms of age, gender, size, weight and fluid status, form and severity of diabetes and level of health training by the dialysis specialists, the fluid status in group 1 clearly improved in the course of the three-month monitoring period. The conclusion drawn from this is that PD patients who are more involved in the organization of their treatment thanks to the easy-to-read results of their analysis from the BCM are able to support their own treatment better and more actively so that their fluid levels and thus any concomitant diseases such as high blood pressure can be regulated more easily.

An ongoing study deals with the assessment of a low-sodium PD solution for patients with high blood pressure compared to a conventional solution already available on the market. The aim is to reduce high blood pressure and improve sodium and water management. High blood pressure and sodium and water deposits are typical concomitant diseases in PD patients with chronic kidney failure.

The aim of a study begun in 2011 is to record the fluid status of patients only recently diagnosed with chronic kidney failure and identify the reasons for the harmful fluid levels. In doing so, we want to show that using the BCM to monitor patients' fluid levels can help physicians to identify patients with an unstable fluid balance and control the underlying causes of this condition more effectively. Overhydration seems to be linked to variable factors such as the correct PD prescription according to the transport efficiency of the peritoneum and the intake of fluids from food. By the end of 2012, we therefore want to obtain a minimum of 300 adult patients for the study who are about to receive their first PD treatment after having been diagnosed, and accompany them over the following three to four years. Over this period, we will record data regularly on each patient including their current medication, typical laboratory results and fluid balance. In this way, we hope to obtain information about the reasons for an irregular fluid level and the status and development of fluid levels both before the start of treatment and in the course of PD treatments – for example in relation to residual renal function, nutrition levels and the treatment prescribed by the physician – as well as determining the best time to switch treatment from PD to HD. For the significance of fluid maintenance, see the section "Spotlight on concomitant diseases" ——— *starting on page 72*.

NUMBER OF EMPLOYEES IN R&D

Table 2.3.3

Full-time equivalents	*2011*	*2010*	*2009*	*2008*
▸ **TOTAL**	**530**	**503**	**477**	**415**

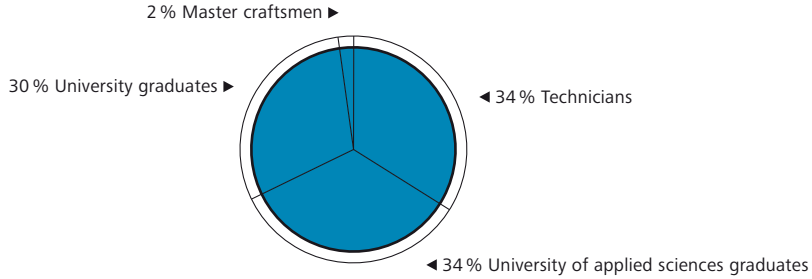
2.3
Research and development

EMPLOYEES

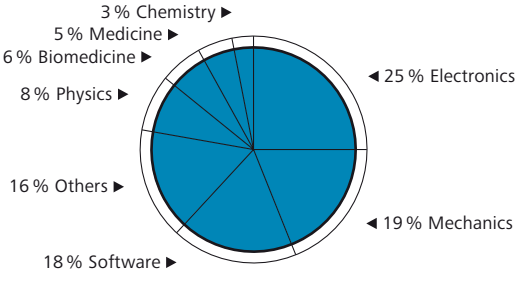
In 2011, a total of 530 employees (full-time equivalents) worked for Fresenius Medical Care in research and development worldwide (2010: 503). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers. Our largest R&D unit with around 330 employees is in the European region; charts 2.3.4 and 2.3.5 give an overview of their levels of education and professional backgrounds. The majority of our R&D colleagues work at our facilities in Schweinfurt and Bad Homburg, Germany; smaller teams work at St. Wendel in Germany and Bucharest in Romania, where an R&D competency center specializing in software development has been set up. In addition, we have specialist teams for research and development in the North America and Asia-Pacific regions.

Since September 2010, we have operated our own R&D department for sorbent technology —— *see glossary on page 165* with six employees in Krems in Austria. Fresenius Medical Care has been manufacturing products for various sorbent therapies in Krems since 2003 – for example, for the Prometheus system that removes toxins from patients with liver failure, for procedures to remove antibodies from the blood stream of patients with severe autoimmune disorders, and for the DALI procedure to treat familial hypercholesterolemia, a hereditary metabolic disorder. Over the next few years, we intend to expand our facility in Krems into a competency center for sorbent technology, as we believe that this technology holds great potential for new blood purification applications and therapies.

LEVEL OF EDUCATION OF R&D EMPLOYEES IN THE EUROPEAN REGION
Chart 2.3.4



PROFESSIONAL GROUPS OF R&D EMPLOYEES IN THE EUROPEAN REGION
Chart 2.3.5



2.3
Research and development

COOPERATION IN RESEARCH

We work with universities and research institutes around the world that operate in our specialist field. One example is the Danube University Krems in Austria, whose research into extracorporeal blood purification processes with sorbents we have been funding for about twenty years. This long-standing partnership with an excellent team of specialists was ultimately one of the reasons why we decided to invest further in our Krems facility.

We also maintain close contact with research institutes in the U.S., such as the Renal Research Institute (RRI). The RRI was founded in 1997 as a joint venture between Fresenius Medical Care North America and the Beth Israel Medical Center, a hospital in New York. It is now recognized as a leading institute in the field of clinical treatment and research into chronic kidney failure. Together, we are tackling some of the fundamental issues of dialysis treatment. These include the complex causes that lead to kidney failure, the particular features of treating children with end-stage renal disease, or issues such as the mineralization of dialysis patients' bones or the effects of kidney diseases on the natural acid base balance in the human body.

We mainly conduct research and development projects with our own employees and research departments. So far we have only used the services of third parties for this purpose to a limited extent. When cooperating with national and international universities and other scientific institutions, we use various financing models. Some of our research alliances are also publicly funded.

INNOVATION PROCESS AND CULTURE

At Fresenius Medical Care, each product idea undergoes a structured development process with clearly defined project phases, milestones and reporting lines. This ensures that we only pursue ideas that create added value for our patients, customers and the Company. A further factor that contributes to the success of our research and development is our open innovation culture, especially our lively professional, creative and personal exchange of ideas, both within and outside of the Company.

At the core of this culture is the vertical integration of our Company, in other words the fact that we not only develop, manufacture and sell dialysis products, but also offer dialysis treatment. Our R&D teams therefore benefit directly from the opinions and experience of patients, nurses and physicians in Fresenius Medical Care's clinics – a significant advantage over the majority of our competitors. Our R&D employees also exchange their ideas regularly with the technical and sales departments, for example on quality assurance and quality improvements. Annual internal conferences give R&D employees from all regions the opportunity to discuss joint projects as well as overriding issues and trends in the field of dialysis. Our employees also visit international research events, where they contribute to scientific discourse. This enables them to bring back new ideas to their teams and at the same time strengthen the Company's excellent reputation in the international professional community. Finally, we look at industries in fields other than dialysis: A number of our employees work primarily on analyzing new technologies in other industries to see whether they offer synergies for our development work.

Our innovation culture also means that we carry out research and development responsibly. For more information on this, see the "Responsibility" chapter ——— *starting on page 98*.

OUR PRODUCT BUSINESS

Chapter 2.4

FROM PROCUREMENT TO SUPPLY CHAIN MANAGEMENT

As the industry leader with many years experience in dialysis, Fresenius Medical Care can call on considerable internal resources in its product business: production capacities in all regions, expertise in highly complex manufacturing technologies and processes, and extensive skills in the area of quality management, procurement and logistics for sophisticated medical products.

We can now exploit this potential even better for our Company's growth with our GMO (Global Manufacturing Operations) division. Since January 2010, this unit has coordinated all key activities relating to our products worldwide and has actively promoted the transfer of knowledge and technology between regions. To achieve this, we merged our regional units for production, quality management and procurement and parts of supply chain management. At the end of 2011, the division comprised around 12,600 employees (2010: around 11,000) and 41 production sites in about 30 countries.

OUR PRODUCTION SITES

Our largest sites in terms of production volume are in the U.S., Germany, and Japan; an overview of our major production facilities worldwide can be found in chart 2.1.1 —— *on page 36*. We produce hemodialysis (HD) and peritoneal dialysis (PD) equipment at two locations: in Schweinfurt (Germany) and in Walnut Creek, California (U.S.). Other products are manufactured directly in regions where demand for them is particularly high: Dialyzers and the corresponding hollow fibers, for example, are made and assembled at our facility in Ogden, Utah (U.S.), as well as in St. Wendel (Germany), in L'Arbresle (France) and in Buzen (Japan), among others. Concentrates for hemodialysis are manufactured at different sites across the globe, for example in Germany, Italy, Turkey, Morocco, the U.S., Argentina, and Australia. Solutions and disposable products for PD are also produced worldwide; our production sites in St. Wendel and Ogden provide the majority of our PD solutions. In terms of production volume, our plant in Reynosa (Mexico) is the largest production site for bloodlines both within the Company and worldwide.

GMO'S TASKS AND ACTIVITIES

The core responsibility of the GMO division is to closely coordinate our expertise in production technologies and processes, quality management, strategic procurement and supply chain management across all regions. The purpose of this is to:

- further increase the efficiency of our processes,
- better manage risks, and therefore costs,
- improve returns on our invested manufacturing-related capital.

The following sections show the tasks and activities derived from these objectives in the year under review.

Production

In 2010, we merged our production sites that were previously organized at a regional level to create an integrated production network, coordinated by GMO. The individual facilities can now align their activities more closely within this network. As a result, we were able to further improve our cost management and productivity overall. Facilities with long-standing experience in manufacturing particular products have now become Company-wide centers of excellence. In future, they will use their expertise in core technologies and materials to advise our decentralized production sites on harmonizing their processes. The plants in St. Wendel and Ogden, for example, will be responsible for hollow fibers, and the sites in Reynosa (Mexico) and Cremona (Italy) for bloodline systems. GMO uses this approach to promote the exchange of best-practice procedures and methods between the different regions and sites.

At the same time, we are assessing new opportunities for regions to supply each other with products and components, thus further increasing the efficiency of production. Since last year, for example, capacity at Ogden has been used to manufacture hollow fibers dialyzers for our St. Wendel plant. Thanks to harmonized processes as well as standardized materials and product components, the entire Company can now benefit from production capacities and comparatively lower production costs. In addition, we want to continue coordinating our processes worldwide in the coming years by establishing standard IT systems for production in our plants.

Quality management

In the past year, we focused our efforts in this area on further implementing the Company's global quality management strategy. This included appointing quality managers for each of our regions. They report to the central Office of Global Quality Systems and Plant Compliance. In parallel, in the course of implementing a cross-regional program, we launched initiatives to improve quality, cut costs and reduce processing times in production.

Quality management systems for safe products and procedures

We want to offer our patients and customers worldwide the best possible product and treatment quality. To this end, we have installed comprehensive quality management systems in all our business regions. These regulate and monitor compliance with quality and safety standards for all of our products and technologies – from their development and production to market approval and use in clinics, right up to training customers and dealing with complaints. The quality management systems used in production combine internal regulations, processes and procedures that not only meet the demands of generally recognized external standards but also represent best practice. Our plants have for years applied recognized tools for quality management such as Lean Management and Six Sigma, a quality management system to describe, measure, analyze, improve and control processes with the aim of further boosting quality; please also refer to the next section.

Our quality and production management works closely with local authorities in the regions to solve potential problems related to quality management in a timely manner. The Company has long placed value on linking quality issues throughout the Company, partly because some of our production sites are certified according to several regional quality standards simultaneously. This enables us to be flexible and supply markets worldwide with our products while minimizing potential risks relating to supply security. With GMO, we can now pursue this strategy even more intensively than before.

We have already made good progress in harmonizing our GMO quality management systems. For example, we have set minimum standards for guidelines and procedures in the quality management systems at all Fresenius Medical Care production sites. On this basis, we have established similar processes and systems worldwide to ensure and improve compliance with the defined quality levels and legal regulations for production in all regions. In addition, we succeeded in setting in motion a more comprehensive and regular exchange of knowledge and information on all aspects of production technology and quality assurance. This will ensure that in future, we will be able to manufacture our products even more efficiently worldwide while maintaining consistent quality. At the same time, by adhering to our own standards and complying with legal requirements, we are in a better position to control risks. This approach helps us to avoid costs and generate value for the entire Company.

A further focus of GMO's key tasks is on standardizing our internal quality management audit process as well as on integrating Lean Management and Six Sigma resources and activities Company-wide to further enhance our operational efficiency.

Improving quality and efficiency with global programs

In the year under review, in the course of implementing our IMPAQ (Improve Margins, Productivity, Accountability and Quality) program, we launched the global "FOSY" initiative. FOSY, which stands for Fresenius Operating Systems, is a management philosophy by which we aim to improve quality in production, cut costs and shorten lead times. The involvement of our staff and the allocation of clear responsibilities are at the heart of this philosophy. FOSY is based on the efficient processes of Lean Thinking and the efficient process control of the Six Sigma method, but goes significantly further. We are guided by the following four principles of our philosophy:

- customers' needs and quality are our top priorities,
- we rely exclusively on sound business processes,
- the just-in-time principle applies in all our operations,
- we ensure an efficient flow of information, materials and processes.

To achieve the efficiency and quality objectives of FOSY, staff undergo training courses, take part in workshops, so-called Kaizen events, and cooperate in long-term projects. The main objective is to reduce waste and diversity.

We have already begun implementing FOSY in the EMEALA (Europe, Middle East, Africa, Latin America) region and in North America; Asia-Pacific will follow in the course of 2012. We promote collaboration among different regions, for example, with the SharePoint site "WikiSenius" developed in 2011. Here, staff from our production sites throughout the world can exchange information, post training materials and develop measures for improvement.

In addition to FOSY, the IMPAQ program comprises measures to improve our dialysis service business at Fresenius Medical Care North America. We apply the Lean Six Sigma method consistently in this region, for example, to boost treatment quality by reducing the use of catheters and cut the number and length of hospital stays for patients; please also refer to the chapter "Dialysis services" —— *starting on page 48*. In addition, we manage the inventories in our clinics more efficiently to reduce costs for dialysis products, medication and consumables per treatment.

Strategic purchasing and materials management

Because we consistently pursue our growth strategy and the markets are becoming more and more international, it is increasingly important for strategic purchasing at Fresenius Medical Care to closely observe regional as well as global developments in the procurement markets and individual currencies. In this way, we can take advantage of international price variations in purchasing raw materials and components for production, even if some goods are in short supply, as was the case in 2011. It also enables us to better offset risks, i.e. potential costs, in conjunction with currency fluctuations, for example, or due to dependency on individual suppliers. Our regional strategic purchasing units in Europe, the U.S. and Asia therefore closely coordinate their sourcing strategies. The fundamental objectives in doing so are to minimize risks by ensuring the supply of raw materials from different currency areas, and managing our relationships with the Company's most important suppliers as effectively as possible.

Securing an efficient and flexible supply of raw materials

We centrally coordinate tenders and negotiations for the purchase of raw materials or components that are needed by more than one site or region in cross-regional teams. To enable us to manufacture our products flexibly, i.e. at several locations according to demand, we also aim to supply all our plants with raw materials and components of consistent quality. To achieve this, we will continue to enter into partnerships with suppliers who permanently demonstrate high quality performance while meeting

strict product specifications, including multinational suppliers who can produce and provide raw materials in more than one region.

Based on recent developments in the financial and real markets, we assume that prices will continue to fluctuate despite tension easing in the commodities markets in the short and medium term. We are therefore gearing our market strategy to this, for example by networking more closely with our strategic partners and increasingly diversifying our supplier portfolio as well as the conditions in our supplier contracts.

Managing relationships with the Company's most important suppliers

We aim to provide our customers with medical products of the highest quality and at the best price. To this end, our procurement strategy is designed to enable us to purchase high-quality materials and components at optimal economic conditions through long-term mutual relationships with our suppliers. In line with our supplier management, we carefully select our suppliers according to their suitability and performance, develop innovative products and processes together with key providers, while avoiding risks relating to our supply of raw materials, for instance, by ensuring that we are not dependent on one or only a few suppliers for key raw materials or components. Comprehensive risk management allows us to monitor our supply of key raw materials as well as our relationships with strategic suppliers across regions according to uniform criteria, and thus identify potential risks even earlier. These criteria include consistent quality, availability in the short, medium and long term, currency risks, and the likeliness of natural disasters.

A further focus in the year under review was on strengthening the involvement of suppliers with technological expertise in our development and innovation process. The results achieved in the area of dialysis machines and disposable products provide us with a good basis for further expanding these programs and will further consolidate our position as technological pioneers in the medium term.

Supply chain management

Within the North America segment, GMO is responsible for all activities in supply chain management – from distributing raw materials to our production sites all the way to delivering our products to our customers. Within the International segment, GMO manages part of the supply chain – from raw materials to delivering finished goods to our central distribution centers, such as Biebesheim in Germany —— *see also page 48 of Magazine*; subsequent steps of the supply chain lie within the responsibility of the regions. We also intend to strengthen cooperation between the GMO production network and our regional supply chain management teams. The aim is to make our supply chain management more efficient altogether by avoiding as far as possible risks such as insufficient planning of production quantities or an inefficient distribution of production orders to our sites.

In the International segment, we therefore expanded our new planning system for assessing demand and for inventory management with respect to our most important disposable products in the year under review. When the system was introduced in 2010, it was initially limited to bloodlines systems; since 2011, it has also been used for dialysis solutions. From 2012 we will extend it further to include dry concentrates and dialyzers. The new system enables us to centrally plan and manage all tasks along the supply chain for these products across all regions and production sites within the International segment. The demand reported by sales is continuously coordinated with production capacities within the GMO network and inventory management. A special

distribution logic ensures that production orders for the same products and manufacturing methods are efficiently spread between the relevant production sites. Thanks to standardized technologies and quality systems, the plants are able to flexibly adapt the quantities of the individual products they manufacture to the requirements of the sales function. If, for example, demand for a product primarily manufactured at one particular site goes up temporarily, a second facility can increase its capacities for this product at short notice and help to produce it.

The new system for demand planning and inventory management is based on the SCALE initiative (Supply Chain Alignment EMEALA). We have been gradually implementing this program in the EMEALA (Europe, Middle East, Africa, Latin America) region since 2009. SCALE comprises numerous measures to improve and harmonize the flexibility and cost-efficiency of supply chain management. One project within SCALE concerns standardized demand planning; this covers both the planning of national companies' production demand and sourcing demand, i.e. demand for goods that we do not produce ourselves. Other components of SCALE include inventory management and a system-based planning model for the distribution of stocks to the national companies as well as automatic replenishment management, ensuring that our national warehouses are refilled when their inventory reaches a defined minimum level. This will enable us to further enhance the service quality as well as the cost efficiency of our supply chain and achieve savings in the millions. In 2012, automated replenishment control will be introduced to additional national warehouses, including Switzerland, Turkey and Russia.

Our production of hemodialysis devices for the EMEALA region in Schweinfurt was also integrated into the processes developed under SCALE in December 2011. However, unlike in the case of disposable items, a production order for HD devices is not triggered by demand or demand planning ("make to stock"), but by a customer order, whereby the device is configured according to customer specifications ("make to order"). Thanks to the transparency created by SCALE, we have been able to increase the supply capability of our Schweinfurt plant. It no longer produces devices for the warehouse, thereby freeing up capacities for devices that are configured according to customers' requirements.

OUR DIALYSIS SERVICES BUSINESS

Chapter 2.5

FROM OUR THERAPY CONCEPT TO SERVICES FOR PATIENTS AND PARTNERS

As a vertically integrated dialysis company, we not only supply our products to customers, we also use them in our own clinics on a daily basis. Our entire business benefits from this as a direct exchange with patients, doctors, and dialysis personnel helps us to constantly improve our products and services and ensures that we never lose sight of the needs of our most important stakeholders. Our unique experience as a provider of dialysis products and of services increasingly makes us a valued adviser for healthcare partners and opens doors to new markets.

FRESENIUS MEDICAL CARE'S THERAPY CONCEPT

Similar to our vertically integrated business model *see chart 2.5.1* we take a holistic view of quality when it comes to dialysis therapies and additional services. Our UltraCare brand in North America and our NephroCare brand in the EMEALA (Europe, Middle East, Africa, Latin America) and Asia-Pacific regions are part of an integrated therapy concept that sets the standard in our clinics as well as for home dialysis. This concept is based on the following principles:

▸ Our quality standards for dialysis services focus on providing patients with the best available therapies.

▸ We use our own high-quality products, pharmaceuticals and procedures in our clinics and for home dialysis patients; these are continually refined by our research and development team.

▸ We provide our patients with comprehensive treatment and medical advice from qualified, highly-motivated clinical personnel and physicians.

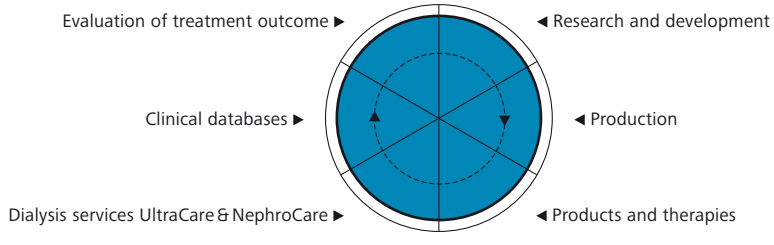
▸ We create a safe and pleasant atmosphere in our clinics for both patients and employees.

▸ We systematically improve our performance and efficiency levels by collecting and comparing our clinical treatment data on an ongoing basis, working according to both external and internal quality standards, and running our clinics in a professional manner.

In line with these principles, our dialysis clinics are subject to specific guidelines relating to, for example, patient care, hygiene in clinical practice, the design of our clinics, and the purity of water used in treatment. Specialist teams help the clinics to implement these standards and ensure they are consistently met. As we aim to offer our patients comprehensive care, our doctors and dialysis personnel in the clinics are assisted also by nutrition specialists and social workers. To help patients better understand the issues of living with dialysis, we also provide our own educational material such as films and patient journals, including "PatientLine" in the U.S. and "NephroCare for me" in the EMEALA region.

FRESENIUS MEDICAL CARE: A VERTICALLY INTEGRATED COMPANY

Chart 2.5.1



In North America, various internal advisory boards help us to further improve our standards and services. For example, a social work advisory board deals with the psychosocial concerns of patients and designs training programs for our social workers. A similar board for dialysis nurses develops guidelines and procedures for clinical care. Regional and company-wide medical advisory boards assist us in our work with nephrologists to achieve the best outcome for our patients. The patient advisory board comprises patients from all regions in the U.S. in which we operate clinics. Among other aspects, it advises us on how to make health educational material more readily understandable. In the International segment, too, we engage in direct dialog with our patients to continuously improve our services, for example through regular surveys or joint roundtable discussions, which we introduced in 2010.

QUALITY MANAGEMENT

To monitor how well we deliver on the brand promises of our therapy concepts NephroCare and UltraCare, we measure and compare our quality performance in our individual clinics as well as at a regional level using certain performance indicators. These are defined in the "NephroCare Balanced Scorecard" and "UltraScore" systems, among others. In addition to industry-specific clinical benchmarks —— *see table 2.5.2 on page 86*, they include our own quality targets linked to the services and advice we provide, for example. In the U.S., we present an annual "UltraCare Center of Excellence Award" to dialysis centers that meet our performance targets exceptionally well. In the EMEA (Europe, Middle East, Africa) region, we give annual awards to the management of the countries that perform best in various categories, including the "Best New Country" award for countries that have recently introduced the NephroCare Balanced Scorecard.

Clinical quality data

With regard to treatment quality, our clinics work in conformance with generally accepted quality standards in the industry, particularly the KDOQI (Kidney Disease Outcomes Quality Initiative) guidelines from the United States, the European EBPG standard (European Best Practice Guidelines) and increasingly the KDIGO (Kidney Disease: Improving Global Outcomes), a still fairly recent global initiative. We use clinical data management systems to routinely collect certain medical parameters, which we of course evaluate in anonymized form in compliance with these guidelines. The goal is to measure and continuously improve the quality of our dialysis treatments. One of these parameters is the Kt/V value. This uses a "marker" to provide information on whether or not a patient was detoxified effectively during dialysis and is calculated taking into account the patient's body size. A marker is the concentration of a specific substance in the blood which is indicative of a particular illness. In the case of chronic kidney failure, the marker used is urea, a substance that is eliminated in large quantities by healthy kidneys, but in the case of diseased kidneys has to be filtered out of the dialysis patient's blood by means of renal replacement therapy. Another quality indicator is the albumin level in the blood. Albumin is a protein that is indicative of a patient's general nutritional status. We also strive for a defined hemoglobin value in our patients in cooperation with their nephrologist. Hemoglobin is the component of red blood cells that transports oxygen around the body. An insufficient level of this in the blood is indicative of anemia, which typically occurs in patients with chronic kidney failure. Parallel to dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO), which is necessary for the formation of red blood cells. Finally, phosphate concentrations show whether treating the patient with dialysis and medication is sufficient for the body to absorb phosphate ingested with food. Healthy

people excrete excess phosphate via the kidney, but a diseased kidney is unable to do this. If the phosphate concentrations in the blood are too high, this can lead to bone diseases, parathyroid gland damage, and vascular calcification, among other conditions. The number of days patients spend in hospital for reasons other than dialysis is also an important indicator for us; days spent in hospital significantly reduce the quality of life for dialysis patients and are also very expensive.

In addition, we monitor the number of patients dialyzed with a catheter —— *see glossary on page 161* as their vascular access, and attempt to further reduce this number through several measures. This is because catheters are associated with serious infections and more days spent in hospital. In the U.S., for example, such efforts resulted in a reduction of patients using catheters of 21% in 2011 compared with 25% in 2010.

Further information on quality data can be found in table 2.5.2.

Quality management systems

As at our production sites, we have installed quality management systems at our dialysis centers, which are regularly checked by third-party certification bodies. In Europe, for example, this is done by the German technical inspection association TÜV. These conformance and certification experts inspect our clinics in yearly audits to ensure that they conform to ISO 9001 as well as the criteria of the TÜV standard "Good Dialysis Practice". In the U.S., our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a Federal health agency. We also check our quality management systems on a regular basis using internal audits, carried out by employees who we train specifically for this task.

Quality surveys and projects

We regularly carry out patient surveys to find out where we can make further improvements and where to expand our services. In the year under review, we surveyed patients in twelve countries in the EMEALA region either in person or by telephone. We carried out these surveys in conjunction with an independent partner as a fixed part of the NephroCare program. To enable us to interview all patients in a language familiar to them, the questionnaire was translated into 26 languages. 65% of the patients contacted, some 28,000 in total, completed the questionnaire. 95% of these patients would recommend their Fresenius Medical Care dialysis clinic to friends or relatives if they needed dialysis. The majority of patients assessed our services as good or very good and have a very high opinion of our staff who look after them. They describe them as being caring and very competent and confirm that they devote sufficient time to them.

Areas where we need to improve, according to the survey, are waiting times before treatment, for example, which some patients feel are too long; some patients would also like more information about what they should do in an emergency, such as a fire either in the clinic or at home.

QUALITY DATA

Table 2.5.2

Data for the last respective quarter, in %

	U.S.		Europe/ Middle East/Africa		Asia-Pacific	
	2011	2010	**2011**	2010	**2011**	2010
Kt/V > 1.2	97	97	95	95	97	97
Hemoglobin = 10–12 g/dl	78	71	57	53	61	62
Hemoglobin < 10 g/dl	8	7	13	11	23	22
Calcium 8.4–10.2 mg/dl	81	81	78	79	77	75
Albumin ≥ 3.5 g/dl[1]	85	84	87	88	88	90
Patients without catheter	79	76	82	81	93	97
Phosphate ≤ 5.5 mg/dl	64	63	76	77	72	72
Days in hospital per patient	9.8	9.9	9.2	9.7	5.2	5.4

[1] *International standard BCR CRM470.*

In spite of these good results, we need to continue to focus our attention on providing excellent service for our patients. We want to refine the survey further in the current year to obtain more detailed information from our patients about their needs. All patients will receive feedback on the results of the survey at their own clinics.

In contrast to the North American market, our dialysis services business in the International segment is shaped by highly diverse and complex health care and reimbursement systems; we also plan to capture new markets in this segment. In some regions, there is no care infrastructure in place at all for dialysis patients when we enter the market. In such cases, we are the first to invest in a sustainable care system in setting up our dialysis clinics. When we acquire dialysis centers, on the other hand, these do not always meet our quality and management standards. As these are crucial for our patients' quality of life, our employees' satisfaction and our economic success and because, at the same time, we have to conduct our business under very heterogeneous conditions and are still growing, we launched the NephroCare Excellence program in the EMEALA region. This brings together in one comprehensive program all of our quality guidelines for planning daily clinic routines as well as successful quality and efficiency projects from different countries, making it the backbone of our quality management system.

The NephroCare Excellence program is designed to support the individual countries in introducing NephroCare's quality standards and tools to all clinics efficiently, systematically and within a defined time frame. Our goal here is to harmonize the routines in our network of clinics, to make sure that clinic employees identify with the values of NephroCare, and to foster awareness of this still young brand among our target groups both within and outside of the Company. In doing this, we intend to continue improving the quality of our services as a whole.

The NephroCare Excellence program consists of several steps. Fulfilling the requirements at the individual stages places different demands on the clinics. In the first steps of the program, the clinics are required to introduce and implement the fundamental NephroCare quality standards within a set period. This entails, for example, accurately measuring the treatment quality using our clinical database, adhering to our guidelines regarding patient care and the production of ultrapure water for treatment, and introducing Fresenius Medical Care's compliance program. The later steps are concerned with further improving quality. One example is the communication with patients. One of the requirements in this area is that patients in our clinics have access to informational material, such as our patient magazine, and to certain advisory services provided by our employees. The next NephroCare Excellence level requires the clinic to introduce tools related to empowering patients, i.e. to boosting their self-confidence and enabling them to actively contribute towards improving their quality of life. Examples of this are our patient survey and special training programs to instruct the patients in preparing healthy meals, taking care of their vascular access or keeping themselves physically fit. The classification of the individual countries and their clinics within the scope of the program, the goals to be achieved and the timetable to accomplish them are determined and regularly checked by local clinic management together with a central NephroCare Excellence project team.

Having implemented the first projects within the program in countries in the EMEALA region in 2010, we focused our efforts on further enforcing and developing the program and integrating additional elements in 2011. In the past year, we successfully introduced NephroCare quality standards and tools in further clinics thanks to binding implementation plans; among others, the implementation objectives under NephroCare are now fully integrated into the local business development targets for all

subsidiaries. We updated the content of the initiatives, for example, by adapting our courses and training program to ongoing advances in medical science. In addition, our local clinic networks developed new excellence standards in conjunction with central expert teams in 2011, for example in the care of our patients, and have already tested them in various clinics; they can now be put into practice throughout the NephroCare network.

For Fresenius Medical Care North America, 2011 was also marked by the foundation of a "Patient Safety Organization" (PSO). The aim of PSOs is generally to improve patient safety and the quality of the healthcare system and so reduce errors or occurrences that can endanger the lives of patients. For this purpose, PSOs create a framework so that doctors and other healthcare practitioners can supply information to it about such events freely and in confidence. The PSO makes this data available to healthcare providers according to fixed rules to enable them to recognize and minimize the risks in patient care.

At Fresenius Medical Care North America, around 100 members of staff in key functions are involved in the PSO. Mistakes can occur even in our well balanced system of continuous quality improvements, qualified and committed staff and structured clinic procedures – but they can be eliminated if the relevant communication channels are available. All employees in our more than 1,800 clinics in the U.S. therefore report critical incidents to an internal PSO analysis system. Our PSO then carries out a cause analysis on the basis of the aggregated data. We adapt any procedures that are prone to error and train both our staff and patients to improve these procedures. In this way, we want to guarantee that dialysis treatments in our clinics are as safe as possible.

In March, the PSO was officially certified by the U.S. Agency for Healthcare Research and Quality under the direction of the U.S. secretary of health; this is the first certification of its kind for a dialysis company.

SERVICE FOR PATIENTS AND PARTNERS

For Fresenius Medical Care, a holistic quality concept means providing the best possible patient care, even beyond dialysis products and services. We therefore supplement our core offering as a dialysis company with advice for patients and health care partners as well as other services.

Patient advice and education

The better informed kidney patients are about their illness and how they themselves can make a difference, the better the treatment results are likely to be. This is why Fresenius Medical Care places great value on providing dialysis patients with intensive medical advice and education. One example is "Thrive! with UltraCare". In this series of informational videos and audio plays, dialysis patients at Fresenius Medical Care clinics discuss subjects which many patients find difficult, but which can have a significant influence on the success of their treatment: Why it is crucial to attend all treatment sessions, for example, the importance of healthy nutrition, regular exercise, and limited fluid intake, and how to deal with depression. This is quite often an issue for patients due to the restrictions imposed by kidney disease. Our patients in the U.S. can watch or listen to the Thrive! materials either in the clinic or at home with their families. The program also comprises training modules to help our clinic employees empathize more strongly with patients. In this way, they can respond even more effectively to patients'

needs and motivate them to adhere to their treatment plan in a more disciplined manner.

Our Treatment Options Program (TOPs) is geared to patients in the pre-stages of chronic kidney failure. In the U.S., we have been offering this free of charge in both English and Spanish since 2006 to educate patients and their families about the various treatment options for chronic kidney failure, from hemodialysis at the clinic and peritoneal dialysis therapy at home to kidney transplants. We also explain to patients how important it is for the quality of their treatment to have an adequate vascular access prepared as soon as possible before starting dialysis as this minimizes the risk of infection and ensures good blood flow during treatment. It has been proven that access in the form of an arteriovenous fistula —— *see glossary on page 160* significantly reduces the risk of complications and additional days spent in hospital compared with a hemodialysis catheter. Between September 2006 and November 2011, we trained more than 63,000 patients using TOPs; approximately 90% of patients surveyed stated that they found the program useful in helping them make their choices. In the International segment, we use the Kidney Options program in much the same way as TOPs to give patients initial information about the course of chronic kidney failure and the possible therapy options. This educational series is now available in 28 languages and used in more than 40 countries.

Once patients finally begin dialysis, they often have difficulties coping with it at first as it changes their daily routine drastically: They need to schedule several hours for treatment a few times a week, and the range of food they are allowed to eat is restricted. They are required to take numerous drugs every day while greatly reducing their fluid intake. Many patients find it difficult to muster the necessary discipline for this treatment plan, especially when they know little about their illness. To provide these patients with even more intensive care outside their clinic visits during this difficult initial phase, Fresenius Medical Care offers the RightStart program in North America. During the first months of treatment, each new dialysis patient receives a weekly visit or phone call from a dialysis employee specialized in case management —— *see glossary on page 161*. This case manager provides them with comprehensive information on the course of the illness and treatment, the importance of a high-quality vascular access, a healthy diet, and specific treatment needs if the patient also suffers from diabetes (additional examinations and glucose testing). He or she answers patients' questions and works closely with the dialysis clinic team so that treatment can be tailored as closely as possible to the patient's needs. RightStart helps the clinic teams improve the quality of patients' life during the critical initial phase of therapy, while boosting their confidence. This is crucial, as they can contribute greatly to the success of their treatment if they take initiative, use sound information and make the right decisions about their health. Further information can be found in our magazine —— *starting on page 14*.

Advice for healthcare partners

In the complex and comparatively new medical discipline of dialysis, training doctors and nursing staff on an ongoing basis is just as important as providing advice to patients. The Advanced Renal Education Program (AREP) is our U.S. internet-based training program that deals with the treatment and care of dialysis patients. It offers full and half-day seminars for nephrologists as well as e-learning courses for doctors and nursing staff, for example. To an increasing extent, we also provide trainings

on quality issues in dialysis for physicians in Asia, Africa and the Middle East. In these regions, treatment standards are often still being developed and demand for professional advice is accordingly high. Fresenius Medical Care also organizes conferences, lectures, and workshops around the world in conjunction with international nephrology experts.

Other services

In addition to advice, education and training programs, we offer a number of other services. One example is the mail order pharmacy Fresenius Rx that we operate in the U.S. Dialysis patients generally have to take a variety of different drugs every day. Since people with chronic kidney failure also frequently suffer from concomitant illnesses such as diabetes or cardiovascular diseases, they are often given prescriptions from different doctors. Fresenius Rx specializes in the needs of kidney patients, and assists them as well as doctors and clinics.

▸ A team of pharmacists checks all of a patient's prescriptions for any possible interactions, and combines them into a single list that is regularly sent to the patient's dialysis clinic and attending physicians. This helps to ensure a transparent process and safe treatment.

▸ We ship the drugs to patients free of charge; they are notified when a new batch is sent. If a prescription for a particular medication needs to be renewed soon, we also inform the doctor. This allows us to identify any irregularities in the patient's medication intake and to make their treatment more successful.

▸ A team of specialists is available 24/7 to answer any queries from patients or doctors.

Dialysis services in emergency situations

In the event of extreme weather conditions or natural disasters, such as severe storms or floods, Fresenius Medical Care's professional emergency response teams are called into action in North America. To enable patients to continue receiving their life-sustaining dialysis treatment during emergencies such as hurricanes, the teams coordinate emergency shelters, organize generators, distribute food and fuel, and allocate additional staff. Fresenius Medical Care North America's incident command center is in constant contact with the U.S.-wide Kidney Community Emergency Response Coalition (KCER). This is a network of different organizations and institutions, such as patient and professional nephrology associations, dialysis providers, hospitals, and authorities such as the Food and Drug Administration (FDA) and the Centers for Medicare and Medicaid Services (CMS). By working with KCER, we can closely coordinate our crisis management as needed with the activities of government emergency organizations, such as the Federal Emergency Management Agency (FEMA), a U.S. national coordination office for disaster relief, and the United States Department of Homeland Security, which FEMA reports to.

We have also established a crisis management organization in the EMEALA and Asia-Pacific regions in recent years. The aim of this is to protect patients and employees in emergency situations, such as natural disasters or pandemics, and to provide the best possible care even under the most difficult conditions while maintaining the Company's business operations. In the past year, our activities were focused on two geographical areas: Japan and Australia/New Zealand.

In Japan a serious earthquake shook Tōhoku province on the east coast of the country in March 2011 and a tsunami destroyed vast areas of the coastal region. Fresenius Medical Care Asia-Pacific was able to fall back on a crisis management system that had been established in 2006 at the time of the bird flu pandemic. A crisis task force was set up immediately comprising selected management staff from the region and local Japanese employees. Operating from Tokyo, it coordinated all activities in the region and supported the team on-site in ensuring the safety of the workforce and maintaining the Company's business operations. In addition, it kept in contact with the local authorities and medical and industry associations to coordinate the distribution of the most important products, support relief operations and monitor steps to protect the population. A working group was also responsible for ensuring the supply of raw materials to our plants. After the events in Fukushima, we introduced a monitoring system at our production plants in Buzen and in Inukai on the island of Kyushu in the south of the country to detect radioactive contamination immediately in an emergency; fortunately, however, there was no significant increase in radiation levels at either of the two plants. For information on how our patients were looked after in this crisis region and donations by Fresenius Medical see the section "Donations and emergency aid" —— *on page 105*.

The Asia-Pacific crisis management team was also active in Australia and New Zealand in January and February 2011. Its job there was to support the local team following the catastrophic floods and the cyclone in northern Australia as well as the earthquake in the region around Christchurch in New Zealand. The three disasters occurred within a few weeks of each other and overlapped to some extent, presenting the local disaster management authorities with particular challenges. Right at the beginning of the year, three-quarters of the 730,000 square kilometers of the Australian state of Queensland, an area larger than Spain, was inundated by a flood that almost completely destroyed the infrastructure in the region. Only three weeks later, a tropical cyclone struck Queensland and the Northern Territory. Then at the end of February, New Zealand was shaken by an earthquake and the entire region around Christchurch declared a crisis zone. Fresenius Medical Care and NephroCare worked together in all three regions. NephroCare clinics stocked up on supplies; some nurses even went to collect dialysis products in their own cars. Warehouses also had to be cleared and the products stored elsewhere for the time being and checked for quality again later on. Again and again, the supply chain on the water and in the air threatened to break down. Some patients were put up in hospitals after their houses were flooded and 80 patients from the affected areas were flown from their homes and taken for treatment in other NephroCare clinics. NephroCare also took care of these patients in what was for them an unfamiliar environment and a very difficult time of uncertainty: While they themselves were safe they did not know what condition their homes were in and when they would be able to return.

In the current year, the crisis management team in Asia-Pacific will further improve its infrastructure and procedures to be even better prepared for any new emergencies.

EMPLOYEES

Chapter 2.6

Fresenius Medical Care owes its business success and its leading position in the dialysis market to the commitment of its employees. We offer a rewarding working environment and good long-term prospects for professional growth. By recruiting new talent and supporting their targeted development in our growing international Company, we are also investing in our own future.

EMPLOYEE DEVELOPMENT WORLDWIDE

At the end of 2011, 79,159 employees (full-time equivalents) worked for Fresenius Medical Care. Our workforce therefore grew yet again, by more than 5,700 or 8% compared to the previous year. This rise was due to the continued organic growth as well as to acquisitions in all regions, especially in the area of dialysis services. In the year under review, acquisitions accounted for 3.2% of our worldwide growth in employee numbers. As in previous years, no staff were laid off due to factory closures or similar measures so that the positive trend continued: In the past ten years, the number of employees has risen by an average of more than 8% annually.

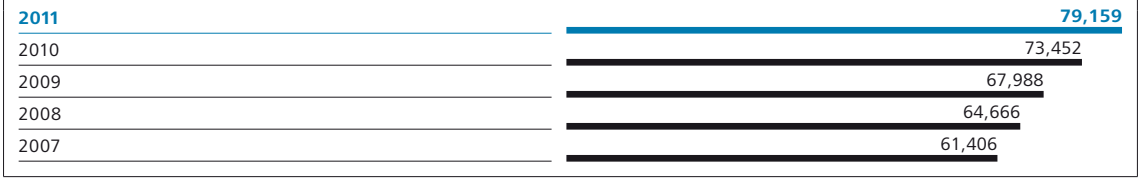
Our staff count grew fastest in the EMEA (Europe, Middle East, Africa) region last year in percentage terms with an 18% rise, followed by Latin America with a 13% increase. In the year under review, our organic growth in these regions was supported by acquisitions, primarily to expand our clinic network; in EMEA, special mention should be made of the acquisition of the dialysis services business of Eurodemic International. In all other regions, the number of clinics and thus the workforce also rose again.

At the end of the year under review, Fresenius Medical Care employed approximately 4,200 people (full-time equivalents in Germany 2010: 3,600), accounting for around 5.0% of the total workforce and underlining our high degree of internationalization. The average age of our employees in Germany was 40.9 years, somewhat below the figure for the previous year (41.8 years). The average length of employment in the Company decreased from 11.1 years in 2010 to 11.0 in 2011. The staff turnover rate was once again low at 3.2% (2010: 2.8%).

NUMBER OF EMPLOYEES

Chart 2.6.1

Full-time equivalents



EMPLOYEES BY REGION

Table 2.6.2

Full-time equivalents

	2011	*2010*	*Change*
North America	45,577	44,129	3.3 %
Europe/Middle East/Africa	20,399	17,231	18.4 %
Latin America	7,873	6,951	13.3 %
Asia-Pacific	5,310	5,141	3.3 %
▸ **TOTAL**	**79,159**	**73,452**	**7.8 %**

2.6
Employees

HUMAN RESOURCES MARKETING AND RECRUITMENT

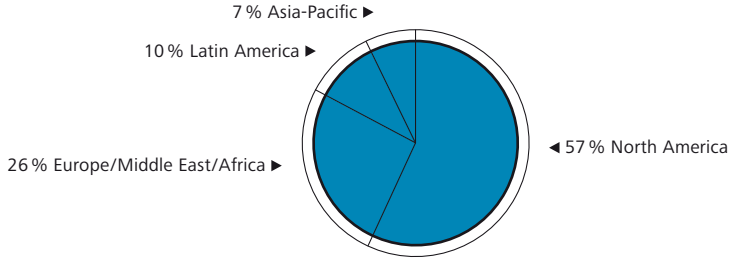
Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the Company: We offer internships, research, project and graduate programs, and work closely with higher education institutions to enable talented young people to get to know us as an attractive employer early on. One example is the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). As this college offers students an excellent education in the fields of business engineering, plastics technology, mechanical engineering, engineering IT and especially electrical engineering with a focus on medical and automation technology, many of its students and graduates are attractive potential employees for Fresenius Medical Care and especially for our Schweinfurt plant, where we develop and manufacture dialysis machines. In 2009, the production site signed a cooperation agreement with FHWS including scholarships, student excursions to the plant, as well as lectures and semester-long projects within various divisions of our Company. To secure and retain young talent at an early stage, we also offer a work-study course in electrical engineering together with FHWS. As part of this course, highly motivated and talented students are given the opportunity to work for several months in internships at the Schweinfurt facility as well as at Fresenius Medical Care's other international locations. The students also write their thesis at the Schweinfurt plant, after which they are offered permanent employment in the Company whenever possible.

Our trainee program and Graduate Development Program also offer interesting opportunities for students looking to gain a foothold in the Company: During an 18-month trainee program, graduates can gain practical experience in internships lasting several months in various areas of the Company – like the controlling department – generally including one area abroad. The Graduate Development Program prepares young professionals over a period of up to twelve months for a career in a specific function in the Company. Besides an intensive on-the-job training, the participants have the chance to build up "their" own network, take more and more responsibility, and decision-making competences. Both programs include participation in seminars and workshops with a focus on enhancing students' social and communication skills, practical trainings in important interface departments and temporary employments abroad.

We also get the opportunity to meet young researchers through measures other than classic recruitment activities by cooperating with international institutions of higher learning in the area of research and development or by supporting young scientists, for example in the area of promotion.

In addition, in the year under review we also redesigned our career section of our website to make it more attractive. Starting in April 2012, applicants will be able to view current vacancies and obtain detailed information about the Company on our career portal. In 2011, as many as 266 job vacancies in Germany were posted on the career portal and

EMPLOYEES BY REGION
Chart 2.6.3



we received around 4,500 online applications. In the U.S., we announced around 7,000 job vacancies and received some 221,000 applications.

To support new employees in our Company, we organize quartely introduction seminars in our headquaters in Bad Homburg, Germany, presenting various departments. In 2011, 93 employees took part in these events.

PERSONNEL DEVELOPMENT

It is of special concern to us that our employees are able to apply their individual skills in our Company to the best possible extent and continue to develop them on their career path as a specialist, manager or project leader. Life-long learning, continuous feedback on performance and work quality, and professional challenges in line with employees' abilities, including the opportunity to work abroad, are the key elements of our personnel development program. Our human resources management team supports senior managers in implementing these tools on a Company-wide basis with advice and comprehensive training.

Tailored employee training and support

In collaboration with the Danube University Krems in Austria, with which we also cooperate on research projects (see also the chapter "Research and development" —— *starting on page 70*), we offer a part-time MBA program for qualified employees who have not had any formal business training. This enables us to prepare scientists and physicians in particular for management positions. We support our research and development employees with a seminar program covering a wide range of subjects, from project management to legal, scientific and technical issues.

As one of the largest employers of medical personnel worldwide, we place great value on providing our specialist dialysis staff with training and further educational development opportunities. One example is the UltraCare Clinical Advancement Program (UCAP), a staff development program introduced in the U.S. in 2008. In the past years, based on the results of regular discussions with participants in the program, we have extended the program to include further clinics and continued to develop it. Over 300 dialysis nurses have already accomplished this program with success. The UCAP consists of five

EMPLOYEES BY SEGMENTS

Table 2.6.4

	2011	2010	2009
North America			
Dialysis services	37,584	36,488	35,188
Dialysis products	7,904	7,557	6,916
▸ **TOTAL**	**45,488**	**44,045**	**42,104**
International			
Dialysis services	22,787	19,647	16,413
Dialysis products	10,697	9,584	9,312
▸ **TOTAL**	**33,484**	**29,231**	**25,725**
Corporate	187	176	159
▸ **WORLDWIDE**	**79,159**	**73,452**	**67,988**

training stages and is aimed at new and experienced employees in our clinics, as well as in the areas of home dialysis and acute dialysis. The program helps dialysis nurses and care staff to develop and expand their knowledge and leadership skills, and aims to retain them in the Company by preparing them for the next step in their career, such as clinic manager, clinical educator providing health training for patients, or mentor to clinic staff. The training program also covers subjects such as clinic practice and treatment quality, both core elements of our comprehensive UltraCare therapy concept (for further information see the section "Our dialysis services business" —— *starting on page 84*). It was designed to contribute to raising the quality of our dialysis services. In 2012, we will roll out UCAP to other clinics in the U.S., with the ultimate aim of offering it to all our dialysis specialists in North America.

To support clinic managers on site and encourage them to set an example to other employees, we supplement standard training courses with programs like Mentor Connection in the U.S., in which experienced clinic managers offer advice to their new colleagues. We also recognize clinic managers who are particularly committed to their patients and employees and achieve excellent treatment results in their dialysis centers.

Fresenius Medical Care's top management participates in the Fresenius Advanced Management Program. This is the Company's own program for developing senior-level management; it was relaunched in 2011. We were able to enlist Harvard Business School as our partner in this project.

New forms of learning

A medium that is becoming ever more important in personnel development at Fresenius Medical Care across all functional areas is e-learning – digital training courses via the internet and intranet. At the end of 2011, over 20,000 employees had signed up to the Online Learning Center in the EMEALA region (Europe, Middle East, Africa, Latin America). In the past year, we also introduced an e-learning-portal in the U.S., the Learning Management System. This is currently being used for compulsory compliance training for all employees and will be developed into a learning tool covering a wide variety of subjects in the next few years. Fresenius Medical Care intends to integrate e-learning into personnel development to a greater extent in the form of "blended learning". By linking e-learning with direct communication in classrooms and hands-on learning at the workplace, we can efficiently prepare employees for the increasing complexity of our fast-growing international Company, while at the same time catering to their individual requirements in terms of learning speed, flexibility and mobility.

Vocational training for young people

In Germany, we are also investing in the Company's future by offering vocational training for young people. Fresenius Medical Care has a very international orientation, with relatively few employees in Germany —— *see page 92*. However, as we train in association with the Fresenius Group, we can offer young men and women a wide range of perspectives in a variety of trades, from electronics technicians for devices and systems, IT specialists and biological and chemical laboratory technicians to industrial business management assistants and industrial mechanics. From 2012, we will also be offering additional training opportunities for systems IT specialists, product designers and warehouse logistics specialists.

In the year under review, we provided more than 1,900 apprentices with vocational training jointly with the Fresenius Group (not including its business segment Helios Clinics, for which training is coordinated separately). This increases the number of training positions in all training facilities in Germany again by more than 5 %.

In addition, in 2011, more than 40 students were enrolled in work-study courses such as business information technology and international business administration that we offer in cooperation with the Fresenius Group and several universities. We will continue to expand the choice of work-study courses to react on the internal demand. Against the background of the demographic development we offer more vocational training by recruiting even more high-school graduates in Germany, which will double in the next two to three years due to school reforms. In 2011, we offered a new work-study course in healthcare management for the first time. It combines international business administration with science and health policy content, offering modules that cover social and health insurance systems, for instance, thereby preparing graduates for a career in the healthcare industry in an ideal way. In summer 2012, we will be offering training positions in a work-study course on accounting and controlling for the first time to encourage junior staff to work in the fields of consolidation or accounting. This course will convey practical knowledge of accounting standards and national and international tax law for companies.

In addition, we organize initiatives such as the annual management simulation game, in which apprentices from all specialist areas, age groups and locations get to step into the role of an entrepreneur. This teaches young people social skills that will be crucial in their professional lives, such as teamwork and a sense of responsibility, in addition to their vocational training. Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the year under review, garnering local Chamber of Commerce and state awards. In previous years, we have been able to take on all apprentices and work-study trainees who completed their courses with good grades. We also succeeded in retaining all graduates of work-study courses in our Company: Even three years after completing their studies they were still working for the Fresenius Group, around half of them at Fresenius Medical Care.

Through our involvement in and with schools, we are continuing our endeavors to get young people interested in starting a career with Fresenius Medical Care. To this end, we organize information days, visits to the plants, practical experience and job application training courses. For example, at our initiative, a so-called "Training Night" was held in September 2011 for the first time: 13 companies offering apprenticeships took part in this event in Bad Homburg, where our Group headquarters are located. Students and parents were able to find information about vocational training and work-study courses as well as career prospects at our Company. With over 700 visitors, the "Training Night" was a great success. As a result, we would be pleased to take part in a second such event.

Our vocational training management efforts achieve very good results and show – last but not least by the increasing amount of applications with high quality – that we are an attractive employer for graduates, trainees and students.

Diversity

The qualification and not gender or other personality traits will still be essential for Fresenius Medical Care's employee selection. Therefore, we do not intend to introduce fixed quotas. Even without fixed quotas, Fresenius Medical Care achieves a very high propation of women in the upper management (approximately 30%).

2.6
Employees

PROFIT SHARING

We help our employees to identify with Fresenius Medical Care by giving them a stake in our Company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group. In 2011, each eligible employee received €2,000 for the preceding financial year. Two-thirds of the amount were paid to employees in the form of stocks, while employees had the choice of taking the remaining third in cash or using it to buy more shares.

LONG TERM INCENTIVE PROGRAM

Our stock option plans allow our senior managers to participate in the Company's economic success and the development of the Fresenius Medical Care share price. In 2011, a new long term program, a combination of stock options and phantom stock plan, was introduced, in which options linked directly to the success of the Company are issued. Over a period of five years, senior managers will receive a total of up to 12 M options for ordinary bearer shares or phantom stocks. They can exercise these after a period of four years on condition that the adjusted earnings per share have increased by at least 8% in each year over the four-year period. If this hurdle is only cleared in one or two years, the options are reduced accordingly. If earnings per share fall short of the mark completely, the options are canceled. Some 680 senior managers worldwide participated in this program in 2011. Further information on the stock option plan and the phantom stock plan can be found in the financial report —— *starting on page 250*.

COMPENSATION TIME ACCOUNTS

To supplement our other working time models, we introduced compensation time accounts in Germany in 2010. In addition to a salary component in line with collective pay agreements, employees can "pay" value equivalents such as vacation days or compensation components into these personal time accounts and use them later for their professional development, to look after close relatives at home, or to ensure a flexible transition to retirement. The aim of this program is to offer employees attractive long-term prospects within the Company and thus benefit from their experience for as long as possible.

OTHER PROGRAMS FOR EMPLOYEES

At our locations, we offer various programs and initiatives to encourage our employees to come to work fit, healthy, and motivated. These include flexible working hours and part-time work models to help employees combine their family and professional lives, company sports programs, events and information on health, as well as confidential counseling and other support services for employees with personal concerns. In the U.S. we provide these jointly with an external partner. Open house days at our plants and clinics, employee celebrations and joint projects such as charity campaigns help our employees to identify with the Company and its values.

PROFIT SHARING[1]
Table 2.6.5

	2011	*2010*	*2009*	*2008*	*2007*
Value *in €*	2,000	1,749	1,586	1,527	1,444
Number of eligible employees	3,068	2,918	2,765	2,581	2,483

[1] *Annual bonuses are paid retroactively based on the consolidated EBIT of the Fresenius Group for the previous year.*

RESPONSIBILITY

Chapter 2.7

As a vertically integrated dialysis company, we not only manufacture products related to dialysis and develop treatment procedures; we also use our products and procedures every day in our own clinics. As a result, our understanding of responsibility begins with our business model: By interacting directly with our patients, employees and doctors throughout our global clinic network, we are able to keep the needs of our most important stakeholders in mind and continuously improve our services. We also work with healthcare partners, international experts, and industry and patient associations to improve the quality of life for renal patients above and beyond our core products and services. By steadily expanding environmental management at our facilities and clinics, we can reduce the impact our business has on the environment while securing our financial success in the future. The concepts we associate with responsibility are also embedded in Fresenius Medical Care's corporate values: quality, honesty and integrity, innovation and progress, as well as respect and dignity.

RESPONSIBILITY TO THE ENVIRONMENT

Environmental management is a key factor of our business success. It enables us to implement increasingly stringent environmental requirements and design our operational processes to use resources as efficiently as possible, thus saving on costs. It also increasingly supports our business divisions in creating added value for our customers with eco-friendly products and services. And last but not least, it ensures that we as a company take our responsibility to the environment seriously.

Environmental management in our regions

Our EMEA (Europe, Middle East and Africa), North America, Asia-Pacific and Latin America regions step up their environment-related activities from year to year. The responsible environmental managers develop short and long-term local strategies, partly in cooperation with external consultants, to boost environmental protection in our production sites and clinics and promote environmental awareness among our employees. They also coordinate environmental audits carried out by external government agencies and institutions as well as our own inspectors at our production sites and clinics.

The EMEA region

Environmental management is a component of our Integrated Management System in the EMEA region. The German technical inspection association TÜV regularly controls the implementation of the ISO 14001 environmental management standard at our Company headquarters, in our certified plants and at national clinic organizations in Europe. At the end of 2011, our seven largest European production sites (2010: seven) and our medical device development department were certified according to ISO 14001. In addition, we have now introduced the environmental management system at 294 of our European dialysis clinics (2010: 259 clinics).

Moreover, we implemented a comprehensive environmental program for our European locations for the first time between 2007 and the end of 2010. Our environment managers worked on numerous projects with colleagues in research and development, production, clinic management, logistics and sales to develop more eco-friendly products, conserve resources such as energy and water in our production plants and dialysis clinics, avoid waste, and comply with new environmental protection laws such as REACH (registration, evaluation, authorization of chemicals), the EU regulation on chemical substances, by the stipulated deadline.

One of the projects in our first environmental program was an energy efficiency initiative at our largest European production sites. Thanks to this project, we now save more than €1.5 M in energy costs annually. Another project involved the development and introduction of the clinic software e-con5, which we have been using in our European dialysis centers since 2008 to gather data on our eco efficiency, such as our water and energy consumption, and on waste disposal. 405 of our European clinics now use e-con5 (2010: 313), and we are continuing to roll out the software to gradually build up a comprehensive

environmental data management system throughout Europe. Thanks to e-con5, our country organizations are now able to compare the ecological efficiency of their clinics on a monthly basis, quickly identify potential for improvement and take this into account when planning new investments.

In 2011, we developed and introduced a second environmental program which has been extended to include the Latin America region for the first time in addition to Europe. Management has defined five strategic environmental objectives for the Company as a framework for the program. Within the EMEALA region, Fresenius Medical Care aims to:

- improve environmental awareness and environmentally responsible behavior,
- enhance knowledge relating to strategic and operational environmental issues,
- improve the Company's eco-efficiency,
- introduce and reinforce measures to control environmental risks, and
- ensure that environmental regulations are complied with.

Our environmental managers in cooperation with the respective business divisions have corroborated these five strategic goals with a number of environmental objectives for the individual stages of the value chain, for example R&D, production sites, logistics or our dialysis clinics. This new environmental program provides us with a solid framework for Fresenius Medical Care's environmental activities throughout the EMEALA region. We will review it on a regular basis and adapt it as required.

In addition, in 2011 we started merging the existing local occupational safety systems for our dialysis clinics in the EMEA region into one centralized occupational safety management system and incorporating it into our Integrated Management System in Europe.

We also continued our environmental initiatives with external partners, such as the "Go Green in Dialysis" project that we started jointly with the European Dialysis and Transplant Nurses Association/European Renal Care Association (EDTNA/ERCA) in 2009. In September 2011, our environmental guidelines for dialysis specialists were published, developed as part of the "Go Green in Dialysis" project and designed to support clinic employees in organizing the processes in the workplace in a more environmentally friendly manner. The official presentation of the guidelines at the EDTNA/ERCA annual conference met with great interest among conference participants. During the year under review, we also developed technical architectural guidelines together with Anhalt University of Applied Sciences in Dessau for the sustainable construction of dialysis clinics. Further information on this can be found —— *on page 102* and in our magazine —— *starting on page 32*.

North America region

For our product business in the U.S., we have established a formal certified environmental health and safety audit program at our production sites to review all of our manufacturing and laboratory operations on an annual basis. The audits monitor compliance with regulations from the U.S. Occupational Safety & Health Administration, the Environmental Protection Agency and the Department of Transportation, as well as state and local statutes. At the end of August 2011, Fresenius Medical Care North America received the "Safety in Excellence Award" for the twelfth time from the U.S. casualty and property insurer CNA. At the award ceremony in Chicago, CNA underlined Fresenius Medical Care's pioneering role on a national level and the Company's commitment to the health of its employees, safety, the prevention of accidents and risk control. It also lauded the fact that in the past ten years, absences due to work-related accidents have fallen significantly by 38% at Fresenius Medical Care.

Environmental management in the clinics is inspected both internally and by federal agencies. One criterion is compliance with regulations for the disposal of medical waste. We have also begun to examine whether our clinics and production sites fulfill the criteria for certification according to the ISO 14001 environmental standard.

As in the other regions, both Company environmental management staff and external partners support our U.S. plants and clinics in making their procedures more environmentally friendly, for example through recycling programs. For some years now, we have been running a program to reuse medical waste containers in our clinics together with a specialist waste disposal partner. At the Ogden site, our largest production facility in the U.S., we recycle materials from different areas of the plant, including different types of plastics and cardboard. At our Walnut Creek plant, we are working with a recycling company specialized in separating and recycling medical and electronic devices. As a result, we reprocess approximately 5% of all components from old dialysis machines for use as spare parts.

Since the end of 2010, we have been working with an external service company in the U.S. that records and documents energy and water consumption in all our dialysis clinics. This enables us to collect data on the consumption of resources in our dialysis centers according to uniform criteria so we can better identify opportunities to improve our energy efficiency further in the future. The company also checks and settles the energy and water bills on our behalf. In the course of 2011, we expanded the scope of its services: It now also compiles analysis reports for an internal distribution list on subjects such as greenhouse gas emissions and our carbon footprint.

Internal regulations ensure that the equipment, fixtures and furnishings in our clinic buildings and interiors in the U.S. are as environmentally compatible as possible. In accordance with these, we use energy-efficient lighting and air-conditioning systems, as well as eco-friendly flooring and wall paint. In addition, the insulation of all roofs, walls, doors and windows meets or surpasses industry standards. When purchasing water treatment systems for dialysis, we also take increasing care to ensure that these use resources and energy efficiently. In 2011, the first clinic in the U.S. with Fresenius Medical Care equipment received environmental certification in accordance with the U.S. LEED standard. LEED stands for "Leadership in Energy and Environmental Design" and establishes regulations for resource conservation and sustainability in construction. An employee at our department for real estate and construction services also received accreditation as an LEED expert last year. In this role, she will push for certification of further clinics together with the respective landlords. In future, she will work in general with the landlords of other facilities to establish eco-friendly building standards. In 2012, two additional clinics should be certified according to the LEED standard, and another four the year after.

Asia-Pacific and Latin America regions

In the Asia-Pacific region, local government agencies regularly carry out inspections of our wastewater systems and energy consumption, among others. In addition, a team from Fresenius Medical Care conducts annual audits to examine the extent to which production, logistics, laboratories and administration comply with Company regulations for resource efficiency and environmental protection, and identifies areas for improvement. To this end, the auditors also utilize data on electricity, gas and water consumption as well as waste disposal, which we collect on an ongoing basis in our production plants. We implemented several energy efficiency projects at our Jiangsu location in China in 2010 and 2011 as a result of an internal audit. For example, we now use the air from one of our production areas that is kept at a constant temperature to provide air-conditioning in the warehouse. Because our products must be stored under controlled temperature conditions, this saves up to 30% of energy for heating or cooling the hall, depending on the season. Since May 2011, waste water from the reverse osmosis plant has been reutilized and further work carried out to improve the site's pipeline system. Furthermore, the plant has separated paper, plastics, and residual waste since March 2011 with the aim of recycling it and cutting costs. At our plant in Buzen in Japan, we achieved a recycling rate of nearly 93% in 2011, thanks to our environmental management. That includes all waste generated in the plant with the exception of wastewater, which is treated separately. It also incorporates thermal energy recovery, i.e. utilizing the heat from garbage incineration by a licensed waste disposal company. We have set ourselves the goal of achieving this high recycling rate again in 2012.

In Australia, a dialysis unit powered by solar electricity – to the best of our knowledge the first in the world – was built with our financial and technical assistance in 2010. A business partner, the head of nephrology at an Australian healthcare provider, constructed the solar energy system on the roof of his dialysis unit with grants from Fresenius Medical Care. He made arrangements with his electricity provider to feed the energy thus generated into the local power grid and offset it against the overall electricity cost. By September 2011, the feed-in tariff paid by the electricity supplier per kilowatt hour generated had more than doubled, shortening the payback period for the project from the original 19 years to seven or ten years, depending on how electricity costs develop. Taking into account the service life of the system of at least 25 to 30 years, this provisionally means free electricity for two decades. The joint project aroused a great deal of interest not only in professional circles, for example at the most important sector conference in the U.S., ASN Renal Week, but was also presented as an example in the "Government Monitor", a publication for the U.S. Congress.

We also made further progress in the area of environmental management in the Latin America region. In Columbia, an environmental management system that meets the ISO 14001 standard has already been established in 60% of our clinics. Energy and water conservation are also the subject of an information campaign. The progress of these activities is reviewed on a regular basis by means of an internal audit. In Argentina, we continuously record water and energy consumption and the disposal of medical waste at all dialysis centers. Using the consumption data obtained, we were able to negotiate successfully with water suppliers and specifically investigate water loss through damaged pipes; we also pushed ahead with water treatment. In a follow-on pilot study, wastewater volumes were measured at two clinics, producing values that were significantly below the upper limit for all our clinics in Argentina. Furthermore, paper and plastics recycling is promoted at our Company headquarters in Argentina. Since August 2010, five kilograms of paper and cardboard have been recycled there every day. In Venezuela, we continued an environmental awareness campaign for our clinic staff on the subjects of waste disposal and energy and water consumption in 2011. We have already taken measures to reduce energy consumption including using more energy-saving light bulbs in the clinics and employing air-conditioning in a more environmentally-conscious manner. The disposal of medical waste has also been improved. In Brazil, we started monitoring water and energy consumption as well as the generation of medical waste at our dialysis centers in October 2011; this information allows us to identify suitable measures for improvement with the aim of introducing monitoring in all clinics by the end of 2012.

Environmentally-friendly products and services

We are increasingly concerned with how Fresenius Medical Care can make its products and processes more environmentally-friendly. The aim is to provide our customers with added value by helping them save on costs or fulfill environmental requirements more easily.

Product manufacturing and development

Our research and development divisions work continuously on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that further reduce the resources used by our dialysis machines, and not least by using energy and raw materials efficiently in production.

At our key production site for dialyzers in St. Wendel in Germany, for example, we reduced the quantity of rinse water used in the manufacture of dialysis membranes —— *see glossary on page 161* by 25% in 2011 by feeding it back into the manufacturing process. A quarter of the rinse water is now reused with only the remaining three-quarters being replaced with fresh water. As a result, we were also able to reduce our energy requirements for treating the contaminated rinse water by 25%, corresponding to annual savings of €150,000. The rinse water is used to clean solvent residues (dimethylacetamide and DMAC) from the freshly woven fibers for the dialysis membranes. The water and solvents are then separated

again in a complex thermal process so that both can be reused in a closed cycle. The less rinse water has to be regenerated, the less thermal energy in the form of steam is required, and thus the greater the energy savings.

At St. Wendel, we also no longer use potting caps in the production of fiber bundles for the FX series dialyzers 1.5 times, but three times. Potting caps are required for potting, i.e. for molding the ends of the fiber bundles. By recycling the caps, we use less plastic and thus save €800,000 every year. We reduced the consumption of plastics in the production of standard (F type) dialyzers, too, by 108 metric tonnes a year. This slashed costs by €260,000 per year.

In addition to conserving natural resources, these processing improvements combined enable us to achieve savings of more than €1 M per year.

We replaced older burner and boilers at the St. Wendel plant with modern, high-efficiency heating units with low levels of harmful emissions back in 2007 and 2008; as a result we were able to reduce nitrogen oxide emissions by around 45%. By installing heat exchangers at various points in the plant, we can recover part of our processing heat and use it to treat water for production, for example.

We also take our responsibility towards residents near our St. Wendel plant seriously and have therefore invested in soundproofing over the past few years. In 2008, we renovated the cooling towers to protect immediate neighbors from noise; in 2010 the thin-film evaporators for recovering DMAC were completely encased with a protective shell. In 2010 and 2011, we also encased units in the DMAC regeneration system, as we can only expand the site, for example by constructing a new high-bay warehouse, if we observe the maximum permitted noise levels.

Initiatives for environmentally-friendly dialysis

In our dialysis service business, we developed an environmental scheme in Europe in 2010 to provide long-term added value for clients, for example health insurers, by using resources more efficiently to save costs. We developed a model for a CO_2-neutral dialysis clinic jointly with the German Energy Agency (dena). According to this model, a clinic can reduce its CO_2 (carbon dioxide) greenhouse gas emissions by as much CO_2 as it produces through energy consumption for dialysis, water treatment and other operations by using eco-friendly power and heat supplies. In the year under review, we developed a manual for the ecological construction and renovation of dialysis clinics in collaboration with Anhalt University of Applied Sciences in Dessau. This provides our architectural staff in the various countries in the EMEA region (Europe, Middle East and Africa) with practical, technical and architectural guidelines on how to implement the findings from the model, taking into account the special requirements of dialysis patients and clinic teams. This can be done, for example, by generating electricity with solar cells on the roof, recovering heat from dialysis wastewater, installing special heat insulation in the building shell and walls, and placing the windows to use daylight as efficiently as possible. In 2012, we are planning the construction of our first pilot clinic following the dena model and our new guidelines. Further information can be found in our magazine —— *starting on page 32*.

RESPONSIBILITY TO OUR STAKEHOLDERS

As a manufacturer and provider of life-sustaining medical products and services, Fresenius Medical Care has a special responsibility towards its stakeholders, especially its patients and business partners. Our conduct towards them as well as our processes in research and development are based on Company and industry standards and legislation. Moreover, we are committed to improving the quality of life of kidney patients – as a service provider in our clinics, as a member of and together with associations, as a neighbor in our surroundings, and as a company in society. In this way, we aim not only to meet our responsibilities, but at the same time strengthen our good reputation in the dialysis market.

Behavior towards patients and business partners

Fresenius Medical Care's code of conduct provides the framework for responsible and correct behavior towards our patients and business partners in accordance with legal statutes; for more details on the code of conduct —— *see page 136*. Among other things, it contains specific rules on conduct for management and employees in our clinics as well as in sales and marketing. These regulations cover matters such as the correct billing of products and services, fair competitive behavior, and treating patients with respect and integrity. Our marketing and sales employees receive specific compliance training tailored to their field of activity. In our work with our health partners in the U.S., we also apply the codes of conduct of the U.S. industry associations PhRMA for pharmaceutical companies and AdvaMed for manufacturers of medical technology products.

Processes in research and development

Whenever Fresenius Medical Care wants to launch a new medical device or pharmaceutical product, the Company has a legal responsibility to provide evidence for and extensively document its effectiveness and safety based on clinical studies. This means that the new device or product must be used with a group of patients in a clinical environment over a specified period. For purposes of comparison, one or more additional groups of patients are treated using existing state-of-the-art products and methods.

Our industry is subject to extensive guidelines and laws to ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out studies on the companies' behalf are carefully selected based on their level of qualification, and that they apply scientifically accepted methods. Fresenius Medical Care's clinical research is founded on these regulations and laws. They include, among others, the Helsinki declaration of the World Medical Association, which prescribes basic ethical principles for clinical research, as well as international regulations such as Good Clinical Practice (GCP) and EU regulations on pharmaceuticals such as Directive 2001/20/EG, the EU Medical Device Directive (MDD) and ISO standard 14155, which defines the criteria for clinical investigation and reporting in clinical research. In addition, we observe national laws and regulations such as the Pharmaceuticals Act (AMG) and the Medical Devices Act (MPG) in Germany, or the U.S. Food and Drug Administration (FDA) regulations. Our own Fresenius Medical Care Standard Operating Procedures combine these regulations with internal rules to ensure that clinical studies commissioned by us are carried out and documented properly. Before a study can even begin, ethics committees in the relevant countries must approve our application. Compliance with such regulations by manufacturers of medical devices and pharmaceutical products is an important precondition for publication of the research results in the scientific media.

We only use animal testing to obtain approval of new products and forms of treatment where this is prescribed by law. Such tests are carried out exclusively by third-party research institutes in recognized test laboratories, and are always first approved by an ethics committee for animal testing. Fresenius Medical Care does not carry out animal testing itself. As a matter of principle, our strategy is to avoid animal testing and to use alternative methods.

Social commitment

As a dialysis company, our aim is to continuously improve the quality of life of kidney patients. We pursue this even beyond our core products and services by engaging in numerous initiatives which promote an active, healthy lifestyle for dialysis patients, improve patients' access to high-quality treatment and provide health information and education about chronic kidney failure.

Commitment to patients' quality of life

Fresenius Medical Care cooperates globally with regional and supra-regional associations and institutions that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life. In the U.S., for instance, we sponsor the Renal Support Network, a charitable association of and for patients with chronic kidney failure, which aims at providing patients and their families with health information, giving them more confidence in their everyday lives and strengthening their initiative. In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation committed to the needs of dialysis patients between 0 and 21 years of age. This organization works with authorities and the public to provide access to medication and kidney transplants for children and adolescents, and promotes the establishment of more pediatric dialysis units in hospitals. At the same time, it organizes special programs for young patients, such as exercise, art and music therapy courses, and trains parents in how to deal with their children's disease.

In Columbia, we have even set up our own foundation to promote the health and well-being of our patients other than through their actual dialysis treatment. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. We prepare regular reports to show how the funds are used. In the year under review, we focused our efforts on gaining more donations to expand the range of services available to patients. In 2011, for instance, we provided over 6,700 patients with regular and healthy warm meals after dialysis, and each month gave more than 2,900, or approximately 40% of our patients, free travel between their homes and the dialysis center. In addition, a large number of patients took part in cultural events and craft courses organized by the foundation. In 2011, we also provided patients who are particularly in need with groceries. The efforts by Fresenius Medical Care Latin America to improve patients' quality of life were certified in 2011 by the national non-profit commercial association Fenalco.

According to their registration data, some 35% of our patients in Argentina do not hold a primary school diploma, which children in this country gain after seven years at school. The practical problems resulting from this in everyday life became particularly evident in art therapy and story-telling workshops with the patients. Their low level of education places additional restrictions on their quality of life. It makes it more difficult for them to find an occupation in an employment market that is already tight, and aggravates the typical problems of living with dialysis, above all the need to comply with the treatment plan and take medication in a disciplined way. To open up new opportunities for these patients and strengthen their initiative, we started a joint project with the Ministry of Education of Buenos Aires province. The ministry sends out teachers from its adult learning program to four of our dialysis clinics. In 2011, these teachers taught around 100 dialysis patients with the aim of enabling them to complete their school education. Eight patients already achieved this goal in 2010 thanks to this project. We intend to further expand the project in the current financial year.

Many of our dialysis patients in Argentina have severe visual impairment or are blind, especially those with diabetes. This restricts their ability to take part in everyday life considerably. One of our dialysis centers therefore offers workshops especially for blind patients to teach them how to use a white cane and develop their artistic skills. The program is complemented by special sports activities and story-telling workshops. The dialysis center is planning to further expand the range of subjects.

Donations and emergency aid

We provide funds, dialysis machines and medical supplies in crisis situations and for institutions that need specific aid immediately. Similar to our help following the severe earthquakes in Italy, China and Haiti in the past few years, we also sent aid supplies to support dialysis patients in Japan in 2011. Immediately after the strong earthquake and the tsunami in Tōhoku province in March 2011, we donated 100,000 dialyzers. The majority of dialysis centers in the region affected by the earthquake were destroyed, and in the other centers the number of patients increased ten-fold within the first few days. A Fresenius Medical Care crisis team in Tokyo maintained contact with the local authorities, doctors' and industry associations to coordinate the distribution of the most important products and support the relief operation. Our plants in Inukai and Buzen continued to operate without a break in production. All patients in our dialysis clinics were safe; only in one clinic there was a temporary interruption in the water supply so that a series of treatments had to be cut short and patients relocated to clinics nearby. We were able to find peritoneal dialysis patients using our products for treatment and carry on supplying them. In addition, Fresenius Medical Care together with other manufacturers took part in a fundraising campaign by the professional association of the Japanese medical product industry IKIKO.

In Argentina, we donated dialysis chairs and machines as well as other equipment to leading hospitals in Buenos Aires province in 2011. More than 1,000 socially disadvantaged or poor people without medical insurance received dialysis treatment and other health services free of charge at public hospitals in Argentina.

Promoting knowledge and further education, and improving patient care

Fresenius Medical Care organizes and supports scientific conferences with international nephrology experts as well as training programs for doctors and dialysis specialists worldwide, thereby helping to ensure quality in dialysis. This is especially the case in regions where modern healthcare standards are still being developed. We also participate in projects aimed at encouraging young doctors to become interested in nephrology and promoting new talent in this area. In Brazil, for example, we have been supporting an initiative by the Brazilian Society of Nephrology since 2010. Every two years, medical students at the end of their training are awarded for research projects in which they have developed solutions that improve the prevention of chronic renal disease in the population.

In Venezuela, we also organize nephrology conferences for physicians and medical students. In addition, as part of an agreement with the Universidad Central de Venezuela, we offer clinical internships in dialysis to nursing students.

In Columbia, Fresenius Medical Care sponsored the third national symposium on nephrology in Bogotá in September 2011. This annual event provides a platform for participants to exchange knowledge, especially on treatments that successfully prevent kidney failure in cases of patients with chronic renal disease. At the symposium, we presented our technology as well as various treatments to enable patients to enjoy a better quality of life. In addition, we hosted an academic discussion panel to which we invited renal specialists from the U.S. and Brazil.

As early as 2001, we launched the "CREED" Program (Cross Regional Education and Exchange in Dialysis) in the Asia-Pacific region, which we extended again in 2010. CREED is a cross-national educational program organized by Fresenius Medical Care and two nephrology societies in Australia/New Zealand and Indonesia. The aim of this joint effort is to promote the exchange of knowledge in dialysis across these countries and improve dialysis practices and standards in Indonesia. This program takes into account the specific limiting factors in Asian countries – the economic situation, expertise and access to dialysis – to achieve the maximum impact from the available resources. As part of the CREED program, ten Australian "sister centers" each work closely with one

Indonesian center to promote its development and provide support in the form of training and further education. Since mid-2011, CREED has broadened its scope. As a result, for example, two nephrologists from Myanmar (formerly Burma) were able to sit in on procedures for three months at a hospital in Adelaide in South Australia.

We also take part in local projects to improve the care of dialysis patients. The Renal Research Institute, a joint venture between Fresenius Medical Care North America and a hospital in New York, is a partner of the Sustainable Kidney Care Foundation. This promotes projects in Tanzania in Africa to give patients with acute kidney failure in regions without an existing supply structure access to dialysis treatment. Acute kidney failure frequently occurs there in connection with other severe diseases such as HIV or tuberculosis.

Raising public awareness

Last but not least, Fresenius Medical Care is also involved in raising the health awareness of the general public. In Taiwan, for instance, we organize an annual information event together with the national nephrology society and several hospitals with the aim of raising public awareness of a healthier lifestyle and promoting the early diagnosis of kidney disease.

In the U.S., we again supported the Kidney Walks in 2011, as well as other sporting and fundraising events in all parts of the country sponsored by the National Kidney Foundation (NKF). The Kidney Walks also have the purpose of increasing public awareness of the symptoms of chronic kidney disease. The donations benefit the work of the foundation. Apart from information campaigns, the NKF also awards research grants to physicians in the field of nephrology, represents the interests of dialysis patients, and promotes research into kidney disease as well as organ donation to enable more patients to receive a kidney transplant.

As part of the World Kidney Day, we carried out a national information campaign in Argentina in 2011 to inform people about the negative impact of kidney disease as well as the connection between kidney and cardiovascular disease and diabetes. To this end, we organized public lectures and television interviews, distributed information material and offered diabetes and high blood pressure examinations free of charge. More than 1,600 people took part in these health screenings and were given advice on the subjects of health promotion, disease prevention and chronic renal failure. In Argentina, over 25,000 patients underwent dialysis treatment in 2011. One in ten of the country's over 40 M inhabitants showed the first signs of chronic renal failure and almost half of them were unaware of this. As a result, more than half of the patients receive their first dialysis treatment as emergency cases.

RISK AND OPPORTUNITIES REPORT

Chapter 2.8

As a company with global operations, Fresenius Medical Care is naturally exposed to a variety of risks associated with its business activities. Ultimately, we can only leverage opportunities for ourselves and our business if we are willing to take certain risks. As a provider of life-preserving products and services for renal patients, we are only minimally affected by economic cycles. At the same time, our technological expertise and our extensive knowledge of the markets enable us to uncover and assess risks and opportunities for our business as early and reliably as possible.

RISK MANAGEMENT

We see risk management as the ongoing task of determining, analyzing and evaluating the spectrum of potential and actual risks in the Company and our environment, and, where possible, taking corrective measures. Our risk management system, which is described in more detail below, provides us with a basis for doing so. It enables management to identify at an early stage risks that could jeopardize the growth or continued existence of Fresenius Medical Care, and to take steps to minimize any negative impact. As such, it is an important component of Fresenius Medical Care's management and governance.

OPPORTUNITIES MANAGEMENT

We identify opportunities based on comprehensive quantitative and qualitative analyses. This includes evaluating market data and closely examining research projects, while also taking general societal health trends into consideration. In the process, we monitor general economic, industry-specific, regional and local developments to an equal extent. Our goal is to anticipate trends at an early stage and adjust our business model accordingly. The close cooperation between our strategy and planning departments and those responsible for M&A (all activities relating to the acquisition, sale and merging of companies or parts of companies) allows us to recognize global opportunities as early as possible. An overview of the most important opportunities we intend to capture for our Company can be found in the "Outlook" chapter —— *starting on page 118*.

RISK MANAGEMENT SYSTEM

Risk management is part of Fresenius Medical Care's integrated management system. The two pillars of our risk management are the corporate controlling function and the internal risk monitoring system. In the monitoring system, regional risk managers are responsible for identifying, assessing and managing potential as well as existing industry and market-related risks in their region and reporting them to the regional CFO's. Twice a year, the regional chief financial officers send their aggregated risk management reports to the central risk management coordinator who consolidates the reports and presents them to the Management Board. The risk management reports contain further information on potential risks. The Management Board is informed directly and immediately of any newly identified significant risks (for risk reporting see chart 2.8.1 —— *on page 108*). The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the Supervisory Board. More information is available in the report of the Supervisory Board —— *starting on page 18*.

In addition to risk reporting, traditional reporting to management is an important tool for managing and controlling risk, as well as for taking preventive measures in a timely manner. Therefore, the Management Board of Fresenius Medical Care is informed on a monthly basis about the industry situation, our operating and non-operating business, and the outcome of analyses of our earnings and financial position, as well as of the assets position on a quarterly basis.

Our risk management system is also monitored by our Global Internal Audit department. The department works according to the internationally accepted standards of the Institute of Internal Auditors (IIA). The scope of internal auditing is widespread and involves, among others, the efficacy of operations, the reliability of financial reporting and compliance with laws and internal policies. The Company locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed by the Management Board and finally approved by the Audit and Corporate Governance Committee of the Supervisory Board. It comprises financial audits of individual units, as well as full audits of all business processes of subsidiaries or business units. All audit reports are presented to the Management Board. The Global Internal Audit department is also responsible for monitoring the implementation of measures documented in the reports. The Management Board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the Supervisory Board is also informed of the audit results. In 2011, a total of 36 audits were carried out. These included full-scope audits – reviews of all business processes – at our sites in Brazil and India, among others.

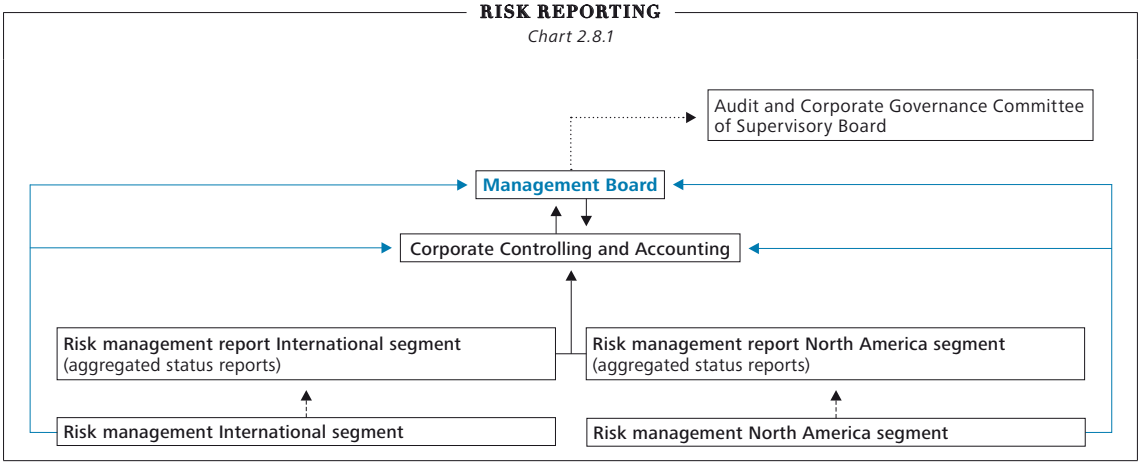
It is nevertheless important to note that even a functioning and adequate risk management system such as that installed in our Company cannot guarantee that all risks are fully identified and controlled.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP'S ACCOUNTING PROCESS

Fresenius Medical Care applies numerous internal controls and measures to ensure that its accounting processes and financial reporting are correct and reliable. This guarantees that annual financial statements and management reports at Company and Group level are issued in compliance with the applicable rules. The Company's internal reporting process is generally carried out at four levels and ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these four reporting levels – the local entity, the region, the segment and the entire Group – the figures and data are compared regularly on a monthly and quarterly basis with the previous year's values, budget targets, and the latest projections. In addition, the Management Board and the departments responsible for preparing the annual and consolidated Group financial statements discuss in-depth all parameters, assumptions and estimates that

RISK REPORTING

Chart 2.8.1



-- Assessment of general and specific risks and identification of new risks; review and consolidation of risks in the Risk Management Report.
— Reporting and review of Risk Management Report.
— Ad hoc risk reporting (considerable new risks).
···· Reporting of Risk Management Report.

substantially affect the Group and segment results reported externally. The Audit and Corporate Governance Committee of the Supervisory Board also deals with current quarterly results and compares them with budgets and projections.

Control mechanisms and compliance

Fresenius Medical Care's internal control system over financial reporting ensures compliance with applicable accounting standards. The goal is to provide reasonable assurance that the Group financial statements are issued in accordance with accounting principles. The internal control system thus contains guidelines and instructions that guarantee, for example, that all Fresenius Medical Care transactions are presented accurately, or that significant earnings and expenses are only recorded after management approval (dual control principle).

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions include systematic and manual reconciliations, as well as the separation of certain personnel functions to prevent potential conflicts of interest. The fact that all process owners assess the risks of their respective processes in terms of their implications for accounting also ensures that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis and considered in the financial statements. Employees responsible for financial reporting are given regular and extensive training to deal with this.

Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program in all of its regions to ensure that its business activities are in line with recognized standards as well as local laws and regulations. An important element of the compliance program is the code of conduct that is effective in all regions. It encourages our employees worldwide to conduct themselves in a professional and responsible manner at all times, both within the Company and toward our patients, external partners and the public, and always to respect the local laws and corporate standards of conduct. More information on this can be found in the "Compliance" section —— *starting on page 136*.

Special control and transparency requirements in the U.S.

As Fresenius Medical Care is also listed on the New York Stock Exchange, it is required to adhere to the requirements of the U.S. Sarbanes-Oxley Act. Section 404 of this federal law stipulates that the management boards of companies listed in the U.S. must take responsibility for implementing and adhering to an appropriate internal control system to guarantee reliable financial reporting. Based on this requirement, the design and operating effectiveness of our internal control system over financial reporting are reviewed in regular internal audits. These criteria are also included in the review by our auditors.

To assess the effectiveness of our internal control system over financial reporting, we apply the criteria of the COSO model —— *see chart 2.8.2*. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission (SEC). In accordance with the COSO model, Fresenius Medical Care's internal control system over financial reporting is divided into the five levels control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these five levels is documented, tested and assessed.

Our review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting). For our review, we use a special software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole Group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review changes and new requirements of the Sarbanes-Oxley Act, to discuss possible control deficiencies, and derive further measures. In addition, in its meetings, the Audit and Corporate Governance Committee of the Supervisory Board is informed regularly of the results of management's assessment.

As at December 31, 2011, management assessed Fresenius Medical Care's internal control system over financial reporting and deemed it effective.

The internal control systems over financial reporting are subject to inherent limitations, no matter how carefully they are designed. As a result, there is no absolute assurance that financial reporting objectives can be met, nor that misstatements will always be prevented or detected.

RISK AREAS

The following risks could have an impact on our business activities:

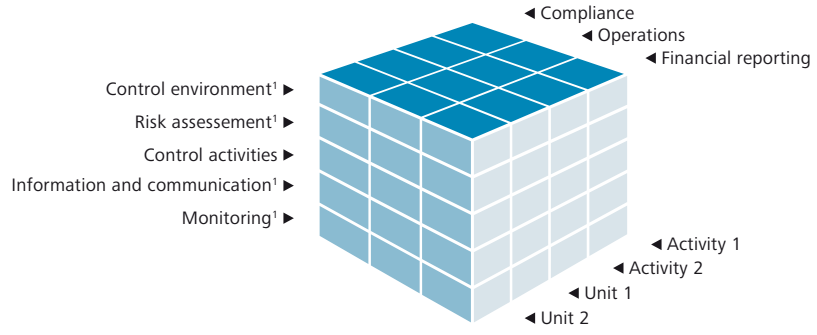
Risks related to the economy as a whole

The international business activities of Fresenius Medical Care are subject to a number of political, legal and financial risks, which we carefully monitor and assess in addition to the general development of the global economy. We also conduct continuous, intensive analyses of country-specific risks with our international markets in mind.

The dialysis market is a growth market that is generally unaffected by macroeconomic influences. This

COSO-FRAMEWORK

Chart 2.8.2



[1] *Entity level controls.*

can be partly explained by the fact that an aging population requires increasingly comprehensive medical care. Due to the stable demand for dialysis products and services, Fresenius Medical Care is only subject to economic fluctuations to a relatively small extent. The global financial crisis may have an impact on our business in the future, however, especially with regard to the payment of receivables and specifically in those countries in Europe most strongly affected by the ongoing crisis. Similar to the two preceding fiscal years, we therefore expect days sales outstanding to increase in our international segment in the current year. As we receive the majority of our reimbursements from government healthcare organizations and private insurance companies, we assume that most of our receivables are recoverable.

More information on this can be found in the "Economic environment" section —— *starting on page 43* and the "Outlook" chapter —— *starting on page 118*.

Industry risks

Risks related to changes in the healthcare market are of major importance to Fresenius Medical Care. Key factors here are new products and therapies developed by competitors as well as regulatory changes in the healthcare sector.

Company strategy and competition

We carry out research and development activities to counter the risk of a competitor impairing our sales opportunities with its products and processes or of our strategy falling short of the trends in the market. We work closely with the medical and scientific communities to allow us to quickly identify and further develop important technological and pharmaceutical innovations. These alliances also guarantee that Fresenius Medical Care has extensive knowledge of recent advances in alternative treatment methods and enable us to evaluate and, if necessary, adjust our corporate strategy. Based on this, we analyze and evaluate trends and review the progress of research and development projects on an ongoing basis.

Additionally, we closely monitor the market, especially the products of our competitors and newly launched dialysis-related products. This includes pharmaceutical generics and patented drugs for kidney patients, as they can affect the business with drugs distributed by Fresenius Medical Care. Fresenius Medical Care maintains internal strategic departments that monitor the markets, whose main tasks are to identify and analyze all activities that could affect the dialysis market and the Group's business, and communicate these within the Company on a regular basis. This helps us to quickly react on new market conditions.

Last but not least, our many years of experience and our leading position in the dialysis industry give us a competitive edge, as do the synergies resulting from the teamwork between the various technical, medical and academic institutions within our vertically integrated Group.

Legal conditions in the healthcare sector

In the highly regulated environment in which we operate, changes in the law, such as those relating to reimbursement, can have a major impact on Fresenius Medical Care's business success and strategy. For this reason, we not only carefully monitor regulatory activities and planning, but also work intensively with government healthcare agencies.

Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Health and reimbursement systems" section —— *starting on page 53*.

Risks associated with operating activities

We counter potential risks in our business with products and services with preventive and quality-enhancing measures.

Quality risks in production, for products and processes

We ensure that we comply with legal and Company product and production regulations first and foremost by means of extensive quality management systems in our regions. In implementing these regulations, our employees have access to documented process and work instructions. Regular audits are carried out by authorized quality management staff at each of our production sites to ensure adherence to the guidelines. The audits cover all areas and aspects related to quality, from management and administration to development, production and customer satisfaction. Furthermore, the production processes in our plants are inspected by external bodies, for example in Europe by Technischer Überwachungsverein (TÜV) and by the Food and Drug Administration (FDA) in the U.S.

We also apply the methods of lean management and Six Sigma —— *see glossary on page 163* in our plants. These management tools are used to analyze and improve all production processes to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production processes. Since 2010, our quality management has been centrally coordinated by our international business unit Global Manufacturing Operations (GMO) with the aim of identifying and managing quality risks even better. For further information on GMO, see the "Our product business" chapter —— *starting on page 79*.

Like all blood cleansing procedures that are performed outside of the human body, dialysis is associated with certain risks for the patient that could potentially damage Fresenius Medical Care's reputation. National as well as international standards and laws stipulate binding safety standards for dialysis products. In addition, we have created our own quality guidelines for research and development that in part exceed the legal requirements. We also document our research and development work in comprehensive scientific studies and publications; we produce detailed product information packs and instructions for users of our products, and conduct risk and error analyses according to the most stringent criteria. In addition, Fresenius Medical Care focuses on developing procedures and devices within the scope of a continuous product improvement process, to minimize as far as possible the risk of a patient being harmed due to a technical fault or human error.

Quality risks for services

The very nature of the medical services we provide to patients at our dialysis clinics presents inherent risks. These include operational risks, for example in the area of hygiene. We counteract these with strict organizational and operational procedures, ongoing personnel training and by gearing our working methods to patients' needs. In Europe, for instance, our clinical quality management system, certified according to ISO 9001, is part of our integrated management system. The ISO 9001 certificate also attests to our "Good Dialysis Practice". In the U.S., our quality improvement program successfully complies with the standards outlined in the Kidney Disease Outcomes Quality Initiative (KDOGI) and the Center for Medicare and Medicaid Services (CMS). We assess both our treatment data and our methods in annual internal audits to enable us to improve our processes and treatment results for the long-term. Our clinic quality management system is also audited each year by external certification institutes such as the German TÜV or CMS in the U.S. As a consequence, we are able to quickly identify quality flaws and risks and to remedy them in a timely manner.

Our quality management also includes environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis centers produces clinical waste. More information on this can be found in the "Responsibility" chapter —— *starting on page 98*.

Risks in research and development

The risk of goals not being achieved or being achieved much later than anticipated is inherent in the development of new products and therapies. Most new products have to undergo comprehensive, cost-intensive preclinical and clinical tests before they receive regulatory approval and are launched on the market. All products, packages, applications and technologies are continuously and systematically monitored, tested and improved. The development cycle for products made by Fresenius Medical Care is generally substantially shorter than for pharmaceutical products. It normally takes between two and three years from concept to market launch. Fresenius Medical Care counteracts risks in research and development projects by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal regulations governing clinical and chemical-pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. For further information see the "Research and development" chapter —— *starting on page 70*.

Patent risks

One of the typical patent risks faced by Fresenius Medical Care is inadequate protection in the form of patents for technologies and products developed by the Company. This means that competitors could copy our products without incurring comparable development costs. To mitigate this risk, we have installed a comprehensive patent management program with defined processes, responsibilities and reporting lines.

In addition, Fresenius Medical Care could infringe the patent of a competitor and thus be liable for damages; this could result in a ban on the Company further selling the affected product. We minimize this risk by systematically monitoring and reviewing patent applications by competitors as well as issued patents to ensure that our products do not infringe the rights of third parties. However, as the claim of a patent, i.e. its scope, cannot be determined until a product has been launched, this risk can never be fully eliminated.

Procurement risks

We impose comprehensive quality standards on suppliers to counter the risk of low quality in sourced raw materials, semi-finished goods and other components. For example, we demand that our suppliers provide certification from external institutes and undergo regular audits; in addition, Fresenius Medical Care carries out extensive evaluations of sample products and regular quality control checks. We source only high-quality products that are verifiably safe and suitable from certified suppliers that meet Fresenius Medical Care's specifications and requirements and have a proven track record in manufacturing these materials. These suppliers are constantly evaluated as part of our exacting supplier management system.

Our purchasing strategy is aimed at developing partnerships with strategic suppliers through long-term contracts and building relationships with new high-performing partners. At the same time we ensure that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). This strategy in combination with ongoing monitoring of market developments enables us to minimize the risk of bottleneck situations considerably, even at times of limited availability of materials. All relevant suppliers are subject to regular Company-wide performance and risk monitoring. More information on this can be found in the "Strategic purchasing and materials management" section —— *starting on page 81*.

Fresenius Medical Care is also exposed to market-driven price fluctuations for raw materials. By continuously conducting market analyses, shaping

supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. The intense cooperation between our procurement teams in different regions means that we are able to benefit from international pricing advantages and manage risks related to currency fluctuations or dependencies on individual suppliers. More information on this can be found in the "Strategic purchasing and materials management" section —— *starting on page 81*.

Personnel risks

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees. We counter the risk of not being able to win and retain sufficient qualified personnel with extensive personnel marketing and recruitment measures as well as personnel development programs for specific target groups.

Our continued growth in the area of dialysis services in particular depends on our ability to recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently extending various measures and initiatives aimed at further increasing the satisfaction of our clinic personnel, maintaining their high level of motivation and further lowering the fluctuation rate in our clinics. We base these efforts on the results of extensive clinical employee satisfaction analyses. Our UltraCare Clinical Advancement Program (UCAP) in the U.S. is one example of such an initiative; more information can be found in the chapter "Employees" —— *starting on page 92*.

Our personnel management department addresses the overall risk of not being able to attract or retain highly qualified personnel. Its job is to find and cultivate new talent with targeted measures. Fresenius Medical Care offers employees a challenging work environment and long-term perspectives for their professional development. Furthermore, our employees enjoy performance-based bonus payments and attractive social benefits. Detailed information relating to personnel management can be found in the "Employees" chapter —— *starting on page 92*.

Risks due to non-compliance with laws and standards

Fresenius Medical Care has developed a code of conduct that applies to employees in all regions, specifying their conduct within the Company as well as towards our patients, external partners and the public, and encouraging them to comply with applicable laws and Company standards at all times. Together with our overall compliance program, this code is intended to help us meet our own expectations and those of our partners, and to successfully align our business activities to recognized standards as well as applicable laws and regulations. Further details on our compliance program can be found —— *starting on page 136*.

Risk of dependency on major customers

In addition to a number of state-owned and public health insurance funds, Fresenius Medical Care's customers include private health insurers and companies. Our biggest private-sector customer, U.S. dialysis clinics operator DaVita, is also the second largest provider of dialysis services in the world.

However, DaVita only accounted for about 1% of Fresenius Medical Care's total revenue in 2011. Therefore we consider the risk arising from relationships with major private-sector customers to be relatively small.

Acquisitions and investments

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) based

on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found —— *starting on page 39*.

Financial risks

The main financial risks that affect our Company are currency and interest rate risks. We use derivative financial instruments to protect us against these risks, but not for trading or speculation purposes. All transactions are conducted with highly rated banks (the majority have at least an "A" rating) that have been approved by the Management Board.

We use interest rate hedging instruments to avert the risk of rising interest rates from our floating rate long-term debt and the borrowing of new debt. The aggregate nominal value of all corresponding hedges was $2.9 BN as at December 31, 2011. This meant that on this date, about 59% of the Group's financial liabilities were protected against increases in interest rates either by fixed-rate borrowings or by interest rate hedges; only around 41% of the liabilities were exposed to the risk of rising interest rates. A sensitivity analysis revealed that if the relevant reference interest rates for the Company increased by 50 basis points, based on the current high level of hedging, the effect on the net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) would be around 1%. The interest derivatives expire at different dates between 2012 and 2016.

Our foreign exchange exposures primarily result from transactions such as sales and purchases between Group companies located in different regions and currency areas. Most of our transaction exposures arise from sales of products from Group companies in the euro zone to other international business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. The aggregate nominal value of all exchange rate hedges, mainly for hedging the euro against the U.S. dollar and against other foreign currencies, amounted to $3.4 BN for the Group as at December 31, 2011. Based on a sensitivity analysis, Fresenius Medical Care estimates the effect on operating earnings to be about $10 M. For this analysis it is assumed that the exchange rates of all non-hedged transactions in foreign currency change by 10% to the disadvantage of Fresenius Medical Care. Please see the "Liquidity and capital resources" section of the financial report for further details —— *starting on page 189*.

Debtor risks

To reduce the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review the credit limits of existing ones. We monitor outstanding receivables of existing customers while assessing the possibility of default. For further details on outstanding receivables please see the financial report —— *on page 175*.

Legal risks

Risks associated with litigation are continuously identified, assessed and reported within our Company. Fresenius Medical Care is involved in various legal proceedings resulting from our business operations among others. For details on ongoing proceedings and further information on material legal risks to which Fresenius Medical Care is exposed, please refer to note 20 of the financial report —— *starting on page 262*.

Tax risks

Fresenius Medical Care is subject to tax audits, which can lead to secondary changes in tax assessments and assessments of withdrawal restrictions. Risks resulting from this are continually identified and evaluated. Further details on ongoing legal proceedings and more information on major tax risks of the financial report can be found —— *on page 264*.

IT risks

As Fresenius Medical Care continues to grow in size and become more international, the processes within the Company are increasingly complex. Accordingly, we are dependent to an ever greater extent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). With the help of our Information Security Management System (ISMS), which is based on the internationally recognized security standard ISO 27002, we continuously enhance IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on an ongoing basis. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. To minimize organizational risks such as manipulation and unauthorized access, access is protected by passwords that must be changed regularly. Moreover, Company guidelines relating to data protection, which also regulate the assignment of access rights, must be observed. Compliance is monitored with controls including those relating to Section 404 of the Sarbanes-Oxley Act —— *please refer to page 109*. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks from the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and continuously monitor whether they are achieved. Further preventive risk management measures limit the effect of environmental factors on dialysis services: Many of our proprietary dialysis clinics have emergency generators to ensure that life-saving dialysis treatments can be continued even in the event of a complete power failure. Furthermore, in the U.S. for example, a Fresenius Medical Care emergency team (disaster response team) steps in all-season during natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section —— *starting on page 90*.

OVERALL RISK ASSESSMENT

The Management Board bases its assessment of overall risk on the risk management system used by Fresenius Medical Care, which is regularly checked by third parties and by the Management Board. The effectiveness of this risk management system is monitored and, if necessary, improved as part of the Company-wide review of the integrated management system. The Management Board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. Based on the general principles for estimating risk factors described —— *starting on page 107*, we currently assume that none of the risks mentioned will significantly impair the earnings, financial and assets position of Fresenius Medical Care in the long term. Furthermore, no material changes to risks were identified compared to 2010. From an organizational point of view, we have created the necessary conditions to quickly identify emerging risk situations.

SUBSEQUENT EVENTS

Chapter 2.9

ECONOMIC AND BUSINESS ENVIRONMENT

On February 29, 2012 Fresenius SE & Co. KGaA announced the completion of 3.5 M Fresenius Medical Care ordinary shares, as announced in November 2011. Fresenius SE & Co. KGaA now owns 94,380,382 Fresenius Medical Care ordinary shares as of February 29, 2012, representing a voting interest of 31.4%.

On February 29, 2012 Fresenius Medical Care announced the closing of the acquisition of Liberty Dialysis Holdings, Inc. The closing follows the completion of the review of the transaction and issuance of a consent decree by the United States' Federal Trade Commission. Pursuant to the consent decree, Fresenius Medical Care intends to divest 62 dialysis clinics in the U.S. The acquisition of Liberty Dialysis Holdings Inc. is expected to add annual revenues of around $700 M and 201 clinics to Fresenius Medical Care's network for an investment, net of proceeds from the divestiture, of approximately $1.5 BN.

On February 27, 2012 Standard & Poor's announced the upgrade of Fresenius Medical Care's corporate credit rating to 'BB+' from 'BB'. In addition, the agency also raised the ratings of Fresenius Medical Care's various unsecured senior notes to 'BB+' from 'BB'. The agency affirmed the 'BBB–' issue rating on Fresenius Medical Care's senior secured credit facilities and a stable outlook has been assigned to all ratings.

In January 2012, Fresenius Medical Care successfully completed the largest placement of senior notes in the history of Fresenius Medical Care. Proceeds from the offering of three tranches of U.S. dollar and euro-denominated senior unsecured notes amounting to approximately $1.81 BN are intended to be used for acquisitions, including the acquisition of Liberty Dialysis Holdings, Inc., to refinance indebtedness and for general corporate purposes. The coupon for the dollar-denominated senior notes in the principal amount of $800 M due 2019 will be 5.625% and the coupon for the dollar-denominated senior notes in the principal amount of $700 M due 2022 will be 5.875%. The coupon for the euro-denominated senior notes in the principal amount of €250 M due 2019 will be 5.25%. All tranches were issued at par.

No further significant events took place between the closing date of December 31, 2011, and the annual report's editorial deadline of March 9, 2012. There were no fundamental changes in the economic and business environment in our field of activity. Dialysis continues to be a medically indispensable and life-saving treatment for acute or chronic kidney failure for which there is no comparable alternative with the exception of kidney transplantation. Therefore, Fresenius Medical Care is active in a relatively stable business area that is only exposed to economic cycles to a small extent.

We are currently not planning any major changes in Fresenius Medical Care's organizational structure, administration, legal form or with regard to personnel which could lead to a significant impairment of the asset, financial and earnings situation of our Company.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2012.

As discussed in the Outlook section that follows, demand for our dialysis products and services worldwide continues to be high. Overall, the Management Board again assessed the Company's business development as positive when this annual report was compiled. From today's perspective, we expect to increase our revenue and earnings as forecast, and to achieve the other performance ratios as planned. At this report's editorial deadline, the current development of our business is basically in line with our expectations.

OUTLOOK

Chapter 2.10

After achieving our goals again last year, we expect our business to continue growing in 2012 resulting in records in terms of revenue and earnings. We consider ourselves to be well prepared to continue on our path of sustainable growth in the years to come.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We intend to strengthen and to expand this position in the coming years and plan to maintain our vertically integrated business model. At present, the Company does not intend to make any major changes to its business policy. Back in 2005, we defined our long-term growth strategy, the basic principles of which we continue to pursue. For further information on these see the "Growth strategy" section —— *starting on page 40*.

GENERAL ECONOMIC DEVELOPMENT

During the year 2011, the outlook for the global economy has changed for the worse as a result of the debt crisis. Furthermore the economy was depressed by the natural and nuclear catastrophes in Japan as well as by the rise of energy as well as raw material costs. Compared to more advanced economies, demand in most emerging countries was very strong, albeit a bit weaker than in previous years in many cases. This trend is likely to continue in the year 2012. The worsening of financial conditions will have a dampening effect on the demand, hence affect the economic recovery. Overall, the global gross domestic product (GDP) is likely to increase by 3.4% in 2012, following a 3.8% rise in 2011.

REAL GROSS DOMESTIC PRODUCT AND CONSUMER PRICES

Table 2.10.1

Expected change from the previous year in %

	Gross domestic product			*Consumer price index*		
	2011	*2012*	*2013*	***2011***	*2012*	*2013*
U.S.	1.7	1.9	2.2	3.1	2.7	2.8
Germany	2.9	0.5	1.7	2.3	1.8	2.0
Eurozone	1.5	−0.1	1.2	2.6	1.6	1.5
UK	0.8	0.4	1.3	4.6	2.8	1.6
New EU member states	3.1	1.8	2.8	4.0	3.2	2.7
EU 27	1.6	0.1	1.3	3.0	1.9	1.6
Russia	4.0	4.0	3.7	8.5	6.5	7.5
Japan	−0.7	1.8	1.4	−0.3	−0.5	−0.3
China	9.5	8.0	8.5	5.5	4.0	5.0
East Asian emerging economies	4.8	5.0	5.2	4.6	4.3	4.4
India	6.7	7.0	7.5	10.5	8.5	9.5
Latin America	4.8	4.1	4.8	6.8	6.3	6.7
▸ **WORLDWIDE**	**3.8**	**3.4**	**4.0**	**5.7**	**4.5**	**4.7**

Sources: Institute for the World Economy at Kiel University "Weltkonjunktur im Winter 2011", December 19, 2011, monthly reports of the Deutsche Bundesbank and the European Central Bank

U.S.

A more restrictive financial policy to improve the debt situation is expected to stand in the way of a significant expansion of the economy. Ongoing weak labor and real estate markets will continue to put a strain on private consumption.

Europe

In the eurozone, the economy is again expected to show a mixed performance in 2012. In countries that posted a particularly strong upturn in recent years, growth will probably be slower, while the economically weaker peripheral countries are likely to improve. In 2012, Germany's GDP is again expected to increase at a higher rate than the average in the eurozone.

Asia

In Asia, emerging countries like China and India should continue to be the key growth drivers, although at a slightly lower level than in the previous year. In Japan, the necessary reconstruction resulting from the natural and nuclear disaster is having a positive impact on the economy.

Latin America

In 2012, the rate of expansion in Latin America is expected to slow down due to a more restrictive monetary policy. Economic growth, which remains at a high level, is based on ongoing strong domestic demand.

DIALYSIS MARKET

Fresenius Medical Care expects the number of dialysis patients worldwide to grow by about 6% in 2012. Some significant regional differences will probably remain. We anticipate a 2 to 4% increase in patient numbers in the U.S., Japan, Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue to rise in the coming years with annual growth rates remaining at around 6%.

Demographic factors are one of the main reasons for the continued growth of the dialysis market, including the aging population and the mounting incidence of diabetes and hypertension – two diseases that often precede endstage renal disease. Furthermore, dialysis patients' life expectancy is increasing due to steady improvements in dialysis treatment and the rising standard of living in developing countries.

As a result of the anticipated differences in growth rates, a higher proportion of patients will undergo dialysis treatment in Asia, Latin America, Eastern Europe, the Middle East and Africa in future. This opens up huge potential for the entire spectrum of dialysis services and products, as more than 80% of the world's population lives in these regions.

We do not expect significant changes in the distribution of dialysis treatment modalities in 2012 and 2013. Hemodialysis will remain the treatment of choice, accounting for about 89% of all dialysis therapies. Peritoneal dialysis should continue to be the preferred treatment for about 11% of all dialysis patients.

The volume of the worldwide dialysis market, which amounted to about $75 BN last year according to preliminary estimates, is expected to increase by around 4%. This is based on the assumption that exchange rates will remain stable in the forecasting period. As a result, the total market could amount to approximately $81 BN by 2013, almost doubling its volume over a period of just ten years.

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Outlook

GROWTH AND FUTURE SALES MARKETS

In the product business, we have had our own sales organizations in key growth markets in Eastern Europe and Asia for several years and already hold leading market positions. We serve small markets via distributors. We want to continue to expand our local range of products and local production. Acquisitions can also help us to achieve our aim of strengthening our product business. At the same time, we use acquisitions, such as the purchase of Euromedic's dialysis services in 2011, to grow our network of clinics in these regions. In the year under review, this was the case, for example, in Eastern European countries such as Poland, Bosnia and Herzegovina, Romania and Russia. In China, we again strongly expanded our product business and our alliances with hospitals in the area of dialysis services in 2011 and plan to continue this in the coming years. We also started a pilot project to launch our own dialysis center. Approval for a dialysis center in the Chinese province of Jiangsu has already been granted. The clinic is expected to open in mid 2012. In addition to China, another Asian market that looks increasingly promising in the medium term is India. We have been represented on this product market through distributors since the 1990s. Regional and local health authorities in India promote the public private partnership model (PPP). We intend to conclude supply contracts with larger regional

EXPECTED GROWTH IN PATIENT NUMBERS IN 2012[1]

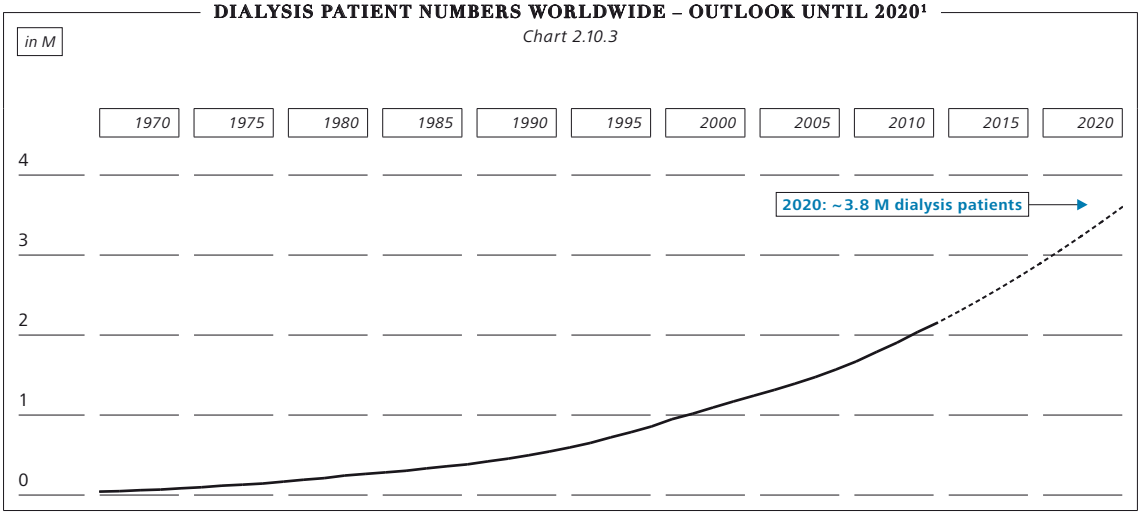
Table 2.10.2

	Change
North America	**~5%**
U.S.	~4%
Europe/Middle East/Africa	**~4%**
EU	~2%
Asia-Pacific	**~10%**
Japan	~2%
Latin America	**~5%**
▸ **WORLDWIDE**	**~6%**

[1] *Internal estimates.*

DIALYSIS PATIENT NUMBERS WORLDWIDE – OUTLOOK UNTIL 2020[1]

Chart 2.10.3



[1] *Internal estimates.*

and municipal hospitals as well as opening our own dialysis clinic in New Delhi in the current year. The increasing importance of the Chinese and Indian markets with dialysis patient numbers rising by considerably more than 10% annually should accelerate our growth in the region as a whole.

BUSINESS PERFORMANCE OF FRESENIUS MEDICAL CARE IN 2012 AND 2013

Exchange rate relations

Fresenius Medical Care's outlook for 2012 is based on the exchange rates at the beginning of the reporting year. As mentioned in the "Economic environment" section —— *starting on page 43*, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care. In its forecasts, Fresenius Medical Care also takes into account other exchange rates, that are particularly relevant for the economic performance of its subsidiaries, such as the Taiwanese dollar against the U.S. dollar or the Chinese Yuan against the euro. Volatile exchange rates affect the forecast results of the subsidiaries, as well as the conversion of these results into U.S. dollars.

Revenue

We aim to further increase our revenue in 2012 to about $14.0 BN, which would correspond to a growth rate of approximately 11% based on last year's adjusted revenue. A new U.S. GAAP accounting standard will become effective for the business year 2012, which demands that U.S. dialysis service revenue will be shown net of the provision for bad debt. On the basis of this new accounting standard, the revenue for 2011 would have been $12.57 BN in comparison to the reported value of $12.80 BN. Based on constant currencies the expected revenue growth rate for 2012 is between 13 to 15%, where all regions should contribute to. We intend to continue this positive development in the years to come. For the year 2013 we forecast revenue growth of between 6 up to 8% based on constant currencies.

Net income

In 2012, we aim to achieve an operating margin of around 16.9%. Earnings after taxes are expected to amount to $1.3 BN and net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) is expected to increase by approximately 6% to $1.14 BN. In 2012 we expect net income to grow at least as much as revenue. At the time of this annual report's editorial deadline, no one-time effects that might have a significant impact on net income in 2012 were anticipated.

Earnings per share

For 2012 and 2013, we expect earnings per shares to grow in parallel with net income.

Dividends

Fresenius Medical Care intends to continue its profit-oriented dividend policy. At the Annual General Meeting on May 10, 2012 the Management Board will propose the shareholders an increase of the dividend by 6% to €0,69 per ordinary share. Subject to the approval of the Annual General Meeting the shareholders can expect an increase of the dividend the 15th year in a row since the foundation of Fresenius Medical Care in 1996. We intend to continue this trend in 2012 and 2013. Over these two years, the aim is to keep the dividend payout ratio at around 25 to 30% of net income. Information on the proposed dividend increase can be found in the "Dividend" section —— *on page 27*.

Capital expenditures and acquisitions

In 2012 we intend to spend around $2.5 BN in absolute terms – or some 18% of revenue – on capital expenditures and acquisitions. Around $700 M of this or 5% of revenue will relate to capital expenditures, thereof about 50% for maintenance. Approximately $1.8 BN or 13% of revenue will be used for acquisitions and investments, thereof the main part for the acquisition of Liberty Dialysis Holdings Inc. in the U.S. We aim to spend around 7 to 9% of revenue on capital expenditures and acquisitions in 2013.

2.10
Outlook

In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will primarily be used to open new dialysis clinics and expand our worldwide production capacities as well as on dialysis machines within the framework of long-term supply contracts. Additionally, capital expenditures will be used to rationalize production processes and to improve patient data management and billing. Furthermore, the Group is planning to continue making selective acquisitions to further consolidate the global business.

Taxes

We expect the effective tax rate to be between 33 and 35% for 2012 and between 34 and 35% for 2013.

Cash flow

In 2012 and 2013, the operating cash flow is again expected to account for 10% of revenue. To ensure that cash flow targets are met, the emphasis will continue to be on the management of current assets. With revenue forecast at about $14.0 BN, this would result in an operating cash flow of around $1.40 BN in 2012.

Debt/EBITDA ratio

Fresenius Medical Care takes the debt/EBITDA ratio as its guideline for long-term financial planning. This ratio was 2.69 at the end of 2011. Due to the increased volume of acquisitions, we are expecting this ratio to rise but it should remain below 3.0 at the end of 2012 and to drop again to below 2.7 in 2013.

Financing

The Company's financing strategy gives top priority to ensuring our financial flexibility. Fresenius Medical Care has sufficient financial resources which we intend to preserve in the next few years. These consist of only partly drawn credit facilities and our accounts receivable facility. In doing so, we are pursuing a target value for secured and unutilized credit facilities of at least $300 M to $500 M.

GOALS 2012/2013

Table 2.10.4

	*Results **2011***	*Goals 2012*	*Goals 2013*
Revenue	$12.80 BN	~$14.0 BN	Increase of 6 to 8% in constant currency
Net income[1]	$1.071 BN	~$1.14 BN	Increase ≥ revenue growth
Dividend	€0.69 per ordinary share[2]	Continuous increase	Continuous increase
Capital expenditures, net	$570 M	~$700 M	~7–9% of revenue[3]
Acquisitions, net	$1.78 BN	~$1.8 BN	~7–9% of revenue[3]
Tax rate	33.8%	~33–35%	~34–35%
Debt/EBITDA ratio	2.69	<3.0	<2.7
Employees[4]	79,159	>86,000	>89,000
Research and development expenditures	$111 M	~$130 M	~$140 M
Product innovations	Dialysis machine 2008K@home, FX Cordiax dialyzer	Further expansion of product and service range	Further expansion of product and service range

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Proposal to be approved by the Annual General Meeting on May 10, 2012.*
[3] *Based on capital expenditures and acquisitions.*
[4] *Full-time equivalents.*

For further information see the "Financial situation" section —— *starting on page 64*.

LEGAL STRUCTURE AND ORGANIZATION

The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien) since 2006. Changes to the legal form are not planned in the foreseeable future. We intend to retain our decentralized organizational structure and the division into the three operating segments "North America", "International" and "Asia-Pacific". To our view, this well-proven structure ensures the best-possible flexibility and adaption to market requirements.

FUTURE PRODUCTS AND SERVICES

We plan to spend approximately $130 M on research and development in the current financial year. In 2013, we expect research and development expenditures to amount to approximately $140 M. The number of employees (currently 530 full-time equivalents) in this area is expected to rise only marginally in 2012 and 2013.

As a vertically integrated company, we aim to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be adapted flexibly to local market conditions and to the, in some cases, dynamic changes in healthcare systems and reimbursement structures. In view of the growing challenge faced by healthcare systems to provide comprehensive, high-quality yet cost-effective care for an increasing number of patients, we want to use this extensive portfolio more and more to offer our healthcare partners integrated concepts for patient care. Thanks to our business model and our long-standing experience in operating an international network of clinics, we are in a particularly strong position to offer comprehensive high-quality solutions of this kind from a single source; see "Opportunities" section —— *starting on page 125*.

One focus of our research and development work will be on developing innovations that incorporate additional treatment elements into our products and services or help to better align them – always with the aim of improving the quality, safety and cost-efficiency of treatment in equal measure. For example, we will be working on devices for our hemodialysis machines that reduce the handling of the bloodline system and its connections to just a few operations, thereby easing the workload of clinic staff. We will also be looking at integrating the dosage and administration of certain drugs into the dialysis machine cycle, along with new functions to improve the quality and safety of treatment.

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In the interest of more comprehensive patient care, we will also continue to focus our software development efforts on developing integrated system solutions for clinical quality data management. These will be designed to enable a larger volume of data to be captured faster and more easily, enhance the quality of the data and thus continuously improve treatment. It is feasible in the long term, for example, that these systems will not only record the complete history of a patient's hemodialysis treatment, but also manage data as early as the preliminary stages of chronic kidney failure so that treatment can be better coordinated and possible preventive measures applied more specifically. A common data management solution for peritoneal and hemodialysis patients could also help to improve the coordination of treatment and thus its quality. These two patient groups are now normally logged in separate IT systems, although many peritoneal dialysis patients frequently switch to hemodialysis after a certain period due to the limitations of using the human peritoneum as a dialysis membrane.

In general, we will also continue to look into the issue of how new scientific and technological findings can be used to further improve the quality of life of a growing number of patients with chronic kidney failure – for example, through innovations in home therapies. Treatment safety will remain at the forefront of our efforts to continuously improve our products and services, and the concomitant diseases of chronic kidney failure will also remain a focus of our research.

A further research topic is transferring the blood cleansing process used for dialysis to other illnesses, like liver disease, septicemia or certain autoimmune and metabolic disorders. In the long term, we will continue researching new approaches to treating severe kidney and liver disease based on regenerative medicine. To do this, we work together with internationally renowned scientific institutions and universities that conduct research on adult liver and kidney stem cells.

Finally, we want to contribute further to reducing the environmental impact of our products and services during their lifecycle as far as possible.

EMPLOYEES

Due to the anticipated expansion in business, we expect the number of employees to grow in all regions in the coming year as well as in 2013, particularly in the area of dialysis services. By the end of 2012, the number of people working for Fresenius Medical Care is estimated to increase to more than 86,000 (full-time equivalents) and to more than 89,000 by the end of 2013.

FUTURE USE OF NEW TECHNOLOGIES AND PROCESSES

With the help of the new Global Manufacturing Operations (GMO) division, we intend to support our regions in providing their patients and customers with highest-quality products at the best price in the future, while at the same time enabling the regionally responsible board members and their teams to focus their work on developing and growing their dialysis services business. In 2012, one focus of GMO will be to fully integrate processes along the manufacturing chain in the Asia-Pacific region as well as in the smaller production sites in Europe and Latin America into the new division.

We will continue to harmonize our processes globally along the manufacturing chain, for example by migrating the current regional production systems to a common information technology system in the coming years. We will also introduce uniform IT systems in quality management, for example to document our processes internally and for complaint management.

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In 2012, we will intensify our cultivation of the Asian market together with our organization there. The objective here is to create a network of local suppliers for our production in China and thus at the same time expand our supplier network for our sites in Europe and the U.S. By tapping new supply sources in this way, we aim to reduce product costs and offset currency and supply risks. In addition, we are planning to make our purchasing processes in the Company more transparent and harmonize them further; to this end, we will roll out the electronic supplier management system, which is implemented in core European countries, to Serbia, Latin America and Asia.

In the current year, we aim to further develop the Fresenius Operating System, called FOSY (see the chapter "Our product business" —— *starting on page 79*) and promote its implementation in the EMEALA (Europe, Middle East, Africa, Latin America), North America and Asia-Pacific regions. This management tool will enable us to increase quality in production, reduce costs and shorten lead times. By the end of 2012, all operating units and quality management will be included in FOSY. GMO finance and GMO administration will follow in 2013. In addition, we will strive to standardize improvement measures (use of same measures) or harmonize improvement measures (use of similar measures) across all regions. This will enable us to better identify best-practice approaches and use our strengths more effectively globally.

In the third quarter of 2012, we intend to unlock the last element of the SCALE process (see the chapter "Our product business" —— *starting on page 79*), a system which enables us to check the availability of products for the worldwide market, except the U.S. As soon as the area manager or customer service enters the order, the system gives them feedback whether the article is available at the central warehouse in Biebesheim. At the same time, an appropriate allocation of goods is reserved for the requestor.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our international network of almost 2,900 dialysis clinics in approximately 40 countries is the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we understand that high quality is not only the key to a better quality of life for patients, but that it can also make a significant contribution to reducing the costs of healthcare. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail below.

Industry-specific opportunities

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach around 2.3 M in 2012 and approximately 3.8 M by 2020. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, these include the aging population and the increasing incidence of diabetes and hypertension, two illnesses which frequently precede the onset of chronic kidney failure. In developing and emerging countries, the expanding population and an increase in wealth are key factors that boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment and in what form depends on the healthcare system of the country in which they operate and its legal framework. For Fresenius Medical Care, opportunities to tap new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers. These decisions are increasingly influenced by the following factors:

▸ In many countries, the resources for financing, managing and providing healthcare services are becoming ever scarcer. This situation has worsened as a result of the financial and economic crisis.

▸ At the same time, healthcare systems face the challenge of providing their population with increasingly comprehensive medical services. This is due to longer life expectancy and the associated increase in concomitant diseases or because fully-functioning healthcare provision is still being established.

▸ Dialysis is a complex life-sustaining procedure, which places high demands on a healthcare system in terms of expertise and efficiency.

For these reasons, public healthcare providers are increasingly looking to work with private providers to develop high-quality, sustainable healthcare solutions for patients with chronic kidney failure. This constitutes a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by doctors in private practice, hospitals, and nonprofit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers. These are facilities for outpatient care managed by doctors with different areas of expertise who are employed as salaried physicians. At the end of 2011, the Company was involved in ten medical care centers (2010: eight). As an experienced partner, we want to continue to support our customers when it comes to setting up new structures in the German healthcare system, and take advantage of the opportunity to strengthen our business in the long term. In Japan, where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term if these are approved as clinic operators in Asia's largest dialysis market.

Public private partnerships

In some countries, public private partnerships (PPP) promise to be an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners assume a specified share of the financing, tasks, risks, and opportunities. Here, too, our broad expertise in dialysis gives us a competitive edge, as it enables us to prepare suitable offers for various levels of care for hospitals, health insurances, local or national authorities. Depending on the contract, we can set up new dialysis clinics and install the equipment, train medical personnel on quality, hygiene and nutrition or manage the clinics ourselves on the terms agreed. PPP therefore offers an opportunity for both partners: The public sector benefits from private investments in a dialysis infrastructure based on high standards of treatment, from the transfer of knowledge on quality, technology and management issues, and from the operational efficiency of a global dialysis company, helping it to provide patients with better and, at the same time, more cost-effective healthcare. In turn, Fresenius Medical Care can tap new markets, expand its market share, and extend its range of products and services with new forms of healthcare thanks to the PPP model. Partnerships of this type can also be the first step towards complete privatization. We are already part of PPP initiatives in Italy, Croatia, Bosnia, Portugal, South Africa and the Philippines; we are also planning further projects in Turkey, Indonesia and Australia. The relevant contracts are tailored to the respective needs of the partners involved as well as to the local legal conditions.

2.10
Outlook

Growing demand for integrated healthcare

Cost pressures on the one hand and the growing number of patients on the other are causing an increase in global demand for a comprehensive – or integrated – healthcare concept for patients with chronic kidney failure. This is based on the following principle: All healthcare services and therapies associated with the treatment of a kidney patient – possibly going even one step further to include the treatment of concomitant diseases – are combined to create an integrated program that is tailored to the individual requirements of the patient and the needs of the insurer. Depending on the contract and which elements a healthcare system prescribes as part of basic treatment, this can involve, for example, special medical tests, drugs for kidney patients, the insertion and medical supply of the vascular access connecting a patient to the dialysis equipment (vascular access management), or the patient's travel to and from the dialysis center in addition to dialysis itself. This comprehensive care from a single source improves the way in which the different stages of treatment are coordinated and controlled, minimizes complications and thereby avoids additional stays in hospital, which are a significant burden for patients, as far as possible. As a consequence, the patient's quality of life and the quality of treatment increase, while the overall costs of the treatment decrease.

Payors increasingly no longer reimburse the components of this type of holistic treatment separately but combined in a "service bundle", which is linked to contractually defined, measurable treatment targets on which the dialysis provider must submit regular reports (pay for performance). These quality parameters are generally based on national and international guidelines on good treatment practice for kidney patients and in some cases even exceed them. Failure to meet these criteria results in measures ranging from a reduction in the reimbursement to a full withdrawal of the license.

Integrated healthcare using the pay-for-performance model offers opportunities for all those involved: Dialysis patients can enjoy a sustainably improved quality of life; pooling healthcare provision with a single provider reduces the overall costs of treatment as resources are used more efficiently and makes these costs easier to control and calculate for the public sector and for health insurers; dialysis providers can in turn expand their range of offers by providing the additional services required by the contract.

Fresenius Medical Care is particularly well placed to offer integrated treatment programs on a high level of quality for chronically ill kidney patients for several reasons:

▸ As a manufacturer of leading dialysis products and an operator of the largest international dialysis clinic network worldwide, we have long-standing experience in providing comprehensive care for dialysis patients.

▸ Thanks to the high quality and reliability of our products and services, we enjoy a very good reputation in the industry.

▸ We use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvements.

Our first positive experience of quality-based healthcare models with flat-rate reimbursement was in Portugal, where this type of system was implemented in 2008. We are also reimbursed under the pay-for-performance principle for some of our patients in Argentina. At the beginning of the previous year, we concluded a cooperation agreement with the health authorities of the Spanish region of Murcia to provide around 200 dialysis patients with complete care. This contract, the first of its kind in Spain, is set to take effect in mid-2012 and will run for an initial period of six years. Further information on integrated healthcare and reimbursement, including the new bundled reimbursement system in the U.S., can be found in the "Health and reimbursement systems" section —— *starting on page 53*.

Opportunities related to our business operations

Horizontal expansion of our portfolio

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy —— see page 39 and the general trend towards integrated healthcare (see above), they offer the Company further opportunities for growth.

Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism – both of which are consequences of chronic kidney failure. In 2011, the market volume of dialysis drugs should have amounted to about $9.3 BN, based on data from the market research institution IMS MIDAS® and our own internal estimates. The majority of this is allotted to a few drug classes. Approximately $6.1 BN, representing almost two thirds of the total market for dialysis drugs, is generated with Erythropoesis-stimulating agents for treating anemia. We source them i.e. from the American company Amgen and its partners. Phosphate binders used to control bone metabolism, on the other hand, are produced in-house, both for use in our own dialysis centers as well as for distribution to third parties. The market volume of phosphate binders was about $1.5 BN in the previous year. We produce intravenous iron compounds for the treatment of anemia as part of a joint venture with Galenica – Vifor Fresenius Medical Care Renal Pharma Ltd. We also use them in our own dialysis centers and distribute them to third parties. The market volume of intravenous iron compounds such as these amounted to around $1 BN in 2011, of which around half is for the treatment of kidney disease.

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics is no longer sufficient to treat all patients, home therapies look set to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. As a result, we are expanding our expertise in peritoneal dialysis with high-quality products and treatment programs as well as acquisitions —— see page 35 and in the glossary —— on page 164. Sorbent technology already provides us with a key method for other forms of home therapy: home hemodialysis and the wearable artificial kidney, which an international team is currently developing in a long-term project —— see page 35. We use sorbents to make simple tap water suitable for use in dialysis and to recycle dialysis solution. These are major prerequisites for providing dialysis outside of medical healthcare facilities. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – increasingly also with the aim of best meeting the demand for integrated care.

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Outlook

Internal organization and procedures

The organization and management of its operational business presents Fresenius Medical Care with a series of opportunities that will help to improve the Company's success in the long term. For example, we use the Lean Management and Six Sigma management methods to analyze and better coordinate our production processes worldwide in order to further reduce both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for example by saving resources; see the chapter "Our product business" —— *starting on page 79*.

In 2010, we reorganized our global production in the Global Manufacturing Operations (GMO) unit and created a corresponding position on the Management Board; further details can be found —— *starting on page 79*. We believe that by establishing an integrated production network and harmonizing quality management and supply chain management we will be able to:

- further increase the efficiency of our processes,
- better manage risks, and therefore costs,
- improve returns on the capital that we invest in manufacturing.

Acquisitions

By expanding our global network of clinics through acquisitions as well as procuring know-how and relevant technologies in the area of research and development, we are investing in our future growth. The close collaboration between our strategy and planning departments and the managers responsible for our acquisitions ensures that we are able to identify suitable potential acquisitions worldwide as early as possible. Further information on our acquisitions in the year under review can be found in the section "Acquisitions and divestitures" —— *on page 54* and in the chapter "Financial situation" —— *starting on page 64*.

Business model of Fresenius Medical Care

Finally, our business model also provides opportunities for the future growth of our Company. As a vertically integrated dialysis company, we not only offer almost all of the products and services that a patient with chronic kidney failure requires for treatment, we also use these on a daily basis in our own clinics. Consequently, we benefit from the feedback of patients, physicians and nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management.

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

Chapter 2.11

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term corporate strategies, solid financial management, strict adherence to legal and ethical business standards, and transparency in the communication of the Company are key factors.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA hereinafter report pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) and to section 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) on the Company's corporate governance.

The Declaration on Corporate Governance is permanently publicly available on the Company's website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration on Corporate Governance.

DECLARATION ON CORPORATE GOVERNANCE

Group Management and Supervision Structure

The legal form of Fresenius Medical Care is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). In this legal form, the most important bodies of the Company are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In 2011, there were no significant changes to the Group's management and supervision structure. The group management and supervisory structure is also displayed in the chart 2.11.1.

The Articles of Association of Fresenius Medical Care, which specify the responsibilities of the bodies of the Company, are available online at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association.

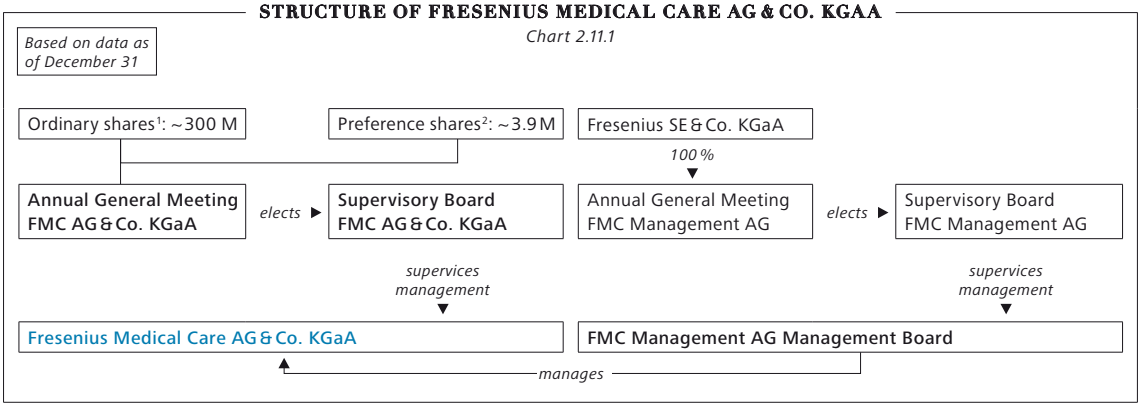
Fresenius Medical Care aims for a corporate governance that ensures the highest transparency possible. The Management Board of the General Partner manages the business of the Company. In addition to the Company's Supervisory Board, Fresenius Medical Care Management AG has its own Supervisory Board.

Functioning of the Management Board and the Supervisory Board as well as Composition and Functioning of their Committees

The German Stock Corporation Act prescribes a dual management system for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares (KGaA) consisting of a management body and a supervisory board. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the

STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA

Chart 2.11.1



[1] ~70 % Free Float, ~30 % Fresenius SE & Co. KGaA
[2] 100 % Free Float
FMC = Fresenius Medical Care

case of Fresenius Medical Care AG & Co. KGaA, this is Fresenius Medical Care Management AG, whose Management Board is responsible for conducting the business activities of the KGaA. The Management Board is responsible for managing the Company. The Supervisory Board is responsible for supervising and advising the Management Board and it is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation and are strictly separated from one another. Both companies, Fresenius Medical Care AG & Co. KGaA and Fresenius Medical Care Management AG, have their own Supervisory Boards.

Bodies of the General Partner

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board is responsible for managing the Company and conducting the Company's business. Its actions and decisions are directed towards the interests of the Company. Within the scope of filling managerial positions, the Management Board considers diversity and especially female representation in terms of selection from professionally qualified candidates. About one third of the participants of our stock option programs, which are reserved for managers, are female. In the year under review, the Management Board of the General Partner was composed of seven members.

In addition to observing legislation, the Articles of Association and the principles as explained herein, the General Partner's Management Board conducts the business activities of the Company in accordance with the applicable rules of procedure within the meaning of section 4.2.1 Sentence 2 of the German Corporate Governance Code. These rules of procedure define the principles of cooperation and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. Deliberations of the Management Board are conducted by the Chairman of the Management Board or, if the latter is unavailable, by the Board member responsible for commercial matters or, if the latter is also unavailable, by the Board member who is the senior-most member in age of the Board members present. The Chairman determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members.

The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least once a month. In practice, meetings of the Management Board generally take place twice a month.

In various cases, the rules of procedure require the Management Board of the General Partner to obtain the prior consent of the Supervisory Board or the competent Supervisory Board committee of the General Partner.

The members of the Management Board and their areas of responsibility are introduced in the notes to the annual financial statement for the fiscal year 2011 of the Fresenius Medical Care AG & Co. KGaA (the notes) under "Management Board of the General Partner Fresenius Medical Care Management AG" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Management Board and —— *starting on page 16*.

As a stock corporation (Aktiengesellschaft), Fresenius Medical Care Management AG as General Partner also has its own Supervisory Board consisting of six members, which is chaired by Dr. Ulf M. Schneider. In the year under review, the members of the Supervisory Board have been newly elected by the Annual General Meeting. According to the resolution passed in this respect, Dr. Ulf M. Schneider (Chairman), Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, William P. Johnston, Dr. Gerd Krick and Dr. Walter L. Weisman are members of the Supervisory Board of Fresenius Medical Care Management AG since the conclusion of the Annual General Meeting on July 7, 2011. Mr. John Gerhard Kringel, former member of the Supervisory Board, has resigned from the Supervisory Board on conclusion of the Annual General Meeting on July 7, 2011. Further information

on the members of the Supervisory Board can be found within the scope of information provided with regard to the members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board. In addition to this, for the year under review the following information is provided with regard to Dr. Schneider:

Dr. Ulf M. Schneider
Chairman of the Management Board of Fresenius SE (until the change of legal form on January 28, 2011)
Chairman of the Management Board of Fresenius Management SE

Supervisory Boards
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Medical Care Group France S.A.S., France (Chairman)
Fresenius Kabi España S.A., Spain
Fresenius HemoCare Netherlands B.V., The Netherlands

Others
APP Pharmaceuticals, Inc., U.S. (Board of Directors)
Fresenius Kabi Pharmaceuticals Holdings, Inc., U.S. (Board of Directors; until February 24, 2011)
FHC (Holdings), Ltd., Great Britain (Board of Directors)

The Supervisory Board of Fresenius Medical Care Management AG appoints the members of the Management Board and supervises and advises the General Partner's Management Board in its management responsibilities. In accordance with section 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure. The basis for the independence of the General Partner's Supervisory Board is ensured by a Pooling Agreement to which Fresenius SE & Co. KGaA has acceded. According to the Pooling Agreement, at least one third (and at least two) of the members of the General Partner's Supervisory Board must be independent members. As defined by the Pooling Agreement, an "independent member" is a member of the Supervisory Board with no substantial business or professional relationship with Fresenius Medical Care AG & Co. KGaA, its General Partner, Fresenius SE & Co. KGaA (formerly Fresenius SE), or its General Partner Fresenius Management SE, or any affiliates of these companies.

Supervisory Board of the Company

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA advises and supervises the business activities as conducted by the General Partner and performs the other duties assigned to it by law and by the Articles of Association. It is involved in strategy and planning as well as all matters of fundamental importance for the Company.

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA consists of six members. In the year under review, the members of the Supervisory Board have been newly elected by the Annual General Meeting. According to the resolution passed in this respect by the Annual General Meeting, Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, Prof Dr. Bernd Fahrholz, William P. Johnston and Dr. Walter L. Weisman are members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA since the conclusion of the Annual General Meeting on May 12, 2011. Mr. John Gerhard Kringel, former member of the Supervisory Board, has resigned from the Supervisory Board on conclusion of the Annual General Meeting on May 12, 2011. Further information on the members of the Supervisory Board can be found in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 157.*

All six members of the Supervisory Board are elected by the General Meeting according to the provisions of the German Stock Corporation Act (Aktiengesetz, AktG). Such resolution of the General Meeting requires a majority of at least three quarters of the votes cast. Fresenius SE & Co. KGaA is excluded

from voting on this issue (further explanations on this matter can be found under "Further Information regarding Corporate Governance" in the section titled "Shareholders"). When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest and diversity. This includes the aim to establish an appropriate female representation on a long-term basis. As the composition of the Supervisory Board needs to be aligned with the interests of the enterprise and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. However, in the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. Therefore, the Supervisory Board has overall refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the Corporate Governance Report. Accordingly, non-compliance is declared in the declaration of compliance of the 2011 financial year insofar. The declaration of compliance is included hereinafter, and can also be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

There is a strict separation between the members of the Supervisory Board and those of the Management Board: simultaneous membership in both the Supervisory Board and the Management Board is not compatible with the law. In the year under review, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA did not include any members who were also members of the General Partner's Management Board during the previous two years. The members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of third parties. The body is comprised of a sufficient number of independent members, five in total, who do not have any business or personal relationship with the Company or its Management Board. Details on the treatment of potential conflicts of interests are set out in the section "Avoidance of Conflicts of Interests" below.

The term of office of the members of the Supervisory Board is five years; the current term of office ends on conclusion of the General Meeting for 2016.

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in Articles 8 et seq. of the Company's Articles of Association, which can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. According to clause 5.1.3 of the German Corporate Governance Code, the Company's Supervisory Board has furthermore adopted rules of procedure which set out, among other things, the modalities for convening meetings and the manner in which resolutions are adopted. Accordingly, the Supervisory Board meets at least twice per calendar half year. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by his deputy, who also determines the order of the agenda items and the type of voting. As a rule, the Supervisory Board decides by simple majority of votes cast unless other majorities are prescribed by a mandatory provision of law. The Chairman of the Supervisory Board is responsible for coordinating and directing the Supervisory Board and represents the Supervisory Board vis-à-vis third parties.

In addition, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA has established committees as further specified below. The members of the Supervisory Board regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out show that each of the Supervisory Board and the committees are efficiently organised and that the co-operation of the Supervisory and Management Boards of the General Partner works very well, too.

The members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA regularly update themselves via in-house sources and via external sources about the current status of supervisory requirements. In addition to information provided to them by several external experts, also experts of the Company's departments regularly provide reports about relevant developments, such as -for example- relevant new developments in the revision of legal rules or in jurisprudence and also about recent developments in regulations on accounting according to U.S. GAAP and IFRS. In this way, the Supervisory Board, with the Company's reasonable assistance, ensures an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, which is required for the Supervisory Board including its committees to duly perform their tasks.

In the year under review, five meetings of the Supervisory Board – partly lasting for several days – and one telephone conference have taken place. Significant discussion topics have been questions of financing, effects of the new cost reimbursement system in the U.S., matters relating to the long-term incentive effects in the compensation systems for leading executives and for the members of the Management Board, the elections to the Supervisory Board in the year under review and the effects of the worldwide economic situation on opportunities and risks for the development of the Company's business.

Further details about the aforementioned members' memberships in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board.

Committees of the Supervisory Boards

A) Committees of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA

From the midst of its members, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA forms two standing committees, the Audit and Corporate Governance Committee and the Nomination Committee. Furthermore, there is a Joint Committee consisting of two members from each the Supervisory Board of the Company and the Supervisory Board of the General Partner.

Audit and Corporate Governance Committee

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA established an Audit and Corporate Governance Committee. During the year under review Dr. Walter L. Weisman (Chairman), Prof. Dr. Bernd Fahrholz, Dr. William P. Johnston and Dr. Gerd Krick were members of this Committee.

The Audit and Corporate Governance Committee assists and advises the Supervisory Board of the Company and performs the duties incumbent on it by law and in accordance with the German Corporate Governance Code. Without prejudice to the responsibilities of the Supervisory Board, it also reviews the report of the General Partner on relationships with affiliated companies. In addition, the Audit and Corporate Governance Committee examines the report according to Form 20-F, which in addition to other disclosures includes the consolidated financial statements and the Group management report.

With the consent of the Supervisory Board of the Company, the Audit and Corporate Governance Committee adopted rules of procedure. The rules of procedure of the Audit and Corporate Governance Committees provide that between three and five members may belong to this Committee. At least two of the members must be independent pursuant to the Articles of Association of the Company, which means that, apart from their membership in the Supervisory Board of the General Partner, they do not have any substantial business, professional or personal relationship with the Company or any of its affiliates. The question of independence is assessed solely by the Supervisory Board of the Company, with such independence as a rule being assumed

where the member in question satisfies the requirements for independence pursuant to section 100 (5) of the German Stock Corporation Act and those of the New York Stock Exchange. Furthermore, members of the Audit and Corporate Governance Committee are required to possess expert knowledge in the finance and accounting sector.

The members of the Audit und Corporate Governance Committee Dr. Weisman, Prof. Dr. Fahrholz, Mr. Johnston and Dr. Krick are to be regarded as independent members and possess expert knowledge in the finance and accounting sector. The members were appointed to the Committee based on their specialist knowledge, their independence and their experience. The Audit and Corporate Governance Committee convenes as circumstances require, but at least four times a year in any case. Meetings of the Audit and Corporate Governance Committee are conducted by a chairman who is to be appointed for this purpose in each case and who should not be a former member of the Management Board of the Company. A quorum of the body is constituted by the majority of its members. Subsequent to the meetings, the Audit and Corporate Governance Committee reports regularly through its chairman to the Supervisory Board of the Company and together with the latter addresses issues falling under the responsibility of the committee. In consultation with the Audit and Corporate Governance Committee, the Supervisory Board proposed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual financial statements for the year under review.

Nomination Committee

In the year under review, the Company's Nomination Committee included Dr. Gerd Krick (Chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk and thus two independent members. The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Company's Supervisory Board for the latter's nomination proposals to the General Meeting. In the year under review, the Nomination Committee has submitted concrete proposals to the Supervisory Board with regard to the election of new members of the Supervisory Board.

Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 157*.

Joint Committee

Furthermore, Fresenius Medical Care AG & Co. KGaA already in 2006 established a Joint Committee whose composition and activity are provided for in Articles 13a et seq. of the Articles of Association of the Company; these provisions can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. The Joint Committee is convened only as required, namely in cases of certain legal transactions predefined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of this body.

The Joint Committee is composed of two members of the Supervisory Board of the General Partner and two members of the Supervisory Board of the Company, with the chairman of this body being appointed by the General Partner. For the General Partner, Dr. Ulf M. Schneider and Dr. Gerd Krick have been named as members of the Joint Committee. By resolution of May 12, 2011, the General Meeting of the Company furthermore appointed Dr. Walter L. Weisman and William P. Johnston as members of the Joint Committee for Fresenius Medical Care AG & Co. KGaA. Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 157*.

The Committee constitutes a quorum if at least three members are attending a meeting. As a rule, resolutions are adopted by simple majority of votes. When the Joint Committee has met, it reports to the General Meeting on its work; in this regard, section 171 (2) sentence 1 and sentence 2 (first half-sentence) as well as section 176 (1) sentence 1 of the German Stock Corporation Act apply mutatis mutandis. If resolutions have been adopted by the second vote being cast by the chairman, this fact must be disclosed in the report of the Joint Committee.

In the year under review, the Joint Committee was not convened as the requirements for a meeting have not been fulfilled.

B) Committees of the Supervisory Board of the General Partner

Furthermore, at the level of the Supervisory Board of the General Partner, Fresenius Medical Care Management AG, further Committees have been in place. The purpose of these committees is to raise the efficiency of the Supervisory Board's work and to deal with special issues of a complex nature, such as the composition and compensation of the Management Board, the Supervisory Board candidate proposals as well as regulatory requirements and reimbursement of services in the dialysis field. These committees act only in a consulting capacity. In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick, Mr. William P. Johnston and Dr. Walter L. Weisman. In 2011, members of the Regulatory and Reimbursement Assessment Committee initially were Mr. William P. Johnston (Chairman), Mr. John Gerhard Kringel and Dr. Dieter Schenk. After the resignation of Mr. Kringel, Mr. Rolf A. Classon has become a new member of the Regulatory and Reimbursement Assessment Committee since September 2011. In the year under review, the General Partner's Nomination Committee included Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick (Vice Chariman) and Dr. Walter L. Weisman, and thus with the two latter members two independent members.

The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Company's Supervisory Board for the latter's nomination proposals to the General Meeting. In the year under review, the Nomination Committee has prepared concrete proposals with regard to the recent election of new members of the Supervisory Board and has submitted the proposal to the Supervisory Board.

Further details about the aforesaid members' membership in other statutory Supervisory Boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company/Management/Supervisory Board and —— *on page 157.*

Co-operation of General Partner and Supervisory Board of the Company

Good corporate governance requires an efficient co-operation between the management and the Supervisory Board on the basis of mutual trust. The General Partner and the Supervisory Board of the Company work together closely in the Company's interest: their joint goal is to increase the Company's value in the long term in compliance with the corporate governance principles and compliance regulations. The General Partner regularly informs the Company's Supervisory Board about all relevant issues regarding business policy, corporate planning and strategic enhancement, about the profitability of the Company as well as the development of business and the Group's position including an assessment of the risk situation. In the expired fiscal year, the Supervisory Board regularly advised the Company's management, i.e. the Management Board of the General Partner, on the Company's management supervising it in line with its responsibility as Supervisory Board of the partnership limited by shares.

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Compliance

Global business activities result in global responsibility. As the global market leader in dialysis, Fresenius Medical Care is aware of its responsibility.

We are committed to conduct the Company's business activities in compliance with local laws and regulations. We seek to demonstrate professionalism, honesty and integrity in the business relationships with our patients, customers, suppliers and other business partners, with the public authorities and the payors within the healthcare system, with our employees, shareholders and the general public.

For us, compliance means adhering to defined ethical and legal guidelines as part of our business activities. Observing compliance guidelines is an integral part of our corporate culture. We have implemented Fresenius Medical Care's compliance program in all of our business regions. Thus, our compliance guidelines apply to all our subsidiaries.

Our compliance program comprises of a code of conduct that has been approved by the Management Board. The code of conduct applies worldwide in every business section and combines our long-term interests with those of our partners. It describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies.

The code of conduct is based on the core values of our Company: quality, honesty and integrity, innovation and improvement, respect, teamwork and dignity. Our corporate culture and policy as well as our entire business activities are guided by these values. Each employee is called on to ensure, by complying with the laws as well as the guidelines and rules of the code of conduct, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the healthcare system for patients, customers, suppliers, public authorities and the general public.

All employees have the possibility of reporting suspected violations of applicable laws or company policies. Information on violations may also be provided anonymously.

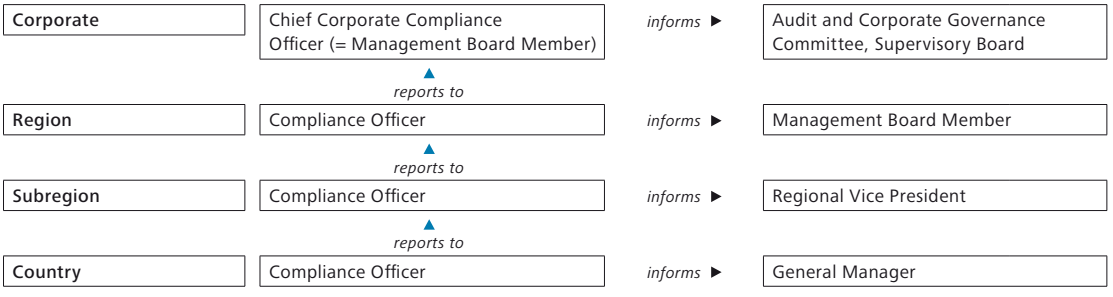
Further details can be obtained from the code of conduct published on the website of the Company at www.fmc-ag.com in the section Our Company/Compliance/Code of Conduct.

In his capacity as the Chief Corporate Compliance Officer, the member of the Management Board responsible for compliance regularly provides a compliance update to the Audit and Corporate Governance Committee of Fresenius Medical Care AG & Co. KGaA and to the Supervisory Board of Fresenius Medical Care Management AG.

We continued our compliance training activities in 2011. As part of this training, local compliance officers were given the opportunity at conferences to exchange their experiences with the compliance officers from their respective business regions. As the chart below shows, these officers are assigned a key role: They are responsible that each employee is informed about our code of conduct and its goals. At the same time, they are responsible for related training measures. Compliance officers act as contacts for our employees and can be reached via special

ORGANIZATIONAL STRUCTURE OF THE COMPLIANCE PROGRAM

Chart 2.11.2



telephone numbers or by e-mail. Of course, our local compliance officers can also be approached in person.

In 2011, we strengthened the network and global cooperation within our compliance organization and promoted the exchange of company-wide compliance topics by hosting our compliance conferences in several regions.

In addition, we have leveraged current resources to strategically strengthen our compliance program through initiatives like online employee training and increased communication within the Company.

Risk and Opportunity Management

At Fresenius Medical Care, a comprehensive management system is in place to ensure that risks and opportunities are identified at an early stage, optimizing the risk profile and minimizing the costs related to these risks through timely intervention. Our risk management is an integral component of our day-to-day business and is reviewed on a regular basis. Our internal control system is reviewed on a regular basis by the Management Board and by internal auditors.

Further information about the risk and opportunity management system, our internal control system and the compliance program is to be found in the risk management section of the management report as well as on the internet under www.fmc-ag.com in the section Investor Relations/Publications 2011/Financial Statements according to German law (HGB) and —— *starting on page 107*.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE FOR THE FISCAL YEAR 2011

The German Corporate Governance Code includes key recommendations for the management and supervision of companies listed on a German stock exchange with the aim of making the rules for managing and supervising companies in Germany more transparent for investors. The code is also intended to enhance the trust of the public as well as that of employees and customers in the management and supervision of listed stock corporations.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA endorse the principles set forth in the German Corporate Governance Code. The majority of the guidelines, recommendations and suggestions in the code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company. Comprehensive information regarding corporate governance is available on our website at www.fmc-ag.com in the Investor Relations section. After having published an amended interim Declaration of Compliance in June 2011, Fresenius Medical Care submitted the Declaration of Compliance required annually by section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) in accordance with the recommendations of the German Corporate Governance Code as amended on May 26, 2010 and made it permanently available to its shareholders on the Company's website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance. Fresenius Medical Care AG & Co. KGaA has complied and complies with the aforementioned recommendations specified by the German Corporate Governance Code. Only the recommendations mentioned in the following Declaration of Compliance have not been or are not being applied:

Declaration by the Board of Management of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA on the German Corporate Governance Code in accordance with Art. 161 German Stock Corporation Act (AktG)

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA and the Board of Management of its General Partner (hereinafter referred to as the "Board of Management") declare that the recommendations of the "German Corporate Governance Code Government Commission", published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version as of May 26, 2010 have been met since issuance of the previous declaration in June 2011 and will continue to be met. The following recommendations are the only ones that have not been applied and are not being applied, respectively:

Code clause 4.2.3 para. 4 "Severance Payment Cap"

According to clause 4.2.3 para. 4 of the Code, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the entire past financial year and if appropriate also the expected total compensation for the current financial year.

The employment contracts with the members of the Management Board do not contain severance payment arrangements for the case of premature termination of the contract without serious cause. Such severance payment arrangements would be contrary to the concept practiced by Fresenius Medical Care in accordance with the German Stock Corporation Act, according to which employment contracts of the members of the Management Board are, in principle, concluded for the period of their appointment. Therefore, a premature termination of the employment contract in principle requires a serious cause.

Code clause 5.1.2 para. 2 sentence 3 "Age limit Management Board"

According to clause 5.1.2 para. 2 sentence 3 of the Code an age limit shall be specified for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determining an age limit for members of the Management Board in the future since this would limit the selection of qualified candidates.

Code clauses 5.4.1 para. 2 and para. 3 "Specification of concrete objectives regarding composition of the Supervisory Board and their consideration in making recommendations to the competent election bodies"

According to clause 5.4.1 para. 2 and 3 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition and recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives specified by the Supervisory Board and the status of implementation shall be published in the Corporate Governance Report. Fresenius Medical Care does not comply with these recommendations.

As the composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest and diversity. This includes the aim to establish an appropriate female representation on a long-term basis.

However, in the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. As the next regular elections of the Supervisory Board will take place in the year 2016, reasonably a report on implementation of the general declaration of intent can not be made till then.

Bad Homburg, December 2011

Fresenius Medical Care AG & Co. KGaA
Supervisory Board and Management Board
(of Fresenius Medical Care Management AG)

This and all previous declarations of compliance are permanently available pursuant to section 3.10 of the German Corporate Governance Code on our website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

FURTHER INFORMATION REGARDING CORPORATE GOVERNANCE

Shareholders

Company shareholders exercise their rights and voting powers in the General Meeting. Each ordinary share of Fresenius Medical Care AG & Co. KGaA entitles the holder to one vote at the General Meeting. The preference shares of Fresenius Medical Care AG & Co. KGaA do not grant any voting rights. As compensation, preference shareholders receive a preference in earnings distribution and a higher dividend. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review), respectively, its sole shareholder, Fresenius SE & Co. KGaA, can exercise at the General Meeting the voting rights connected with the ordinary shares it holds in Fresenius Medical Care AG & Co. KGaA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the Management.

General Meeting

According to the principles of the German Stock Corporation Act (Aktiengesetz), shareholders can exercise their voting rights at the Annual General Meeting themselves, by proxy via a representative of their choice, or by a company-nominated proxy acting on their instructions. Proxy voting instructions to a company nominee can be issued before and during the Annual General Meeting until the end of the open discussion period.

In the year under review, the Annual General Meeting of Fresenius Medical Care AG & Co. KGaA took place on May 12, 2011 in Frankfurt/Main (Germany). More than 79% of the ordinary share capital and approximately 2.2% of the preference share capital were represented. In 2010, more than 75% of the ordinary share capital and about 2.2% of the preference share capital were represented at the Annual General Meeting. All shareholders who were not able to participate had the possibility to follow the speech of the Chairman of the Management Board live on the internet. At the Annual General Meeting, resolutions were passed on the following topics:

- approval of the annual financial statements for the fiscal year 2011,
- allocation of distributable profit,
- approval of the actions of the General Partner and the Supervisory Board,
- approval of the revised system of remuneration of the Management Board members of the General Partner,
- election of the auditors and consolidated group auditors for the fiscal year 2011,
- modification of the remuneration of the Supervisory Board and its committees,
- cancellation of conditional capitals,
- authorization to grant options to senior executives as part of a new stock option program as well as the creation of a conditional capital and corresponding amendments to the Articles of Association,
- elections to the new Supervisory Board and to the Joint Committee, as well as
- resolution on the authorization to purchase and use treasury shares.

All documents and information about the General Meeting and in particular the voting results and the speech of the Chairman of the Management Board are available on our website at www.fmc-ag.com in the section Investor Relations/Annual General Meeting.

Avoidance of conflicts of interests

When making decisions and in connection with the tasks and activities performed by them, the members of the Management Board of the General Partner and of the Supervisory Board of Fresenius Medical

Care AG & Co. KGaA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any outside activities or business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting about possible conflicts of interests and how to deal with them. Furthermore, in the year under review, without a change, the Chairman of Fresenius Medical Care Management AG's Management Board, Dr. Ben J. Lipps, remained, with the approval of Fresenius Medical Care Management AG's Supervisory Board, at the same time a member of the Management Board of Fresenius SE, and after the change of the legal form of Fresenius SE to Fresenius SE & Co. KGaA became effective on January 28, 2011, also became a member of the Management Board of Fresenius Management SE. The members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA Dr. Krick (Chairman) and Dr. Schenk (Vice-Chairman) were, in the year under report, also members of the Supervisory Board of Fresenius Medical Care Management AG and of the Supervisory Board of Fresenius SE. After effectiveness of the change of the legal form of Fresenius SE to Fresenius SE & Co. KGaA on January 28, 2011, both are now members of the Supervisory Board of Fresenius Management SE, the general partner of Fresenius SE & Co. KGaA. Dr. Krick is also a member of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Schenk continues to be chairman of the administrative board of the Else-Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & Co. KGaA, and co-executor of the estate of Mrs. Else Kröner. Dr. Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the Management Board of the company. During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company existed only in the case of Dr. Schenk, who was in 2011 a member of the Supervisory Board of our Company and of the Supervisory Board of Fresenius Medical Care Management AG, a member of the Supervisory Board of Fresenius SE (until effectiveness of the change of legal form into Fresenius SE & Co. KGaA, on January 28, 2011), of Fresenius Management SE and, at the same time, a partner of the internationally operating law firm Noerr LLP. The law firm Noerr acted for the enterprise as legal advisor during fiscal year 2011. As regards specific mandates for future services to be provided by law firm Noerr and as regards the first three quarters of the year under review, the Supervisory Board has already given its consent to such activity, with Dr. Schenk abstaining from the vote. Any services rendered by such law firm in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2012.

In the year under review, 2011, an amount of €1,386,241.46 (plus VAT) was paid by Fresenius Medical Care to law firm Noerr. This represents less than 4% of Fresenius Medical Care's worldwide legal and other consultancy fees.

In the year under review, there were no relevant conflicts of interests of members of the Management and Supervisory Boards required to be disclosed to the Supervisory Board without undue delay.

Information on Directors' Dealings and shareholding

According to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), members of the Management and Supervisory Boards or other employees in management positions are required to inform the Company when buying or selling shares in Fresenius Medical Care and related financial instruments if the volume exceeds €5,000 within a single year. During fiscal year 2011, we received a total of four disclosures according to section 15a of the German Securities Trading Act, on which further information is provided in table 2.11.3.

In accordance with applicable regulation, we have published these disclosures on our website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Directors' Dealings/Single Dealings; the disclosures are also set out in the "Annual Document" under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Article 10 of the Securities Prospectus Act (WpPG) 2011.

Transparency of our Reporting

Fresenius Medical Care meets all transparency requirements imposed by section 6 of the German Corporate Governance Code. We attach special importance to informing our shareholders simultaneously and uniformly about our Company in our regular financial reporting events. Ad hoc releases and our corporate website play an essential role in

DIRECTOR'S DEALINGS 2011

Table 2.11.3

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
March 16, 2011	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: March 15, 2011 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €46.47 Quantity: 3,024 Amount: €140,537.37 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
May 20, 2011	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: May 19, 2011 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €49.303 Quantity: 97,846 Amount: €4,824,101.34 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
June 10, 2011	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: June 9, 2011 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €49.996227 Quantity: 30,469 Amount: €1,523,335.04 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
June 10, 2011	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Prof. Dr. Bernd Fahrholz, Member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA	Date of Transaction: June 3, 2011 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Share purchase Quotation/Price per Share: €49.513 Quantity: 3,000 Amount: €148,539.00 Place: XETRA

these efforts. They provide investors and other interested persons equally with direct and timely access to the information we release.

All ad hoc releases as well as other news are published on the website of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations/News. We keep our shareholders informed of key dates on the website of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations/Financial Calendar.

Financial accounting and audit, stock exchange listing

Fresenius Medical Care prepares its consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) and in U.S. dollars. In line with this, the consolidated financial statements as well as the interim consolidated quarterly reports are also prepared in accordance with these principles. The consolidated financial statements are published within the first 90 days of the end of each fiscal year, and the quarterly reports within the first 45 days of the end of each quarter.

As required by law, consolidated financial statements and a Group management report as well as quarterly reports continue to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The annual financial statements and the management report of Fresenius Medical Care AG & Co. KGaA are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The annual financial statements are decisive for the distribution of the annual profit.

Moreover, an annual report of Fresenius Medical Care, which equally reflects the requirements of U.S. GAAP and the German Commercial Code, is published each year.

Fresenius Medical Care shares are listed on the stock exchange in the U.S. (as American Depositary Receipts) and in Germany. We are therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of our Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, we comply with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code, a body of regulations that may be voluntarily adopted. On the other hand, being a non U.S. company (a "foreign private issuer") we are subject to the regulations connected to our listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. We fully meet all of the current requirements applicable to our Company.

Fresenius Medical Care's declaration concerning significant differences between the systems of corporate governance in Germany and the U.S. – which is based on the listing standards of the New York Stock Exchange – can be accessed on the internet under www.fmc-ag.com in the section Investor Relations/Corporate Governance/NYSE-Declaration.

COMPENSATION REPORT

Compensation of the Management Board

The compensation report of Fresenius Medical Care AG & Co. KGaA summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Medical Care Management AG as general partner of Fresenius Medical Care AG & Co. KGaA and in this regard notably explains the amounts and structure of the compensation paid to the Management Board. The compensation report is part of the group management report. The compensation report is prepared on the basis of the recommendations made by the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code (HGB).

The entire Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee, the Human Resources Committee. In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick (Vice Chairman), William P. Johnston and Dr. Walter L. Weisman.

I. Structure and amount of compensation

The Management Board compensation system was reviewed by an independent external compensation expert at the beginning of the year under review and submitted to Fresenius Medical Care AG & Co. KGaA's shareholders' meeting for approval. On May 12, 2011 the shareholders' meeting approved of the Management Board compensation system with a majority of 99.71% of the votes cast.

The objective of the compensation system is to enable the members of the Management Board to participate reasonably in the sustainable development of the Company's business with the compensation paid and to reward them based on their duties and performance as well as their success in managing the Company's economic and financial position while giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in fiscal year 2011:

- performance-unrelated compensation (basic salary),
- performance-related compensation (variable bonus),
- components with long-term incentive effects (stock options, share-based compensation with cash settlement).

The individual components are designed on the basis of the following criteria:

In fiscal year 2011, the performance-unrelated compensation was paid in twelve monthly installments as basic salary. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as foreign supplements, rent supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges and additional contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2011 as a short-term cash component (annual bonus) and a longer-term share-based compensation component (stock options, share-based compensation with cash settlement). The amount of the performance-related compensation component in each case depends on the achievement of individual and common targets:

The bonus relevant targets for the members of the Management Board are measured by reference to operating profit margin, growth of Group-wide after-tax earnings (EAT growth) as well as the development of free cash flow (cash flow before acquisitions). All values are derived from the comparison of estimated and actually achieved figures. Furthermore, targets are divided into Group level targets and those to be achieved in individual regions. Lastly, the various target parameters are weighted differently by their relative share in the aggregate amount of variable compensation depending on the respective (regional) areas of responsibility assumed by the members of the Management Board.

Variable compensation was based upon EAT growth of at least 6% in the year under review and capped at 15%. Furthermore, the members of the Management Board assuming Group functions and the members of the Management Board with regional responsibilities were evaluated in terms of the development of the respective free cash flow within the Group or in the relevant regions during the period under review, with the targets subject to compensation being within a range of rates between 3% and 6% of the respective free cash flow with reference to the turnover. The regional operating profit margins achieved in the year under review were moreover compensated for the respective Board members with regional responsibilities, in each case, within a target range between 13 and 18.5%.

As a rule, EAT growth for members of the Management Board with Group functions – these are Messrs. Dr. Ben J. Lipps, Michael Brosnan and Dr. Rainer Runte – are compensated at a share of 80% in variable compensation and are thus weighted higher than for Board members having responsibility for regional earnings (these are Messrs. Roberto Fusté, Dr. Emanuele Gatti and Rice Powell) or in the Global Manufacturing Operations division (Mr. Kent Wanzek), where the share is 60%. The achievement of the target for free cash flow is assessed at the uniform rate of 20% of variable compensation for all members of the Management Board; likewise, the valuation of operating profit margins in the regions is weighted at 20% of the variable compensation component.

In the year under review, the bonus components to be paid via cash payment in principle consisted proportionately of a short-term annual bonus and -subject to the phantom stock component in accordance with the Phantom Stock Plan 2011 described hereunder- a further share-based compensation component (long-term), to be paid by way of cash settlement based on the performance of the stock exchange price of the ordinary shares of Fresenius Medical Care AG & Co. KGaA. Once the annual targets were or are achieved, the cash was or will be paid after the end of the respective fiscal year in which the target is achieved. The share-based compensation also to be granted yearly in case of achievement of the yearly targets is subject to a three-year vesting period, although a shorter period may apply in special cases (e.g. professional incapacity, entry into retirement, non-renewal by the company of expired service agreements). The amount of cash payment of this share-based compensation corresponds to the share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the three-year vesting period. Therefore, the share-based compensation is attributed to the long-term incentive compensation components. The annual targets of the aforementioned and respectively applicable key data are valued at a maximum of 120% and subject to a fixed multiplier, thereby limiting the variable compensation.

In determining the variable compensation, care was taken that the share of the long-term compensation components (including the stock option and phantom stock components described below) constitutes at least 50% of the total variable components. Should this not be the case mathematically, the Management Board members' contracts provide that the share of the short-term annual bonus be reduced and the share of the long-term share-based cash components be correspondingly increased, in order to meet this quota. For the total performance-based compensation, the amount of the maximum achievable bonus for each of the members of the Management Board is respectively capped. The share-based compensation components also contain a limitation for cases of extraordinary developments. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

In addition, a special bonus component applied in some cases for fiscal years 2006, 2007 and 2008 which was linked to the achievement of targets as measured only over this three-year period but whose payment to a certain extent is also subject to a vesting period of several years and consequently will take place up to 2012. This bonus component also included special components linked to the achievement of extraordinary financial targets related to special integration measures (e.g. in connection with the acquisition of Renal Care Group in the U.S.) and thus required the achievement of an extraordinary increase in earnings. The present report also reflects those payments based on this earlier bonus component but exercised and paid only in the year under review (see table 2.11.5 —— *on page 147*).

For fiscal years 2011 and 2010 the amount of cash payments of the General Partner's Management Board without long-term incentive components are shown in table 2.11.4.

In addition to the aforementioned share-based compensation component with cash settlement, stock options under Stock Option Plan 2011 and phantom stocks under the Phantom Stock Plan 2011 were granted as further components with long-term incentive effects in fiscal year 2011.

The Stock Option Plan 2011 was adopted by the General Meeting of Fresenius Medical Care AG & Co. KGaA on May 12, 2011. Together with the Phantom Stock Plan 2011 it forms the Long Term Incentive Plan 2011 (LTIP 2011). Besides the members of the management board of affiliated companies and managerial staff members of the Company and of certain affiliated companies, the Management Board members of the General Partner are entitled under LTIP 2011. Under the LTIP 2011 a combination of stock options and phantom stocks are granted to the participants. Stock options and phantom stocks will be granted on certain grant days within a period of five years. The number of stock options and phantom stocks to be granted to the members of the Management Board is determined by the Supervisory Board in its discretion, whereupon in principle all members of the Management Board receive the same quantity, with the exception of the Chairman of the Management Board who receives the respective double quantity and with the exception of the Vice Chairman of the Management Board who receives one and a half times the quantity of stock options and phantom stocks. At the time of the grant participants can choose a ratio based on the value of the stock options vs. the value of phantom stock in a range between 75:25 and 50:50. The exercise of stock options and phantom stocks is subject to several conditions such as the expiry of a four year waiting period, the consideration of black-out periods, the achievement of the defined success target and the existence of a service or employment relationship. Stock options may be exercised within four years and phantom stocks within one year after the expiration of the waiting period. For Management Board members who are US tax payers specific conditions apply with respect to the exercise period of phantom stocks. The success target is achieved in each case if, after the grant to the entitled persons in each case, either the adjusted basic income per ordinary share increases by at least eight per cent per annum in comparison to the previous year in each case or - if this is not the case - the compounded annual growth rate of the adjusted basic income per ordinary share during the four years of the waiting period reflects an increase of at least eight per cent per annum. If with regard to a comparable period

AMOUNT OF CASH PAYMENTS

Table 2.11.4

in € THOUS

	Non-performance related compensation				*Performance related compensation*		*Cash compensation (without long-term incentive components)*	
	Salary		*Other*[1]					
	2011	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*
Dr. Ben J. Lipps	862	905	182	354	1,078	1,172	2,122	2,431
Michael Brosnan	467	490	183	138	584	619	1,234	1,247
Roberto Fusté	500	450	188	185	552	558	1,240	1,193
Dr. Emanuele Gatti	675	650	121	105	734	819	1,530	1,574
Rice Powell	682	716	27	27	978	995	1,687	1,738
Dr. Rainer Runte	425	425	42	36	531	550	998	1,011
Kent Wanzek	359	377	17	19	515	548	891	944
▸ TOTAL	**3,970**	**4,013**	**760**	**864**	**4,972**	**5,261**	**9,702**	**10,138**

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insureance and other benefits.*

or more than one of the four comparable periods within the waiting period neither the adjusted basic income per ordinary share increases by at least eight per cent per annum in comparison to the previous year nor the compounded annual growth rate of the adjusted basic income per ordinary share during the four years of the waiting period reflects an increase of at least eight per cent per annum, the granted stock options and phantom stocks are cancelled in the proportion in which the target is not achieved within the waiting period, i.e. by one quarter (¼), two quarters (½), by three quarters (¾), or completely. For the purposes of this compensation report phantom stocks are attributed to the share-based compensation component with cash settlement (long-term) and disclosed accordingly hereunder.

The principles of Stock Option Plan 2011 and of the two further Employee Participation Programs in place at January 1, 2011 and secured by conditional capital, which entitled their participants to convertible bonds or stock options (from which, however, in fiscal year 2011 no further options could be issued), are described in more detail in the notes in the section on conditional capitals.

Under the Stock Option Plan 2011 in the year under review 1,947,231 stock options were granted in total (in 2010 under the Stock Option Plan 2006: 2,817,879), whereas 307,515 (in 2010 under the Stock Option Plan 2006: 423,300) were accounted for the Management Board members. Moreover, in fiscal year 2011 (for the first time) 215,638 phantom stocks were granted under the Phantom Stock Plan 2011, whereas 29,313 were accounted for the Management Board members.

For fiscal years 2011 and 2010 the number and value of stock options issued, the value of other share-based compensation with cash settlement is shown individually in table 2.11.5.

The stated values of the stock options granted to the members of the Management Board in fiscal year 2011 correspond to their fair value at the time of being granted, namely a value of €13.44 (2010: €8.07) per stock option. The exercise price for the stock options granted is €52.48 (2010: €42.68).

At the end of fiscal year 2011, the members of the Management Board held a total of 2,354,875 stock options and convertible bonds (jointly referred to as stock options; 2010: 2,178,699 stock options).

LONG-TERM INCENTIVE EFFECT

Table 2.11.5

	Stock options				*Share-based compensation with cash settlement[1]*		*Total*	
	Number		*Value in € THOUS*		*Value in € THOUS*		*Value in € THOUS*	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*
Dr. Ben J. Lipps	74,700	99,600	1,004	804	684	391	1,688	1,195
Michael Brosnan	37,350	49,800	502	402	357	227	859	629
Roberto Fusté	37,350	49,800	502	402	346	156	848	558
Dr. Emanuele Gatti	29,880	49,800	402	402	505	417	907	819
Rice Powell	56,025	74,700	753	603	570	406	1,323	1,009
Dr. Rainer Runte	34,860	49,800	469	402	372	183	841	585
Kent Wanzek	37,350	49,800	502	402	334	183	836	585
▸ **TOTAL**	**307,515**	**423,300**	**4,134**	**3,417**	**3,168**	**1,963**	**7,302**	**5,380**

[1] *This includes Phantom Stocks granted to Board Members during the fiscal year. The share-based compensation amounts are based on the grant date fair value.*

The development and status of stock options of the members of the Management Board in fiscal year 2011 are shown in more detail in table 2.11.6.

Based on the targets achieved in fiscal year 2011, additional rights for share-based compensation with cash settlement totalling €1,657 THOUS (2010: €1,963 THOUS) were earned. On the basis of the so fixed value of the share-based compensation determination of the specific number of shares is made by the Supervisory Board only in March 2012, based on the then current price of the ordinary shares of

DEVELOPMENT AND STATUS OF THE STOCK OPTIONS

Table 2.11.6

	Options outstanding January 1, 2011		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	598,870	32.15	74,700	52.48
Michael Brosnan	269,598	30.94	37,350	52.48
Roberto Fusté	339,986	29.87	37,350	52.48
Dr. Emanuele Gatti	375,876	28.34	29,880	52.48
Rice Powell	224,100	36.75	56,025	52.48
Dr. Rainer Runte	284,469	32.84	34,860	52.48
Kent Wanzek	85,800	38.92	37,350	52.48
▸ **TOTAL**	**2,178,699**	**31.82**	**307,515**	**52.48**

	Options exercised during the fiscal year		
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*
Dr. Ben J. Lipps	100,870	18.54	49.22
Michael Brosnan	–	–	–
Roberto Fusté	–	–	–
Dr. Emanuele Gatti	30,469	14.37	50.00
Rice Powell	–	–	–
Dr. Rainer Runte	–	–	–
Kent Wanzek	–	–	–
▸ **TOTAL**	**131,339**	**17.57**	**49.40**

	Options outstanding December 31, 2011				*Options exercisable December 31, 2011*	
	Number	*Weighted average exercise price in €*	*Weighted average remaining contractual life in years*	*Range of exercise prices in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	572,700	37.20	4.1	30.49 – 52.48	298,800	33.30
Michael Brosnan	306,948	33.56	4.0	11.42 – 52.48	186,798	27.63
Roberto Fusté	377,336	32.11	3.5	11.42 – 52.48	240,386	26.78
Dr. Emanuele Gatti	375,287	31.40	3.4	11.42 – 52.48	245,807	26.34
Rice Powell	280,125	39.90	4.9	31.97 – 52.48	99,600	34.70
Dr. Rainer Runte	319,329	34.98	3.9	14.47 – 52.48	184,869	30.43
Kent Wanzek	123,150	43.04	5.7	31.97 – 52.48	18,000	35.49
▸ **TOTAL**	**2,354,875**	**35.31**	**4.0**	**11.42 – 52.48**	**1,274,260**	**29.64**

Fresenius Medical Care AG & Co. KGaA. This number will then serve as a multiplier for the share price and therewith as a base for calculation of the payment after the three-year vesting period.

In the fiscal year 2011, phantom stocks in the total value of €1,511 THOUS were granted for the first time to the Management Board members on the basis of the Phantom Stock Plan 2011 in July 2011 as further share-based compensation component with cash settlement.

The amount of the total compensation of the General Partner's Management Board for fiscal years 2011 and 2010 is shown in table 2.11.7.

Compensation components with long-term incentive effects, i.e. stock options as well as share-based compensation components with cash settlement, can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year of the vesting period. Compensation expenses attributable to fiscal years 2011 and 2010 are shown in table 2.11.8.

TOTAL COMPENSATION

Table 2.11.7

in € THOUS

	Cash compensation (without long-term incentive components)		*Components with long-term incentive effect*		*Total compensation (including long-term incentive components)*	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*
Dr. Ben J. Lipps	2,122	2,431	1,688	1,195	3,810	3,626
Michael Brosnan	1,234	1,247	859	629	2,093	1,876
Roberto Fusté	1,240	1,193	848	558	2,088	1,751
Dr. Emanuele Gatti	1,530	1,574	907	819	2,437	2,393
Rice Powell	1,687	1,738	1,323	1,009	3,010	2,747
Dr. Rainer Runte	998	1,011	841	585	1,839	1,596
Kent Wanzek	891	944	836	585	1,727	1,529
▸ **TOTAL**	**9,702**	**10,138**	**7,302**	**5,380**	**17,004**	**15,518**

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

Table 2.11.8

in € THOUS

	Stock options		*Share-based compensation with cash settlement*		*Share-based compensation*	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*
Dr. Ben J. Lipps	1,098	879	780	860	1,878	1,739
Michael Brosnan	186	56	95	–	281	56
Roberto Fusté	408	439	125	46	533	485
Dr. Emanuele Gatti	398	439	405	321	803	760
Rice Powell	501	467	439	537	940	1,004
Dr. Rainer Runte	404	439	299	379	703	818
Kent Wanzek	186	56	80	–	266	56
▸ **TOTAL**	**3,181**	**2,775**	**2,223**	**2,143**	**5,404**	**4,918**

According to the requirements of the compensation system the amount of the basic salary and the amount of the total compensation of the members of the Management Board have been and will be measured taking into account relevant reference values of other DAX-listed companies and of similar companies with comparable size and performance in the relevant industry sector.

II. Commitments to members of the Management Board for the event of the termination of their appointment

There are individual contractual pension commitments for the Management Board members Roberto Fusté, Dr. Emanuele Gatti and Dr. Rainer Runte. Under these commitments, Fresenius Medical Care as of December 31, 2011 has aggregate pension obligations of €6,776 THOUS (as of December 31, 2010: €6,061 THOUS).

Each of the pension commitments provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 (at age 60 at the earliest with respect to Dr. Emanuele Gatti) or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit) at the earliest, however, depending on the amount of the recipient's most recent basic salary.

With regard to the retirement pension, the starting percentage of 30% from the last base salary increases with every complete year of service by 1.5 percentage points up to a maximum of 45%. Current pensions increase according to legal requirements (Sec. 16 of the German Law to improve company pension plans, BetrAVG). 30% of the gross amount of any later income from an activity of the Management Board member is set off against the pension obligation. Any amounts to which the Management Board members or their surviving dependants, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies are to be set off. If a Management Board member dies, the widow receives a pension amounting to 60% of the resulting pension claim at that time. Furthermore, the deceased Management Board member's own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20% of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the widow pension together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before he reaches 65 or (in the case of Dr. Gatti) 60, except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid for a covered event is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching 65 or (in the case of Dr. Gatti) 60 years of age.

With the Chairman of the Management Board, Dr. Ben J. Lipps, there is an individual agreement instead of a pension provision, to the effect that, taking account of a non-compete covenant upon termination of his employment contract/service agreement with Fresenius Medical Care Management AG, he will be retained to render consulting services to the Company for a period of 10 years. The annual consideration for such services would amount to approximately 33% of the non-performance-linked compensation components paid to him in fiscal year 2011. The present value of this agreement amounted to €2,304 THOUS as of December 31, 2011.

Management Board members Rice Powell, Michael Brosnan and Kent Wanzek participated in the U.S.-based 401(k) savings plan in the year under review. This plan generally allows employees in the U.S. to invest a portion of their gross salaries in retirement pension programs. The company supports this investment, for permanent employees with at least one year of service, via 50% of the investment

made, up to a limit of 6% of income – whereupon the allowance paid by the Company is limited to 3% of the income – or a maximum of $16,500 ($22,000 for employees 50 years of age or older). The aforementioned Management Board members were each contractually enabled to participate in this plan; in the past fiscal year the company paid out $9,310.00 (in the previous year: $9,383.50) respectively in this regard.

Furthermore, the Management Board members Dr. Ben J. Lipps, Rice Powell and Michael Brosnan have acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America, which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

Additions to pension obligations in fiscal year 2011 amounted to €1,013 THOUS (2010: €3,217 THOUS) The pension commitments are shown in table 2.11.9.

A post-employment non-competition covenant was agreed upon with all Management Board members. If such covenant becomes applicable, the Management Board members receive compensation amounting to half their annual base salaries for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions for the case of a change of control.

All members of the Management Board have received individual contractual commitments for the continuation of their payments in cases of sickness for a maximum of 12 months, although as of six months' of sick leave, insurance benefits may be set off therewith. If a Management Board member dies, the surviving dependants will be paid three more monthly amounts after the month of death, until the end of the respective service agreement at the longest, however.

III. Miscellaneous

In fiscal year 2011, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Medical Care Management AG.

The payments to Management Board members Dr. Ben J. Lipps, Michael Brosnan and Kent Wanzek were paid in part in the U.S. (US$) and in part in Germany (€). The part paid in Germany was agreed in net amounts, so that varying tax rates in both countries

DEVELOPMENT AND STATUS OF PENSION COMMITMENTS

Table 2.11.9

in € THOUS

	As of January 1, 2011	*Increase*	*As of December 31, 2011*
Dr. Ben J. Lipps	401	247	648
Michael Brosnan	51	18	69
Roberto Fusté	1,795	337	2,132
Dr. Emanuele Gatti	3,457	313	3,770
Rice Powell	98	33	131
Dr. Rainer Runte	809	65	874
▸ **TOTAL**	**6,611**	**1,013**	**7,624**

may retroactively change the gross amounts. Since the actual tax burden can only be calculated later in the context of the tax returns, subsequent adjustments may have to be made, which will then be retroactively covered in future compensation reports.

To the extent permitted by law, Fresenius Medical Care Management AG undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company has obtained Directors & Officers liability insurance with an excess, which complies with the requirements of the German Stock Corporation Act. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after termination of membership on the Management Board in each case.

Former members of the Management Board did not receive any compensation in fiscal year 2011 other than that mentioned under point II. Pensions obligations for this group exist in an amount of €499 THOUS (2010: €499 THOUS).

Compensation of the Fresenius Medical Care AG & Co. KGaA Supervisory Board

The compensation of the Fresenius Medical Care AG & Co. KGaA Supervisory Board is set out in clause 13 of the Articles of Association.

In accordance with this provision, the members of the Supervisory Board are to be reimbursed for the expenses incurred in the exercise of their offices, which also include the applicable VAT.

As compensation, each Supervisory Board member receives in the first instance a fixed salary of $80,000 per respective complete fiscal year, payable in four equal installments at the end of a calendar quarter. Should the General Meeting resolve on a higher compensation, with a majority of three-fourths of the votes cast and taking the annual results into account, such compensation shall apply.

The chairman of the Supervisory Board receives additional compensation of $80,000 and his deputy additional compensation of $40,000 per respective complete fiscal year. In addition, the Annual Meeting of Fresenius Medical Care AG & Co. KGaA decided on May 12, 2011, the introduction of a variable performance-related compensation component for the Supervisory Board according to which each member of the Supervisory Board shall also receive an additional remuneration which is based upon the respective average growth of earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the variable remuneration component is $60,000.00 in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99%, $70,000.00 in the corridor from 9.00 to 9.99% and $80,000.00 in case of a growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i.e. within these margins there is no pro rata remuneration. In any case, this variable component is limited to a maximum of $80,000.00 per annum. Reciprocally, the members of the supervisory board are only entitled to the variable remuneration component if the 3 year average EPS growth of at least 8.00% is reached. The variable remuneration component, based on the target achievement, is in principle disbursed on a yearly basis, namely following approval of the Company's annual financial statements, this for the first time after adoption of the annual financial statements for the fiscal year 2011.

As a member of a committee, a Supervisory Board member of Fresenius Medical Care AG & Co. KGaA additionally annually receives $40,000, or, as chairman or vice chairman of a committee, $60,000 or $50,000, respectively payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee and in the Joint Committee as well as in the capacity of their respective chairmen and deputy chairmen, no separate remuneration shall be granted.

Should a member of the Fresenius Medical Care AG & Co. KGaA Supervisory Board be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a Fresenius Medical Care AG & Co. KGaA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board and his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as deputy chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board to this extent.

The compensation for the Supervisory Board of Fresenius Medical Care Management AG and the compensation for its committees were charged to Fresenius Medical Care AG & Co. KGaA in accordance with section 7 para. 3 of the Articles of Association of Fresenius Medical Care AG & Co. KGaA. In the 2011 fiscal year, the compensation for the Supervisory Board of Fresenius Medical Care Management AG totalled €721 THOUS (2010: €596 THOUS) and the compensation for its committees, contained therein, totalled €295 THOUS (2010: €310 THOUS) and a performance-related compensation totalled €153 THOUS (2010: €0).

The total compensation of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA including the amount charged by Fresenius Medical Care Management AG to Fresenius Medical Care AG & Co. KGaA, is listed in the tables 2.11.10 and 2.11.11, with the table 2.11.10 displaying the fixed compensation, whilst the table 2.11.11 sets out the performance related compensation.

FIXED COMPENSATION OF THE SUPERVISORY BOARD

Table 2.11.10

in € THOUS[1]

	Fixed compensation for Supervisory Board at FMC Management AG		*Fixed compensation for Supervisory Board at FMC AG & Co. KGAA*		*Compensation for committee services at FMC Management AG*		*Compensation for committee services at FMC AG & Co. KGAA*		*Non-Performance Related Compensation*	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*
Dr. Gerd Krick	29	30	86	91	43	45	29	23	187	189
Dr. Dieter Schenk	43	45	43	45	36	38	–	–	122	128
Dr. Ulf M. Schneider[2]	115	121	–	–	50	53	–	–	165	174
Dr. Walter L. Weisman	29	30	29	30	36	38	43	38	137	136
John Gerhard Kringel[3]	14	30	11	30	22	45	–	–	47	105
William P. Johnston	29	30	29	30	86	91	29	23	173	174
Prof. Dr. Bernd Fahrholz[4]	–	–	57	60	–	–	32	23	89	83
Rolf A. Classon[5]	14	–	22	–	22	–	–	–	58	–
▸ **TOTAL**	**273**	**286**	**277**	**286**	**295**	**310**	**133**	**107**	**978**	**989**

[1] *Shown without VAT and withholding tax; translation of $ amounts at respective average exchange rates for the respective year.*
[2] *Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGAA; compensation paid by FMC Management AG.*
[3] *Member of the Supervisory Board of FMC AG & Co. KGAA until May 12, 2011, member of the Supervisory Board and member of committee of FMC Management AG until July 7, 2011.*
[4] *Member of the Supervisory Board of FMC AG & Co. KGAA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGAA.*
[5] *Member of the Supervisory Board of FMC AG & Co. KGAA as of May 12, 2011, member of the Supervisory Board of FMC Management AG as of July 7, 2011.*

PERFORMANCE RELATED COMPENSATION OF THE SUPERVISORY BOARD

Table 2.11.11

in € THOUS[1]

	Performance related compensation in FMC Management AG		Performance related compensation in FMC AG & Co. KGAA		Performance related compensation		Total compensation	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Gerd Krick	22	–	22	–	44	–	231	189
Dr. Dieter Schenk	22	–	22	–	44	–	166	128
Dr. Ulf M. Schneider[2]	43	–	–	–	43	–	208	174
Dr. Walter L. Weisman	22	–	22	–	44	–	181	136
John Gerhard Kringel[3]	12	–	8	–	20	–	67	105
William P. Johnston	22	–	22	–	44	–	217	174
Prof. Dr. Bernd Fahrholz[4]	–	–	43	–	43	–	132	83
Rolf A. Classon[5]	10	–	14	–	24	–	82	–
▸ **TOTAL**	**153**	**–**	**153**	**–**	**306**	**–**	**1,284**	**989**

[1] Shown without VAT and withholding tax; translation of $ amounts at respective average exchange rates for the respective year.
[2] Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGAA.
[3] Member of the Supervisory Board of FMC AG & Co. KGAA until May 12, 2011 and of FMC Management AG until July 7, 2011.
[4] Member of the Supervisory Board of FMC AG & Co. KGAA, but not member of the Supervisory Board of FMC Management AG.
[5] Member of the Supervisory Board of FMC AG & Co. KGAA as of May 12, 2011 and of FMC Management AG as of July 7, 2011.

DIRECTORSHIPS AND GLOSSARY

Chapter 3

4,415

PATENTS AND PATENT APPLICATIONS ARE PROOF OF OUR INNOVATIVE STRENGTH

DIRECTORSHIPS
FRESENIUS MEDICAL CARE AG & CO. KGAA

Chapter 3.1

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman
Königstein, Germany

Supervisory Board
Fresenius Management SE (Chairman)
Fresenius SE & Co. KGaA (since the change of the legal form on January 28, 2011, Chairman)
Fresenius SE
(until the change of the legal form on January 28, 2011, Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice Chairman
Attorney and Tax Advisor
Munich, Germany

Supervisory Board
Fresenius Management SE (Vice Chairman)
Fresenius SE (until the change of the legal form on January 28, 2011, Vice Chairman)
Fresenius Medical Care Management AG
(Vice Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG
(Vice Chairman)
TOPTICA Photonics AG
(Chairman)

Advisory Board
Else Kröner-Fresenius-Stiftung
(Chairman)

Dr. Walter L. Weisman
Former President and Chief Executive Officer of American Medical International, Inc.
Los Angeles, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
Occidental Petroleum Corporation

Board of Trustees
California Institute of Technology (Senior Trustee)
Los Angeles County Museum of Art (Life Trustee)
Sundance Institute (Chairman)

William P. Johnston
Former Chairman of the Board of Directors of Renal Care Group, Inc.
Nashville, Tennessee, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Other
The Carlyle Group
(Senior Advisor)
The Hartford Mutual Funds, Inc.
(Member of Board of Directors)
LifeCare Holdings, Inc.
(Member of Board of Directors)
Georgia O'Keeffe Museum
(Member of Board of Directors)
HCR-Manor Care, Inc. (Member of Board of Directors)

Prof. Dr. Bernd Fahrholz
Attorney
Berlin, Germany

Supervisory Board
SMARTRAC N.V. (Chairman)
Amsterdam, The Netherlands

Rolf A. Classon
(since May 12, 2011)
Chairman of the Board of Directors of Hill-Rom Holdings, Inc.
Martinsville, New Jersey, U.S.

Supervisory Board
Fresenius Medical Care Management AG (since July 7, 2011)

Other
Auxilium Pharmaceuticals, Inc.
(Chairman)
Enzon Pharmaceuticals, Inc.
(until April 30, 2011)
Prometheus Laboratories, Inc.
(until July 1, 2011, Chairman)
Tecan Group Ltd. (Chairman)
EKR Therapeutics, Inc. (until October 31, 2011, Chairman)

John Gerhard Kringel
(until May 12, 2011)
Former Senior Vice President of Abbott Laboratories, Inc.
Durango, Colorado, U.S.

Supervisory Board
Fresenius Medical Care Management AG (until July 7, 2011)

Other
Natures View, LLC
Alpenglow Development, LLC
Justice, LLC
River Walk, LLC

SUPERVISORY BOARD COMMITTEE

Audit and Corporate Governance Committee
Dr. Walter L. Weisman
(Chairman)
Prof. Dr. Bernd Fahrholz
(Vice Chairman)
Dr. Gerd Krick
William P. Johnston

FRESENIUS MEDICAL CARE MANAGEMENT AG GENERAL PARTNER OF FRESENIUS MEDICAL CARE AG & CO. KGAA

3.1
Directorships

SUPERVISORY BOARD

Dr. Ulf M. Schneider
Chairman
Frankfurt am Main, Germany

Management Board
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA (Chairman)
Fresenius SE
(until the change of the legal form on January 28, 2011, Chairman)

Supervisory Board
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius HemoCare Netherlands B.V., the Netherlands

Board of Directors
FHC (Holdings), Ltd., Great Britain
APP Pharmaceuticals, Inc., U.S.
Fresenius Kabi Pharmaceuticals Holding, Inc., U.S.
(until February 24, 2011)

Dr. Dieter Schenk
Vice Chairman
Munich, Germany

Dr. Gerd Krick
Königstein, Germany

Dr. Walter L. Weisman
Los Angeles, U.S.

William P. Johnston
Nashville, Tennessee, U.S.

Rolf A. Classon
(since July 7, 2011)
Martinsville, New Jersey, U.S.

John Gerhard Kringel
(until July 7, 2011)
Durango, Colorado, U.S.

3.1
Directorships

MANAGEMENT BOARD

Dr. Ben J. Lipps
Chairman and Chief Executive Officer, Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings, Inc., U.S. (Chairman)
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA
Fresenius SE (until the change of the legal form on January 28, 2011)

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Rice Powell
Vice Chairman for Fresenius Medical Care and Member of the Management Board responsible for the region North America, Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings, Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Michael Brosnan
Chief Financial Officer
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care Holdings, Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Emanuele Gatti
Chief Executive Officer for Europe, Latin America, Middle East and Africa, Global Chief Strategist
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care España S.A., Spain (Chairman)
National Medical Care of Spain S.A., Spain

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France (Vice Chairman)

Roberto Fusté
Chief Executive Officer for Asia-Pacific
Hong Kong, China

Dr. Rainer Runte
Chief Administrative Officer for Global Law, Compliance and Intellectual Property, Corporate Business Development and Labor Relations Director for Germany
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care Holdings, Inc., U.S.

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France
Fresenius Medical Care SGPS, S.A., Portugal
Fresenius Medical Care Japan, K.K., Japan
Fresenius-Kawasumi Co., Ltd., Japan

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Kent Wanzek
Member of the Management Board responsible for Global Manufacturing Operations
Boston, Massachusetts, U.S.

Management Board
Fresenius Medical Care Holdings, Inc., U.S.

GLOSSARY

Chapter 3.2

A

Albumin

A protein that can be used to monitor a patient's nutritional condition.

Anemia

Reduced oxygen transport capacity of the blood, measured as reduced hemoglobin content in the blood.

Anticoagulant

An agent (e.g. heparin) that prevents the clotting of blood —— *blood coagulation*.

Arteriovenous (AV) fistula (shunt)

A direct surgically created connection between an —— *artery* and a —— *vein* in a patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for —— *hemodialysis*. Adequate vascular access is a prerequisite for hemodialysis.

Artery

A blood vessel that carries blood from the heart to the body.

Automated peritoneal dialysis (APD)

Machine (cycler) supported version of —— *peritoneal* dialysis treatment usually performed at night.

B

BCM – Body Composition Monitor

This device can be used to precisely measure the composition of the human body and its fluid status and to quantify the level of overhydration in dialysis patients.

BIBAG

Dry bicarbonate concentrate for online production of liquid bicarbonate concentrate used in bicarbonate hemodialysis with our hemodialysis machines of the 4008 and 5008 series —— *ONLINEplus System*.

Biofine

Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

Blood

Fluid circulating in the body composed of plasma and cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

Blood cells, red (erythrocytes)

Cells responsible for transporting oxygen. They are created with the help of —— *erythropoietin*, a hormone produced in the kidneys.

Blood cells, white (leukocytes)

Cells that defend the human body against infection. They are involved in allergic reactions and destroy damaged, old and dead cells in the body.

Blood coagulation

A complex process during which blood forms solid clots. It is an important part of hemostasis whereby a damaged blood vessel wall is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Disorders in coagulation can lead to increased hemorrhaging and / or thrombosis and embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

3.2
Glossary

Bloodlines
System of tubes connecting a patient's blood circulation with a —— *dialyzer* during extracorporeal dialysis treatment.

▼
C

Calcimimetics
An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level in the bones.

Case Manager
The job of a Case Manager is to plan, coordinate and evaluate a patient's treatment on the patient's behalf. The Case Manager communicates with both the patient and with the relevant service providers; in-patient and out-patient care are combined. The objective is to ensure high-quality and cost-efficient treatment that takes patients' needs into account as far as possible. The Case Manager's post is usually filled with care personnel.

Catheter
A flexible tube inserted by surgery through the skin into a blood vessel or cavity to draw out body fluid or infuse fluid. In —— *peritoneal dialysis* a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. In —— *hemodialysis*, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

Composite rate
—— *Medicare / Medicaid* basic reimbursement rate for dialysis treatment.

Continuous ambulatory peritoneal dialysis (CAPD)
A type of —— *peritoneal dialysis* treatment where the dialysis solution is exchanged manually, generally four times a day.

▼
D

Diabetes
A condition characterized by high blood glucose (sugar) resulting from the body's inability to use glucose efficiently. Insulin helps the body's cells use glucose.

Dialysate (dialyis solution)
Fluid used in the process of dialysis in order to remove the filtered out substances and excess water from the blood.

Dialysis
Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer – is used to clean a patient's blood.

Dialyzer
Special filter used in —— *hemodialysis* for removing toxic substances, waste products of metabolic processes and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

Dialyzer membrane
Semipermeable barrier in the dialyzer to separate the blood from the dialysate.

3.2
Glossary

Diffusion
An exchange in the chemical concentration of two fluids that are divided by a semipermeable membrane. The molecules move from one fluid to the other, with metabolic toxins being transferred through the membrane into the dialysate.

Disease management
Integrated concept of patient care that takes into account all medical aspects of an illness.

E

End-stage renal disease (ESRD)
→ *Kidney failure, chronic*.

Erythropoesis-stimulating agents (ESA)
Recombinant human → *EPO* that is commonly prescribed to patients on dialysis who suffer from anemia.

Erythropoietin (EPO)
Hormone that stimulates red blood cell production.

EuCliD
European Clinical Database for ensuring the quality of dialysis treatment. The database records the treatment data of dialysis patients and allows an efficient comparison of treatment quality among individual dialysis clinics.

G

Glomerular filtration rate (GFR)
The U.S. National Kidney Foundation categorizes kidney disease into five stages based on the glomerular filtration rate (GFR). The GFR indicates the volume of liquid that the kidneys filter from the blood per minute (primary urine). This ranges from more than 90 ml/min in healthy kidneys (stage 1) to less than 15 ml/min (stage 5) when dialysis or a kidney transplant is needed. Persons with stage 4 chronic kidney disease (CKD) have advanced kidney damage (GFR of 15 to 29 ml/min); it is highly likely that these patients will need dialysis or a kidney transplant in the near future. The values of the following stages are dependant on the patient's constitution.

stage of chronic kidney disease

1. Kidney damage
with normal or increased GFR
≥ 90 GFR *(ml/min/1.73m)*

2. Kidney damage
with mild decreased GFR
60 – 89 GFR *(ml/min/1.73m)*

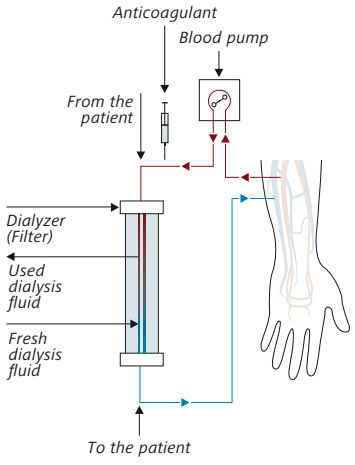
3. Moderate decreased GFR
30 – 59 GFR *(ml/min/1.73m)*

4. Severe decreased GFR
15 – 29 GFR *(ml/min/1.73m)*

5. Kidney failure
< 15 (or dialysis) GFR *(ml/min/1.73m)*

H

Hemodialysis (HD)
Treatment method for chronic kidney failure where the patient's blood flows outside the body through disposable bloodlines into a special filter, the dialyzer. The dialysis solution carries away waste products and excess water, and the cleaned blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anticoagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.



3.2
Glossary

Hemodiafiltration (HDF)
Special type of treatment for chronic kidney failure combining the advantages of —— *hemodialysis* and —— *hemofiltration*. High elimination rates are achieved for substances with small and large weight molecules via diffusive and convective mechanisms respectively.

Hemofiltration (HF)
A type of treatment for chronic kidney failure that does not use dialysate. The solutes are removed using convective forces to filter plasma water through a semipermeable membrane. Substitution fluid is used to replace the volume removed by filtration.

Hemoglobin
Substance in red blood cells that carries oxygen around the body.

Heparin
Universal anticoagulant substance that is administered during hemodialysis to inhibit blood coagulation during dialysis treatment.

▼ I

Iron Compound
Iron product used to treat anemia in dialysis patients resulting from iron deficiency. An example is the product Venofer®.

ISO
International Organization for Standardization.

▼ K

Kidney
Two kidneys are located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. These vital organs are approximately 12 cm long and weigh only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,500 liters of blood normally pass through the kidneys every 24 hours.

Kidney failure, acute
Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help completely restore kidney function in many patients.

Kidney failure, chronic (end-stage renal disease, ESRD)
Permanent failure of the kidney (terminal kidney failure) resulting from slow and progressive loss of the kidney function over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i.e. kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

Kidney failure, terminal
Terminal renal failure occurs when kidneys no longer detoxify the body, have lost this function finally and thus kidney substitute therapies become necessary.

Kidney transplantation
A surgical procedure to implant a —— *kidney* from a donor.

Kt/V
Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance (K) and the length of treatment (dialysis time, t) by the filtration rate of certain toxins (the urea distribution volume in the patient, V).

▼ L

Lean Six Sigma
Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

Liberty Cycler
Innovative device with —— *PIN technology* for —— *automated peritoneal dialysis* marketed exclusively in the U.S. The Liberty Cycler automatically regulates the exchange of used and fresh dialysis fluid. It is equipped with a state-of-the-art pumping mechanism, is easy to set-up and also has an integrated patient data management software.

3.2
Glossary

▼
M

Medicare / Medicaid

A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure (end-stage renal disease, ESRD) or the disabled.

▼
O

ONLINEplus system

A system for our 4008 and 5008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Online means that the dialysis machine automatically produces the infusion solution for treatment. The online method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

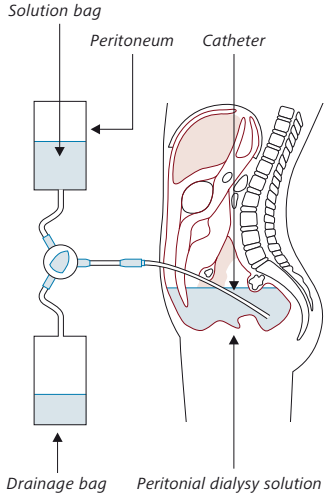
Osmosis

Passage of water from the blood through a semipermeable membrane. In osmosis, as opposed to diffusion, molecules move only in one direction.

▼
P

Peritoneal dialysis (PD)

Dialysis treatment method using the patient's peritoneum, i.e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and excess water. Most treatments are supported by a machine, the cycler, and are administered by the patients in their home or workplace several times a day or during the night.



Phosphate binder

Phosphate binders bind excess phosphate that is consumed with food within the intestines. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced through dialysis for patients with chronic kidney failure. Too much phosphate in the blood can have a number of adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo® and OsvaRen® are examples of phosphate binders for patients with chronic kidney disease.

PIN Technology

Unique automatic inline-closing system that eliminates the risk of contamination during disconnection from —— *peritoneal dialysis* (PD) systems.

Polysulfone

A polymer used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

Prevalence

Number of all patients who suffer from a specific disease.

▼
S

Shunt

——— *Arterio-venous (AV) fistula*.

Sorbent systems / SORB technology

Purifies tap water to dialysate quality and allows dialysate to be regenerated; a water- and space-saving technology very suitable for home-hemodialysis and thus an important step towards a wearable kidney. The technology centers on sorbents, specific substances that bind toxins in liquids so that they can be removed.

Supply chain management

Management of all tasks along the supply chain, ranging from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

▼
T

Transplantation

Taking an organ or tissue from the body and grafting it into another area of the same body or into another individual.

▼
V

Vein

A blood vessel that carries blood to the heart.

The financial glossary is included in the financial report

——— *starting on page 283*.

INDEX OF TABLES AND CHARTS
IN CORPORATE REPORT

Chapter 3.3

Chapter 1
To our shareholders

Chapter 2
Our fiscal year

3.3
Index of tables and charts

SUBJECT INDEX
IN CORPORATE REPORT

Chapter 3.4

OPERATING DATA

Key figures

in $ M

	2011	2010	Change
Selected key figures			
Net revenue	12,795	12,053	6 %
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,632	2,427	8 %
Earnings before interest and taxes (EBIT)	2,075	1,924	8 %
Net income[1]	1,071	979	9 %
Net cash flow from operating activities	1,446	1,368	6 %
Free cash flow[2]	876	861	2 %
Capital expenditure, net	570	507	12 %
Acquisitions, investments and purchases of intangible assets, net	1,775	618	188 %
Earnings per ordinary share *in $*	3.54	3.25	9 %
Dividend per ordinary share[3] *in €*	0.69	0.65	6 %
EBIT margin *in %*	16.2	16.0	–
Return on invested capital (ROIC) *in %*	8.7	8.8	–
Equity to assets *in %*	41.0	44.0	–
Other data			
Employees (full-time equivalents)	79,159	73,452	8 %
Patients	233,156	214,648	9 %
Clinics	2,898	2,744	6 %
Treatments *in M*	34.4	31.7	9 %

NET REVENUE

in $ M

NET INCOME[1]

in $ M

EARNINGS PER SHARE

in $

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Before acquisitions and dividends.*
[3] *2011: Proposal to be approved by the Annual General Meeting on May 10, 2012.*

All figures in this report are stated in $ and in conformity with U.S. GAAP, if not indicated otherwise.
Unless specified, all charts refer to fiscal year 2011. For more details please look to the Five-year summary starting on page 288.

Fresenius Medical Care filed an annual report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the Company. Fresenius Medical Care's annual report on Form 20-F may be obtained from the Company.

The audited financial statements of the Group's holding company, Fresenius Medical Care AG & Co. KGaA, will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these financial statements with the Company Register. These financial statements can be obtained from the Company.

The audited consolidated financial statements in accordance with § 315a Commercial Code (HGB) will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these consolidated financial statements with the Company Register. These financial statements can be obtained from the Company.

The publications can be also accessed on www.fmc-ag.com

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Chapter 4

12,795 BILLION U.S. DOLLARS IN REVENUE, SETTING A NEW RECORD

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care AG & Co. KGaA and its subsidiaries in conjunction with our historical consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the management of the Company's General Partner concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward-looking statements express or imply. Such statements include the matters and are subject to the uncertainties that we described in "Outlook" and "Risk Report" in the corporate report.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

CRITICAL ACCOUNTING POLICIES

Chapter 4.1

The Company's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our financial statements. The critical accounting policies, the judgments made in the creation and application of these policies, and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with the Company's financial statements, and the discussion below in "Results of Operations".

RECOVERABILITY OF GOODWILL AND INTANGIBLE ASSETS

The growth of our business through acquisitions has created a significant amount of intangible assets, including goodwill and other non-amortizable intangible assets such as trade names and management contracts. At December 31, 2011, the carrying amount of goodwill amounted to $9,187 M and non-amortizable intangible assets amounted to $218 M representing in total approximately 48% of our total assets.

In accordance with current accounting standards, we perform an impairment test of goodwill and non-amortizable intangible assets at least once a year for each reporting unit, or if we become aware of events that occur or if circumstances change that would indicate the carrying value might be impaired —— *see also Note 1f*.

To comply with the provisions of the current accounting standards for the impairment testing, the fair value of the reporting unit is compared to the reporting unit's carrying amount. We estimate the fair value of each reporting unit using estimated future cash flows for the unit discounted by a weighted average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, treatments and sales volumes and costs. In determining discounted cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from

the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The Company's weighted average cost of capital consisted of a basic rate of 6.27% for 2011. This basic rate is then adjusted by a country specific risk rate within each reporting unit.

If the fair value of the reporting unit is less than its carrying value, a second step is performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than its carrying value, the difference is recorded as an impairment.

A prolonged downturn in the healthcare industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing healthcare services and for procuring and selling products could adversely affect our estimated future cash flows. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in our estimated future cash flows and/or a decline in a reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets which could materially and adversely affect our future financial position and operating results.

LEGAL CONTINGENCIES

We are party to litigation and subject to investigations relating to a number of matters as described —— *in Note 20*. The outcome of these matters may have a material effect on our financial position, results of operations or cash flows.

We regularly analyze current information including, as applicable, our defenses and we provide accruals for probable contingent losses including the estimated legal expenses to resolve the matters. We use the resources of our internal legal department as well as external lawyers for the assessment. In making the decision regarding the need for loss accrual, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not automatically indicate that accrual of a loss may be appropriate.

4.1
Critical accounting policies

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are a significant asset of ours and the allowance for doubtful accounts is a significant estimate made by management. Trade accounts receivable were $2,798 M and $2,573 M at December 31, 2011 and 2010, respectively, net of allowances for doubtful accounts of $300 M and $277 M, respectively. Approximately half of our receivables relates to business in our North America segment.

Dialysis care revenues are recognized and billed at amounts estimated to be receivable under government reimbursement programs and reimbursement arrangements with third party payors. U.S. Medicare and Medicaid government programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Revenues for non-governmental payors where we have contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at our standard rates for services and, in our North America segment, a contractual adjustment is recorded to recognize revenues based on historic reimbursement experience with those payors for which contracted rates are not predetermined. The contractual adjustment and the allowance for doubtful accounts are reviewed quarterly for their adequacy. No material changes in estimates were recorded for the contractual allowance in the periods presented.

The allowance for doubtful accounts is based on local payment and collection experience. We sell dialysis products directly or through distributors in more than 120 countries and we provide dialysis services in approximately 40 countries through clinics we own or manage. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices. Specifically, public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made. Payment differences are mainly due to the timing of the funding by the local, state or federal government to the agency that is sponsoring the program that purchases our services or products. The collection of accounts receivable from product sales to dialysis clinics is affected by the same underlying causes, since these buyers of our products are reimbursed as well by government institutions or government sponsored programs.

In our U.S. operations, the collection process is usually initiated 30 days after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience

with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

For our international operations, a significant number of payors are government entities whose payments are often determined by local laws and regulations. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the U.S.

Due to the number of our subsidiaries and different countries that we operate in, our policy of determining when a valuation allowance is required considers the appropriate local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. Accordingly, the length of time to collect does not, in and of itself, indicate an increased credit risk and it is our policy to determine when receivables should be classified as bad debt on a local basis taking into account local practices. In all instances, local review of accounts receivable is performed on a regular basis, generally monthly. When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

Estimates for the allowances for doubtful accounts receivable from the dialysis service business are mainly based on local payment and past collection history. Specifically, the allowances for the North American operations are based on an analysis of collection experience, recognizing the differences between payors and aging of accounts receivable. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances. The allowances in the International segment and the products business are also based on estimates and consider various factors, including aging, creditor and past collection history. Write offs are taken on a claim by claim basis when the collection efforts are exhausted. Due to the fact that a large portion of our reimbursement is provided by public healthcare organizations and private insurers, we expect that most of our accounts receivables will be collectable, albeit potentially more slowly in the International segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis. —— *See chapter 4.4 "Liquidity and capital resources – Operations"* for a discussion of days sales outstanding developments in 2011. A significant change in our collection experience, deterioration in the aging of receivables and collection difficulties could require that we increase our estimate of the allowance for doubtful accounts. Any such additional bad debt charges could materially and adversely affect our future operating results.

If, in addition to our existing allowances, 1% of the gross amount of our trade accounts receivable as of December 31, 2011 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2011 would have been reduced by approximately 1.5%.

4.1
Critical accounting policies

The following tables show the portion and aging of trade accounts receivable of major debtors or debtor groups at December 31, 2011 and 2010. No single debtor other than U.S. Medicaid and Medicare accounted for more than 5% of total trade accounts receivable in either year. Trade accounts receivable in the International segment are for a large part due from government or government-sponsored organizations that are established in the various countries within which we operate. Amounts pending approval from third party payors represent less than 3% at December 31, 2011.

AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYER GROUPS 2011

Table 4.1.1

in $ M, as of December 31	*current*	*overdue by up to 3 months*	*overdue by more than 3 months up to 6 months*	*overdue by more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	379	92	51	44	29	595	21
U.S. Commercial Payors	250	142	37	33	21	483	17
U.S. Hospitals	101	25	5	2	1	133	5
Self-Pay of U.S. patients	0	4	4	1	1	11	0
Other North America, including product customers	8	3	1	0	0	12	1
International product customers and dialysis payors	772	289	144	140	219	1,564	56
▸ TOTAL	**1,510**	**555**	**242**	**220**	**271**	**2,798**	**100**

AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYER GROUPS 2010

Table 4.1.2

in $ M, as of December 31	*current*	*overdue by up to 3 months*	*overdue by more than 3 months up to 6 months*	*overdue by more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	372	85	41	28	20	546	21
U.S. Commercial Payors	270	152	48	39	22	531	21
U.S. Hospitals	88	28	3	2	3	124	5
Self-Pay of U.S. patients	0	3	3	1	–	7	0
Other North America, including product customers	1	1	0	0	–	2	0
International product customers and dialysis payors	777	227	116	112	131	1,363	53
▸ TOTAL	**1,508**	**496**	**211**	**182**	**176**	**2,573**	**100**

SELF-INSURANCE PROGRAMS

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, FMCH, our largest subsidiary, is partially self-insured for professional liability claims. For all other coverages we assume responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Chapter 4.2

OVERVIEW

We are engaged primarily in providing dialysis services and manufacturing and distributing products and equipment for the treatment of end-stage renal disease (ESRD). In the U.S., we also provide inpatient dialysis services and other services under contract to hospitals. We estimate that providing dialysis services and distributing dialysis products and equipment represents a worldwide market of approximately $75 BN with expected annual worldwide market growth of around 4%, adjusted for currency. Patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence and better treatment of and survival of patients with diabetes and hypertension, which frequently precede the onset of ESRD; improvements in treatment quality, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success. In addition, the reimbursement and ancillary services utilization environment significantly influences our business. In the past we experienced, and after the implementation of the case-mix adjusted bundled prospective payment system (ESRD PPS) in the U.S., also expect in the future, generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. The majority of treatments are paid for by governmental institutions such as Medicare in the United States. As a consequence of the pressure to decrease healthcare costs, reimbursement rate increases have historically been limited. Our ability to influence the pricing of our services is limited.

A majority of our U.S. dialysis services is paid for by the Medicare program. Medicare payments for dialysis services provided before January 1, 2011 were based on a composite rate, which included a drug add-on adjustment, case-mix adjustments, and a regional wage index adjustment. The drug add-on adjustment was established under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) to account for differences in Medicare reimbursement for separately billable pharmaceuticals pre-MMA and the average sales price reimbursement system established by the MMA.

Until January 1, 2011 certain other items and services that we furnish at our dialysis centers were not included in the composite rate and were eligible for separate Medicare reimbursement. The most significant of these items are drugs or biologicals, such as the erythropoietin-stimulating agents EPO and Aranesp (ESAS), vitamin D analogs, and iron, which were reimbursed at 106% of the average sales price as reported to the Centers for Medicare and Medicaid Services (CMS) by the manufacturer. Products and support services furnished to ESRD patients receiving dialysis treatment at home were also reimbursed separately under a reimbursement structure comparable to the in-center composite rate.

With the enactment of MIPPA in 2008, Congress mandated the development of an expanded ESRD bundled payment system for services furnished on or after January 1, 2011. On July 26, 2010, CMS published a final rule implementing the ESRD PPS for ESRD dialysis facilities in accordance with MIPPA. Under the ESRD PPS, CMS reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the former composite rate, (ii) oral vitamin D analogues, oral levocarnitine (an amino acid derivative) and all ESAs and other pharmaceuticals (other than vaccines) furnished to ESRD patients that were previously reimbursed separately under Part B of the Medicare program, (iii) most diagnostic laboratory tests and (iv) certain other items and services furnished to individuals for the treatment of ESRD. ESRD-related drugs with only an oral form will be reimbursed under the ESRD PPS starting in January 2014 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. The initial ESRD PPS base reimbursement rate is set at $229.63 per dialysis treatment. The base ESRD PPS payment is subject to case mix adjustments that take into account individual patient characteristics (e.g., age, body surface area, body mass, time on dialysis) and certain co-morbidities. The base payment is also adjusted for (i) certain high cost patient outliers due to unusual variations in medically necessary care, (ii) disparately high costs incurred by low volume facilities relative to other facilities, (iii) provision of home dialysis training and (iv) wage-related costs in the geographic area in which the provider is located.

The ESRD PPS will be phased in over four years with full implementation for all dialysis facilities on January 1, 2014. However, providers were required to elect in November 2010 whether to become fully subject to the new system starting in January 2011 or to participate in the phase-in. As part of the base payment for 2011, CMS included a negative 3.1% adjustment for each facility in order to ensure a budget-neutral transition, the "Transition Adjuster", based on its estimation that only 43% of dialysis facilities would elect to participate fully in the ESRD PPS in 2011. In April 2011, however, CMS reduced the Transition Adjuster to zero percent for the remainder of 2011, based on the actual number of facilities that elected to fully participate in the ESRD PPS. CMS retained a zero percent Transition Adjuster for 2012 as well.

Beginning in 2012, the ESRD PPS payment amount will be subject to annual adjustment based on increases in the costs of a "market basket" of certain healthcare items and services less a productivity adjustment. On November 10, 2011, CMS published a final rule finalizing the 2012 ESRD PPS rate. In the rule, CMS established the 2012 productivity adjusted market basket update at 2.1%, which was based on a market basket update of 3.0% less a productivity adjustment of 0.9%. Additionally, CMS set the 2012 wage index budget-neutrality adjusted base rate of $234.81 per treatment.

The ESRD quality incentive programm (QIP), initially focusing on anemia management and dialysis adequacy, will affect payments starting January 1, 2012. Dialysis facilities that fail to achieve the established quality standards will have payments reduced by up to 2%, based on performance in 2010 as an initial performance period. In the November 2011 final rule, CMS established the quality measures for payment year 2013, which will once again focus on anemia management and dialysis adequacy. The 2013 measures will be based on performance in 2011. For 2014, CMS has adopted four additional measures to determine whether dialysis patients are receiving high quality care. The new measures include (i) prevalence of catheter and A/V fistula use; (ii) reporting of infections to the Centers for Disease Control and Prevention; (iii) administration of patient satisfaction surveys; and (iv) monthly monitoring of phosphorus and calcium levels.

Although, based upon CMS's assessment, we think that the ESRD PPS will result in a lower reimbursement rate on average as a result of the above measures by CMS, nearly all of our U.S. dialysis facilities have elected to be fully subject to the ESRD PPS starting on January 1, 2011. Our plans to mitigate the impact of the ESRD PPS include two broad measures. First, we are working with medical directors and treating physicians to make clinical protocol changes used in treating patients consistent with the QIP and good clinical practices, and are negotiating pharmaceutical acquisition cost savings. In addition, we are seeking to achieve greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in our clinics. For a discussion of the impact of ESRD PPS and the above implementation plan on our business —— *see chapter 4.3 "Results of operations – North America segment"*.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business and, because the demand for products is affected by Medicare reimbursement, on our products business. To the extent that increases in operating costs that are affected by inflation, such as labor and supply costs, are not fully reflected in a compensating increase in reimbursement rates, our business and results of operations may be adversely affected.

4.2
Financial condition and results of operations

The Patient Protection and Affordable Care Act was enacted in the United States on March 23, 2010 and subsequently amended by the Health Care and Educational Affordability Reconciliation Act (as amended, ACA). ACA implements broad healthcare system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies that began in 2011 based on sales of brand name pharmaceuticals to government healthcare programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of healthcare program waste and fraud. ACA does not modify the dialysis reimbursement provisions of MIPPA. ACA's medical device excise tax, Medicaid drug rebate increases and annual pharmaceutical industry fees will adversely impact our product business earnings and cash flows. We expect modest favorable impact from ACA's integrated care and commercial insurance consumer protection provisions.

On August 2, 2011 the U.S. Budget Control Act of 2011 (Budget Control Act) was enacted, which raised the United States' debt ceiling and put into effect a series of actions for deficit reduction. In addition, the Budget Control Act created a 12-member Congressional Joint Select Committee on Deficit Reduction that was tasked with proposing additional revenue and spending measures to achieve additional deficit reductions of at least $1.5 TN over ten years, which could include reductions in Medicare and Medicaid. The Joint Congressional Committee failed to make recommendations to Congress by the November 23, 2011 deadline established by the Budget Control Act. As a result of this failure, and unless Congress acts in some other fashion, automatic across the board reductions in spending of $1.2 TN over nine fiscal years (fiscal years 2013-2021) will be triggered on January 2, 2013. The President has stated that he will veto any legislation that would repeal the automatic budget cuts without a bipartisan solution to deficit reduction. Medicare payments to providers and suppliers would be subject to the triggered reductions, but any such reductions will be capped at 2% annually. Any such reductions would be independent of annual inflation update mechanisms, such as the market basket update pursuant to the ESRD PPS.

In the current legislative environment, increases in government spending may need to be accompanied by corresponding offsets. For example, the Budget Control Act did not address reductions in physician payments mandated by the sustainable growth rate (SGR). The Temporary Payroll Tax Cut Continuation Act of 2011 delayed implementation of these reductions until March 1, 2012. If implemented for the remainder of calendar year 2012, SGR would impose a reduction of 27.4% in physician fees. In order to reduce or eliminate SGR physician payment reductions and not adversely affect federal spending, Congress would have to reduce other spending. We cannot predict whether any such reductions would affect our business.

4.2
Financial condition and results of operations

Effective February 15, 2011, the Department of Veterans Affairs (VA) adopted payment rules which reduce its payment rates for non-contracted dialysis services to coincide with those of the Medicare program. As a result of the enactment of these new rules, we expect to experience variability in our aggregated VA reimbursement rates for contracted and non-contracted services. In addition, we may also experience reductions in the volume of VA patients treated in our facilities.

We have identified three operating segments, North America, International, and Asia-Pacific. For reporting purposes, we have aggregated the International and Asia-Pacific segments as "International". We aggregated these segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, same type patient population, similar methods of distribution of products and services and similar economic environments. Our general partner's Management Board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the operating segments are the same as those we apply in preparing our consolidated financial statements under accounting principles generally accepted in the United States (U.S. GAAP). Our management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses.

With respect to the performance of our business operations, our management believes the most appropriate measure in this regard is operating income which measures our source of earnings. Financing is a corporate function which segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. We also regard income taxes to be outside the segments' control. Similarly, we do not allocate "corporate costs", which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc. because we believe that these costs are also not within the control of the individual segments. As of January 1, 2011, production of products, production asset management, quality management and procurement is centrally managed in corporate by Global Manufacturing Operations. These corporate activities do not fulfill the definition of an operating segment. Products are transferred to the operating segments at cost, therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as corporate activities —— *see Note 23*. Capital expenditures for production are based on the expected demand of the operating segments and consolidated profitability considerations. This presentation is a change from prior periods, when these services were managed within the operating segments by each region. In addition, certain revenues, acquisitions and intangible assets are not allocated to a segment but are accounted for as "corporate". Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in the discussion of our consolidated results of operations.

RESULTS OF OPERATIONS

Chapter 4.3

The following tables summarize our financial performance and certain operating results by principal business segment for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

SEGMENT DATA

Table 4.3.1

in $ M

	2011	2010
Total revenue		
North America	8,159	8,135
International	4,628	3,923
Corporate	17	–
▸ **TOTAL**	**12,804**	**12,058**
Inter-segment revenue		
North America	9	5
International	–	–
▸ **TOTAL**	**9**	**5**
Total net revenue		
North America	8,150	8,130
International	4,628	3,923
Corporate	17	–
▸ **TOTAL**	**12,795**	**12,053**
Amortization and depreciation		
North America	269	254
International	174	149
Corporate	114	100
▸ **TOTAL**	**557**	**503**
Operating income		
North America	1,435	1,386
International	807	678
Corporate	(167)	(140)
▸ **TOTAL**	**2,075**	**1,924**
Interest income	60	25
Interest expense	(357)	(305)
Income tax expense	(601)	(578)
Net income	1,177	1,066
Less: net income attributable to noncontrolling interests	(106)	(87)
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,071**	**979**

4.3
Results of operations

HIGHLIGHTS

Revenues increased by 6% to $12,795 M (5% at constant rates) mainly due to contributions from acquisitions of 3% and organic growth of 2%. Operating income (EBIT) increased 8%. Net income attributable to shareholders of FMC AG & CO. KGAA increased by 9%.

CONSOLIDATED FINANCIALS

KEY INDICATORS FOR CONSOLIDATED FINANCIALS
Table 4.3.2

	2011	2010	Change as reported	Change at constant exchange rates[1]
Number of treatments	34,388,422	31,670,702	9%	–
Same market treatment growth *in %*	3.9	4.6	–	–
Revenue *in $ M*	12,795	12,053	6%	5%
Gross profit *in % of revenue*	35.3	34.4	–	–
Selling, general and administrative costs *in % of revenue*	18.5	17.7	–	–
Net income attributable to shareholders of FMC AG & CO. KGAA *in $ M*	1,071	979	9%	–

[1] *For further information on "at constant exchange rates", see "Non-U.S. GAAP Measures – Constant currency" below.*

Treatments increased by 9% for the twelve months ended December 31, 2011 as compared to the same period in 2010. Growth from acquisitions contributed 5% and same market treatment growth contributed 4%.

At December 31, 2011, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 2,898 clinics compared to 2,744 clinics at December 31, 2010. During 2011, we acquired 119 clinics, opened 64 clinics and combined or closed 29 clinics. The number of patients treated in clinics that we own, operate or manage (excluding patients of clinics managed but not consolidated in the U.S.) increased by 9% to 233,156 at December 31, 2011 from 214,648 at December 31, 2010. Including 21 clinics managed but not consolidated in the U.S., the total number of patients was 234,516.

Net revenue increased by 6% (5% at constant exchange rates) for the twelve months ended December 31, 2011 over the comparable period in 2010 due to growth in both dialysis care and dialysis products revenues.

Dialysis care revenue increased by 5% to $9,507 M (4% at constant exchange rates) for the year ended December 31, 2011 from $9,070 M in the same period of 2010, mainly due to growth in same market treatments (4%), contributions from acquisitions (3%), and a positive effect from exchange rate fluctuations (1%), partially offset by decreases in revenue per treatment (3%).

4.3
Results of operations

Dialysis product revenue increased by 10% to $3,288 M (7% at constant exchange rates) from $2,983 M in the same period of 2010, driven by increased sales of peritoneal dialysis products, mainly as a result of the acquisition of the Gambro peritoneal dialysis business, and sales of hemodialysis products, especially of dialyzers, machines, products for acute care treatment, solutions and concentrates and bloodlines, partially offset by lower sales of renal pharmaceuticals.

The increase in gross profit margin reflects an increase in gross profit margin in North America due to lower costs for pharmaceuticals, mainly driven by changes in anemia management protocols, partially offset by the effect of a lower revenue rate attributable to the ESRD PPS and higher personnel costs.

Selling, general and administrative (SG&A) expenses increased to $2,366 M in the year ended December 31, 2011 from $2,133 M in the same period of 2010. SG&A expenses as a percentage of sales increased to 18.5% for the year ended December 31, 2011 from 17.7% in the same period of 2010 as a result of an increase in North America due to higher freight and distribution costs as a result of higher fuel costs and increased freight volume as well as a lower revenue rate due to the ESRD PPS. Bad debt expense for the year ended December 31, 2011 was $242 M as compared to $218 million for the same period of 2010, representing 1.9% and 1.8% of sales for the years ended December 31, 2011 and 2010, respectively.

R&D expenses increased to $111 M in the year ended December 31, 2011 as compared to $97 M in the same period in 2010. This increase is due to the first-time consolidation of an acquisition in the second quarter of 2010 that is included for the full fiscal year 2011 as well as increased spending for research in the field of sorbent-based technology.

Income from equity method investees increased to $31 M for the twelve months ended December 31, 2011 from $9 M for the same period of 2010 due to the income from VFMCRP, our renal pharmaceuticals joint venture.

Operating income increased to $2,075 M in the year ended December 31, 2011 from $1,924 M for the same period in 2010. Operating income margin increased to 16.2% for the year ended December 31, 2011 from 16.0% for the same period in 2010 as a result of the increase in gross profit margin as noted above and the increase in income from equity method investees as noted above, partially offset by the increased SG&A expenses as a percentage of revenue as noted above.

Interest expense increased by 17% to $357 M for the twelve months ended December 31, 2011 from $305 M for the same period in 2010 mainly as a result of increased debt, partially offset by lower interest rates driven by fewer interest rate swaps at relatively high rates. Interest income increased to $60 M for the twelve months ended December 31, 2011 from $25 M for the same period in 2010 as a result of interest on notes issued to us by a related party in the first quarter of 2011.

Income tax expense increased to $601 M for the year ended December 31, 2011 from $578 M for the same period in 2010. The effective tax rate decreased to 33.8% from 35.2% for the same period of 2010, mainly as a result of higher internal financing as well as higher tax free joint venture income and an increase in non-taxable noncontrolling interests in North America. This was partially offset by the release of a $10 M valuation allowance in the second quarter of 2010 on deferred taxes for net operating losses.

4.3
Results of operations

Net income attributable to shareholders of FMC AG & CO. KGAA for the twelve months ended December 31, 2011 increased to $1,071 M from $979 M for the same period in 2010 as a result of the combined effects of the items discussed above.

We employed 79,159 people (full-time equivalents) as of December 31, 2011 compared to 73,452 as of December 31, 2010, an increase of 7.8% primarily due to overall growth in our business and acquisitions.

The following discussions pertain to our business segments and the measures we use to manage these segments.

NORTH AMERICA SEGMENT

KEY INDICATORS FOR NORTH AMERICA SEGMENT
Table 4.3.3

	2011	2010	Change
Number of treatments	21,608,620	20,850,242	4 %
Same market treatment growth *in %*	3.2	4.3	–
Revenue *in $ M*	8,150	8,130	0 %
Depreciation and amortization *in $ M*	269	254	6 %
Operating income *in $ M*	1,435	1,386	4 %
Operating income margin *in %*	17.6	17.0	–

Revenue

Treatments increased by 4% for the twelve months ended December 31, 2011 as compared to the same period in 2010 mostly due to same market growth (3%) and contributions from acquisitions (1%). At December 31, 2011, 142,319 patients (a 3% increase over the same period in the prior year) were being treated in the 1,838 clinics that we own or operate in the North America segment, compared to 137,689 patients treated in 1,810 clinics at December 31, 2010. Average North America revenue per treatment was $340 for the twelve months ended December 31, 2011 and $349 in the same period in 2010. In the U.S., the average revenue per treatment was $348 for the twelve months ended December 31, 2011 and $356 for the same period in 2010. The decrease was mainly attributable to the effect of the implementation of the ESRD PPS.

Net revenue for the North America segment for the year ended December 31, 2011 increased slightly as a result of an increase in dialysis care revenue to $7,337 M from $7,303 M in the same period of 2010 partially offset by a decrease in dialysis product revenue to $813 M from $827 M in the year ended December 31, 2010.

The slight increase in dialysis care revenue was driven by same market treatment growth (3%) and contributions from acquisitions (1%), partially offset by decreased revenue per treatment (3%) and the effect of closed or sold clinics (1%).

The dialysis product revenue decrease was driven by lower sales of renal pharmaceuticals partially offset by increased sales of hemodialysis products and peritoneal dialysis products.

Operating income

Operating income increased to $1,435 M for the year ended December 31, 2011 from $1,386 M for the same period in 2010. Operating income margin increased to 17.6% for the twelve months ended December 31, 2011 from 17.0% for the same period in 2010, primarily due to a decrease in cost per treatment in the U.S. to $282 from $291 as a result of favorable costs for pharmaceuticals, mainly driven by changes in anemia management protocols, and higher income from the equity method investees due to the income from the joint venture with Galenica, Ltd., partially offset by the effect of the ESRD PPS as well as higher personnel expenses and higher freight and distribution costs as a result of increased fuel costs and increased freight volume. Cost per treatment for North America decreased to $276 for the year ended December 31, 2011 from $285 in the same period of 2010, offsetting the decrease in North America revenue per treatment for the same period.

INTERNATIONAL SEGMENT

KEY INDICATORS FOR INTERNATIONAL SEGMENT

Table 4.3.4

	2011	*2010*	*Change as reported*	*Change at constant exchange rates*[1]
Number of treatments	12,779,802	10,820,460	18 %	–
Same market treatment growth *in %*	5.4	5.1	–	–
Revenue *in $ M*	4,628	3,923	18 %	14 %
Depreciation and amortization *in $ M*	174	149	17 %	–
Operating income *in $ M*	807	678	19 %	–
Operating income margin *in %*	17.4	17.3	–	–

[1] *For further information on "at constant exchange rates," see "Non-U.S. GAAP Measures – Constant currency" below.*

4.3
Results of operations

Revenue

Treatments increased by 18% in the twelve months ended December 31, 2011 over the same period in 2010 mainly due to contributions from acquisitions (13%) and same market growth (5%). As of December 31, 2011, 90,837 patients (a 18% increase over the same period of the prior year) were being treated at 1,060 clinics that we own, operate or manage in the International segment compared to 76,959 patients treated at 934 clinics at December 31, 2010. Average revenue per treatment for the twelve months ended December 31, 2011 increased to $170 from $163 in comparison with the same period of 2010 due to the strengthening of local currencies against the U.S. dollar ($5) as well as the increased reimbursement rates and changes in the country mix ($2).

Net revenues for the International segment for the year ended December 31, 2011 increased by 18% (14% increase at constant exchange rates) as compared to the same period in 2010 as a result of increases in both dialysis care and dialysis product revenues. Organic growth during the period was 7%, the contribution from acquisitions was 7% and the positive effect of exchange rate fluctuations was 4%.

Including the effects of acquisitions, European region revenue increased 16% (11% increase at constant exchange rates), Latin America region revenue increased 17% (16% increase at constant exchange rates), and Asia-Pacific region revenue increased 26% (19% increase at constant exchange rates).

Total dialysis care revenue for the International segment increased during the year ended December 31, 2011 by 23% (19% increase at constant exchange rates) to $2,170 M from $1,767 M in the same period of 2010. This increase is a result of an increase in contributions from acquisitions (11%), same market treatment growth (5%) and the positive impact of increases in revenue per treatment (3%). In addition, the positive effect of exchange rate fluctuations was 4%.

Total dialysis product revenue for the year ended December 31, 2011 increased by 14% (9% increase at constant exchange rates) to $2,458 M from $2,156 M in the same period of 2010. The increase in product revenue was driven by increased sales of peritoneal dialysis products, mainly as a result of the acquisition of the Gambro peritoneal dialysis business, and sales of hemodialysis products, especially of dialyzers, machines, products for acute care treatments, solutions and concentrates and bloodlines.

Operating income

Operating income increased by 19% to $807 M for the year ended December 31, 2011 from $678 million for the same period in 2010. Operating income margin increased slightly to 17.4% for the year ended December 31, 2011 from 17.3% for the same period in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Chapter 4.4

Our primary sources of liquidity have historically been cash from operations, cash from borrowings from third parties and related parties, as well as cash from issuance of equity and debt securities. We require this capital primarily to finance working capital needs, to fund acquisitions and joint ventures, to develop free-standing renal dialysis centers, to purchase equipment for existing or new renal dialysis centers and production sites, to repay debt and to pay dividends.

At December 31, 2011, we had cash and cash equivalents of $457 M. For information regarding utilization and availability under our Amended 2006 Senior Credit Agreement —— *see Note 11*.

OPERATIONS

In 2011 and 2010, we generated net cash from operations of $1,446 M and $1,368 M, respectively. Cash from operations is impacted by the profitability of our business, the development of our working capital, principally receivables, and cash outflows that occur due to a number of singular specific items (especially payments in relation to disallowed tax deductions and legal proceedings). The increase in 2011 versus 2010 was mainly a result of increased earnings and a decrease in income tax payments, partially offset by an increase in days of inventory on hand, an increase in other items of working capital and a cash outflow from hedging related to intercompany financing.

The profitability of our business depends significantly on reimbursement rates. Approximately 74% of our revenues are generated by providing dialysis services, a major portion of which is reimbursed by either public healthcare organizations or private insurers. For the period ended December 31, 2011, approximately 30% of our consolidated revenues were attributable to U.S. federal healthcare benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates, as occurred in our North America segment as a result of the implementation of the ERSD PPS, or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. In the past we experienced and, after the implementation of the new ESRD PPS in the U.S., also expect in the future generally stable reimbursements for our dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. —— *See chapter 4.2 "Financial condition and results of operations – Overview"* for a discussion of recent Medicare reimbursement rate changes including provisions for implementation of the ESRD PPS for dialysis services provided after January 1, 2011. For information regarding the effects of the new ESRD PPS on our average revenue per treatment in the U.S. —— *see chapter 4.3 "Results of operations – North America segment"*.

4.4
Liquidity and capital resources

Our working capital, which is defined as current assets less current liabilities, was $1,432 M at December 31, 2011 which increased from $1,363 M at December 31, 2010, mainly as a result of the repayment of the Trust Preferred Securities at maturity on June 15, 2011 —— *see Note 13*, a decrease in short-term borrowings due to the reclassification of the accounts receivable facility from short-term borrowings into long-term debt, and increases in prepaid expenses, accounts receivable and inventories, partially offset by the reclassification of a portion of Term Loan B and the Euro Note tranches due in 2012 from noncurrent to current liabilities, increases in accrued expenses and accounts payable, as well as a decrease in cash. Our ratio of current assets to current liabilities was 1.3 at December 31, 2011 as compared to 1.4 at December 31, 2010.

We intend to continue to address our current cash and financing requirements by the generation of cash from operations, our existing and future credit agreements, and the issue of debt securities, as occurred most recently on January 26, 2012 —— *see Note 2*. We have sufficient financial resources, consisting of only partly drawn credit facilities and our accounts receivable facility to meet our needs for the foreseeable future. In addition, when funds are required for acquisitions or to meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of senior notes, —— *see "Financing" below*. We aim to preserve financial resources with a minimum of $300 to $500 M of committed and unutilized credit facilities.

Cash from operations depends on the collection of accounts receivable. Customers and governments generally have different payment cycles. A lengthening of their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems and due to the economic conditions in some countries. Accounts receivable balances at December 31, 2011 and December 31, 2010, net of valuation allowances, represented days sales outstanding (DSO) of approximately 80 and 76 days, respectively.

DSO by segment is calculated by dividing the segment's accounts receivable, converted to U.S. Dollars using the average exchange rate for the period presented, less any value added tax included in the receivables, by the average daily sales of the last twelve months for that segment, converted to U.S. dollars using the average exchange rate for the period. Receivables and sales are adjusted for amounts related to significant acquisitions made during the periods presented.

The development of DSO by reporting segment is shown in the table below:

DEVELOPMENT OF DAYS SALES OUTSTANDING
Table 4.4.1

in days, December 31	***2011***	*2010*
North America	55	54
International	121	116
▸ **TOTAL**	**80**	**76**

DSO performance in the North American segment continued to be strong between December 31, 2010 and 2011, in spite of the implementation of the ESRD PPS. DSO for the International segment increased between December 31, 2010 and December 31, 2011, reflecting payment delays, particularly in countries with budget deficits. Due to the fact that a large portion of our reimbursement is provided by public healthcare organizations and private insurers, we expect that most of our accounts receivable will be collectible, albeit more slowly in the International segment in the immediate future.

There are a number of tax and other items we have identified that will or could impact our cash flows from operations in the future as follows:

We filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of civil settlement payment deductions taken by Fresenius Medical Care Holdings, Inc. (FMCH) in prior year tax returns. As a result of a settlement agreement with the IRS, we received a partial refund in September 2008 of $37 M, inclusive of interest and preserved our right to pursue claims in the United States courts for refunds of all other disallowed deductions. On December 22, 2008, we filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial.

The IRS tax audits of FMCH for the years 2002 through 2008 have been completed. On January 23, 2012, we executed a closing agreement with the IRS with respect to the 2007-2008 tax audit. The agreement reflected a full allowance of interest deductions on intercompany mandatorily redeemable preferred shares for the 2007-2008 tax years. The agreement evidenced a revocation by the IRS in December of 2011 of an initial disallowance of the deductions on mandatorily redeemable shares for the 2007-2008 tax years that was reflected in an IRS examination report issued on November 21, 2011. We also protested the IRS's disallowance of interest deductions associated with mandatorily redeemable shares for the years 2002-2006. Although our protests remain pending before IRS Appeals, the IRS has advised us that it will withdraw from its disallowance of, and will accordingly permit the deductions associated with, mandatorily redeemable shares for the years 2002-2006. During the IRS tax audit for 2007-2008, the IRS proposed other adjustments which have been recognized in the financial statements.

For the tax year 1997, we recognized an impairment of one of our subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of their audit for the years 1996 and 1997. We have filed a complaint with the appropriate German court to challenge the tax authorities' decision. In January 2011, we reached an agreement with the tax authorities. The additional benefit related to the agreement has been recognized in the financial statements in 2011.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits, including those described above. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

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. The settlement agreement with the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate —— *see Note 20* provides for payment by the Company of $115 M upon approval of the settlement agreement by the U.S. District Court, which has occurred, and confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that includes the settlement. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012. The $115 M obligation was included in the special charge we recorded in 2001 to address 1996 merger-related legal matters —— *see Note 20*. The payment obligation is not interest-bearing.

If potential additional tax payments and the Grace Chapter 11 Proceedings settlement payment were to occur contemporaneously, there could be a material adverse impact on our operating cash flow in the relevant reporting period. Nonetheless, we anticipate that cash from operations and, if required, our senior credit agreement and other sources of liquidity will be sufficient to satisfy all such obligations if and when they come due.

INVESTING

We used net cash of $2,346 M and $1,125 M in investing activities in 2011 and 2010, respectively.

Capital expenditures for property, plant and equipment, net of disposals were $570 M and $507 M in 2011 and 2010, respectively. In 2011, capital expenditures were $237 M in the North America segment, $175 million for the International segment and $158 M at Corporate. Capital expenditures in 2010 were $210 M in the North America segment, $174 M for the International segment and $123 M at Corporate. The majority of our capital expenditures was used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities primarily in North America, Germany, China and France and capitalization of machines provided to our customers, primarily in the International segment. Capital expenditures were approximately 4% and 4% of total revenue in 2011 and 2010, respectively.

We invested approximately $1,785 M cash in 2011, primarily for the acquisitions of International Dialysis Centers, the dialysis service business of Euromedic International, and American Access Care Holdings, LLC, which operates vascular access centers, loans provided to, as well as the purchase of a 49% ownership of, the related party Renal Advantage Partners LLC, the parent company of Renal Advantage, Inc., a provider of dialysis services, and payments for the extension of the activities of VFMCRP ($818 M in the North America segment, $960 M in the International segment, and $7 M at Corporate), as compared to $632 M cash in the same period of 2010 ($237 M in the North America segment, $373 M in the International segment and $22 M at Corporate). In addition, we invested €100 M ($133 M at September 30, 2010) in short-term investments with

banks during 2010, which were divested during the fourth quarter of 2010. We received $10 M and $14 M in conjunction with divestitures in 2011 and 2010, respectively.

We anticipate capital expenditures of approximately $700 M and expect to make acquisitions of approximately $1.8 BN in 2012, including the pending acquisition of Liberty Dialysis Holdings, Inc., announced on August 2, 2011.

FINANCING

Net cash provided by financing was $793 M in 2011 compared to net cash used in financing of $15 M in 2010, respectively.

In 2011, cash was provided by the issuance of senior notes, short-term borrowings and short-term borrowings from related parties, partially offset by the repayment of long-term debt, the repayment of the Trust Preferred Securities, the repayment of short-term borrowings and short-term borrowings from related parties and the payment of dividends. For further information on the issuance of senior notes in 2011, see below. In 2010, cash was mainly used to reduce borrowings under our credit facilities and to pay dividends. This was partially offset by the issuance of the €250 M of 5.50% Senior Notes in January 2010, drawings under the accounts receivable facility and other short term borrowings.

On January 26, 2012, our wholly-owned subsidiary, Fresenius Medical Care US Finance II, Inc. (US Finance II), issued $800 M aggregate principal amount of senior unsecured notes with a coupon of 5 5/8% (the 5 5/8% Senior Notes) at par and $700 M aggregate principal amount of senior unsecured notes with a coupon of 5 7/8% (the 5 7/8% Senior Notes) at par (together, the Dollar-denominated Senior Notes). In addition, our wholly-owned subsidiary, FMC Finance VIII S.A. (Finance VIII), issued €250 M aggregate principal amount ($329 M at date of issuance) of senior unsecured notes with a coupon of 5.25% (the 5.25% Euro-denominated Senior Notes) at par. Both the 5 5/8% Senior Notes and the 5.25% Euro-denominated Senior Notes are due July 31, 2019 while the 5 7/8% Senior Notes are due January 31, 2022. We intend to use the net proceeds of approximately $1,807 M for acquisitions, including the pending acquisition of Liberty Dialysis Holdings, Inc., which was announced on August 2, 2011, to refinance indebtedness and for general corporate purposes. The Dollar-denominated Senior Notes and the 5.25% Euro-denominated Senior Notes are guaranteed on a senior basis jointly and severally by the Company and Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (D-GmbH) (together, the Guarantor Subsidiaries).

On October 17, 2011, Finance VIII issued €100 M aggregate principal amount ($138 M at date of issuance) of floating rate senior unsecured notes (the Floating Rate Senior Notes) at par, with an interest rate of three month EURIBOR plus 350 basis points. The notes are due October 15, 2016. We used the net proceeds of approximately $136 M for acquisitions, to refinance indebtedness outstanding under the revolving credit facility of our Amended 2006 Senior Credit Agreement, and for general corporate purposes. The Floating Rate Senior Notes are guaranteed on a senior basis jointly and severally by us and the Guarantor Subsidiaries.

On September 14, 2011, US Finance II and Finance VIII issued $400 million and €400 M ($549 M at date of issuance) aggregate principal amount of 6.50% Dollar-denominated Senior Notes and 6.50% Euro-denominated Senior Notes, respectively. Both the 6.50% Dollar-denominated Senior Notes and 6.50% Euro-denominated Senior Notes had an issue price of 98.623% and a yield to maturity of 6.75%, and are due on September 15, 2018. Net proceeds of approximately $927 M were used for acquisitions, to refinance indebtedness outstanding under the revolving credit facility of our Amended 2006 Senior Credit Agreement and under

our A/R facility, and for general corporate purposes. The 6.50% Dollar-denominated Senior Notes and the 6.50% Euro-denominated Senior Notes are guaranteed on a senior basis jointly and severally by us and the Guarantor Subsidiaries.

On August 18, 2011, we renewed our A/R Facility until July 31, 2014 and increased available borrowings under the facility from $700 M to $800 M, resulting in a reclassification of the A/R Facility from short-term borrowings to long-term debt.

On February 3, 2011, our wholly owned subsidiaries, Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A., issued $650 M and €300 M (approximately $412 M at the date of issuance) of 5.75% Senior Notes and 5.25% Senior Notes, respectively. The 5.75% Senior Notes had an issue price of 99.060% and a yield to maturity of 5.875%. The 5.25% Senior Notes were issued at par. Both the 5.75% Senior Notes and the 5.25% Senior Notes are due February 15, 2021. Net proceeds were used to repay indebtedness outstanding under our accounts receivable facility and the revolving credit facility of the Amended 2006 Senior Credit Agreement, for acquisitions, including payments for our recent acquisition of International Dialysis Centers, and for general corporate purposes to support our renal dialysis products and services business. Both the 5.75% and the 5.25% Senior Notes are guaranteed on a senior basis jointly and severally by us and the Guarantor Subsidiaries.

The following table summarizes the Company's available sources of liquidity at December 31, 2011:

AVAILABLE SOURCES OF LIQUIDITY

Table 4.4.2

in $ M

	Total	*Expiration per period of*	
		1 Year	*2–5 Years*
Accounts receivable facility[1]	266	–	266
Revolving Credit Facility of the Amended 2006 Senior Credit Agreement[2]	960	–	960
Other Unused Lines of Credit	234	234	–
▸ **TOTAL**	**1,460**	**234**	**1,226**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria.*
[2] *At December 31, 2011, the Company had letter of credit outstanding in the amount of $ 181 which reduces the availability under the Revolving Credit Facility to the amount shown in this table.*

The amount of guarantees and other commercial commitments at December 31, 2011 is not significant.

At December 31, 2011, we have short-term borrowings, excluding the current portion of long-term debt, of $92 M.

4.4
Liquidity and capital resources

The following table summarizes, as of December 31, 2011, our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit.

CONTRACTUAL CASH OBLIGATIONS AND COMMITMENTS

Table 4.4.3

in $ M

	Total	*Payments due by period of*		
		1 Year	*2–5 Years*	*Over 5 Years*
Long-term debt[1,2]	7,854	1,716	3,243	2,895
Capital lease obligations	19	5	7	7
Operating Leases	2,707	511	1,457	739
Unconditional purchase obligations	2,598	533	1,338	727
Other long-term obligations	116	99	17	–
Letters of credit	181	–	181	–
▸ **TOTAL**	**13,474**	**2,864**	**6,243**	**4,368**

[1] *Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Prime), the applicable margins, and the effects of related interest rate swaps.*
[2] *Excludes our 5 5/8 % Senior Notes and 5.25 % Euro-denominated Senior Notes due 2019 and our 5 7/8 % Senior Notes due 2022 issued on January 26, 2012.*

Our obligations under the Amended 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries, including FMCH and D-GmbH, in favor of the lenders. Our Amended 2006 Senior Credit Agreement, EIB agreements, Euro Notes and Senior Notes include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our Amended 2006 Senior Credit Agreement, we are obligated to maintain a minimum consolidated fixed charge ratio (ratio of consolidated EBITDAR (sum of EBITDA plus Rent expense under operation leases) to Consolidated Fixed Charges as these terms are defined in the Amended 2006 Senior Credit Agreement) and a maximum consolidated leverage ratio (ratio of consolidated funded debt to consolidated EBITDA as these terms are defined in the Amended 2006 Senior Credit Agreement). Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends and make other restricted payments, create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our long-term debt – the Amended 2006 Senior Credit Agreement, the EIB agreements, the Euro Notes or the Senior Notes– could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the Amended 2006 Senior Credit Agreement becomes due at the option of the lenders under that agreement, and the “cross default” provisions in our other long-term debt permit the lenders to accelerate the maturity of the debt upon such a default as well. As of December 31, 2011, we are in compliance with all covenants under the Amended 2006 Senior Credit Agreement and our other financing agreements. For information regarding our Amended 2006 Senior Credit Agreement, EIB agreements, Euro Notes and Senior Notes, —— *see Note 11*.

4.4
Liquidity and capital resources

Although we are not immune from the global financial crisis, we believe that we are well positioned to continue to grow our business while meeting our financial obligations as they come due. Due to the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, our business is generally not cyclical. A substantial portion of our accounts receivable are generated by governmental payers. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low to moderate credit risks. However, limited or expensive access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our dialysis products. —— *See "Results of operations" above*. If the current conditions in the credit and equity markets continue, or worsen, they could also increase our financing costs and limit our financial flexibility.

Following our earnings-driven dividend policy, our General Partner's Management Board will propose to the shareholders at the Annual General meeting on May 10, 2012, a dividend with respect to 2011 and payable in 2012, of €0.69 per ordinary share (for 2010 paid in 2011: €0.65) and €0.71 per preference share (for 2010 paid in 2011: €0.67). The total expected dividend payment is approximately €210 M (approximately $272 M based upon the December 31, 2011 spot rate) compared to dividends of €197 M ($281 M) paid in 2011 with respect to 2010. Our Amended 2006 Senior Credit Agreement limits disbursements for dividends during 2012 to $360 M in total.

Our 2012 principal financing needs are the payment for our pending acquisition of Liberty Dialysis Holdings, Inc., which we announced in August 2011 and expect to close in the first quarter of 2012, and the dividend payment of approximately $272 M in May 2012, which is expected to be mostly covered by cash flow from operations and from existing credit facilities. Subsequent to December 31, 2011, we issued of approximately $1.8 BN principal amount Senior Notes in January of 2012 —— *see Note 2*. In addition, the quarterly payments for Term Loan B of the Amended 2006 Senior Credit Agreement increase to $379 M from $4 M beginning with the payment on June 30, 2012. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

NON-U.S. GAAP MEASURES

Constant currency

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure "at constant exchange rates" in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. dollar) currency are translated into U.S. dollars at the average exchange rate for the period presented. When we use the term "constant currency", it means that we have translated local currency revenues for the current reporting period into U.S. dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. dollars that we used to translate local currency revenues for the comparable reporting period of the prior year. We then calculate the change, as a percentage, of the current period revenues using the prior period exchange rates versus the prior period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage "at constant exchange rates".

We believe that revenue growth is a key indication of how a company is progressing from period to period and that the non-GAAP financial measure constant currency is useful to investors, lenders, and other creditors because such information enables them to gauge the impact of currency fluctuations on its revenue from period to period. However, we also believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated could constitute a significant element of our revenue and could significantly impact our performance. We therefore limit our use of constant currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency revenue into U.S. dollars. We do not evaluate our results and performance without considering both constant currency period-over-period changes in non-U.S. GAAP revenue on the one hand and changes in revenue prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering data on constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenue prepared in accordance with U.S. GAAP. We present the fluctuation derived from U.S. GAAP revenue next to the fluctuation derived from non-GAAP revenue. Because the reconciliation is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

Debt covenant disclosure – EBITDA

EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $2,632 M, 20.6% of revenues for 2011 $2,427 M, 20.1% of revenues for 2010. EBITDA is the basis for determining compliance with certain covenants contained in our Amended 2006 Senior Credit Agreement, Euro Notes, EIB agreements, and the indentures relating to our Senior Notes. You should not consider EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail elsewhere in this report. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of EBITDA to cash flow provided by operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

RECONCILIATION OF MEASURES FOR CONSOLIDATED TOTALS

Table 4.4.4

in $ M

	2011	2010
Total EBITDA	2,632	2,427
Interest expense (net of interest income)	(297)	(280)
Income tax expense, net	(601)	(578)
Change in deferred taxes, net	147	15
Changes in operating assets and liabilities	(397)	(237)
Stock compensation expense	29	28
Other items, net	(67)	(7)
▸ **NET CASH PROVIDED BY OPERATING ACTIVITIES**	**1,446**	**1,368**

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Chapter 4.5

MARKET RISK

Our businesses operate in highly competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- changes in reimbursement rates;
- intense competition;
- foreign exchange rate and interest rate fluctuations;
- varying degrees of acceptance of new product introductions;
- technological developments in our industry;
- uncertainties in litigation or investigative proceedings and regulatory developments in the healthcare sector; and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Reimbursement rates

We obtained approximately 30% of our worldwide revenue for 2011 from sources subject to regulations under U.S. government healthcare programs. In the past, U.S. budget deficit reduction and healthcare reform measures have changed the reimbursement rates under these programs, including the Medicare composite rate, the reimbursement rate for EPO, and the reimbursement rates for other dialysis and non-dialysis related services and products, as well as other material aspects of these programs, and they may change in the future. Effective January 1, 2011, the Medicare reimbursement rate for dialysis services is determined on the basis of a case-mix adjusted "blended" prospective payment system for ESRD dialysis facilities.

We also obtain a significant portion of our net revenues from reimbursement by non-government payors. Historically, these payors' reimbursement rates generally have been higher than government program rates in their respective countries. However, non-governmental payors are imposing cost containment measures that are creating significant downward pressure on reimbursement levels that we receive for our services and products.

Inflation

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, a major portion of our net revenues from dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

4.5
Quantitative and qualitative disclosures about market risk

Management of foreign exchange and interest rate risks

We are primarily exposed to market risk from changes in foreign exchange rates and changes in interest rates. In order to manage the risks from these foreign exchange rate and interest rate fluctuations, we enter into various hedging transactions, as authorized by the Management Board of the general partner, with banks which generally have ratings in the "A" Category or better. We do not use financial instruments for trading or other speculative purposes.

Fresenius SE, as provided for under a service agreement, conducts financial instrument activity for us and its other subsidiaries under the control of a single centralized department. Fresenius SE has established guidelines, that we have agreed to, for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk

We conduct our business on a global basis in various currencies, although our operations are located principally in the United States and Germany. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures we enter into foreign exchange forward contracts and, on a small scale, foreign exchange options. Our policy, which has been consistently followed, is that foreign exchange rate derivatives be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

In connection with intercompany loans in foreign currency, we normally use foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

The Company is exposed to potential losses in the event of non-performance by counterparties to financial instruments. We do not expect any counterparty to fail to meet its obligations. The current credit exposure of foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date. The table below provides information about our foreign exchange forward contracts at December 31, 2011. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts by year of maturity, the fair values of the contracts, which show the unrealized net gain (loss) on existing contracts as of December 31, 2011, and the credit risk inherent to those contracts with positive market values as of December 31, 2011. All contracts expire within 47 months after the reporting date.

4.5
Quantitative and qualitative disclosures about market risk

FOREIGN CURRENCY RISK MANAGEMENT

Table 4.5.1

in $ M, December 31	*Nominal amount*						*Fair value*	*Credit risk*
	2012	*2013*	*2014*	*2015*	*2016*	*Total*		
Purchase of € against $	837	31	–	–	–	868	(18)	1
Sale of € against $	978	–	–	–	–	978	50	50
Purchase of € against others	922	117	30	28	–	1,097	(36)	9
Sale of € against others	337	58	30	28	–	453	3	3
Others	31	1	–	–	–	32	(3)	–
▸ **TOTAL**	**3,105**	**207**	**60**	**56**	**–**	**3,428**	**(4)**	**63**

A summary of the high and low exchange rates for the euro to U.S. dollars and the average exchange rates for the last five years is set forth below. The European Central Bank (ECB) determines such rates (Reference Rates) based on the regular daily averaging of rates between central banks within and outside the European banking system. The ECB normally publishes the Reference Rates daily at 2:15 p.m. (CET). In preparing our consolidated financial statements and in converting certain U.S. dollar amounts in this report, we have used the Year's Average Reference Rate of $1.3920 or Year's Close Reference Rate of $1.2939 per €1.00.

EXCHANGE RATES

Table 4.5.2

$ per €	*Year's high*	*Year's low*	*Year's average*	*Year's close*
2011	**1.4882**	**1.2889**	**1.3920**	**1.2939**
2010	1.4563	1.1942	1.3259	1.3362
2009	1.5120	1.2555	1.3948	1.4406
2008	1.5990	1.2460	1.4713	1.3917
2007	1.4874	1.2893	1.3705	1.4721

The Reference Rate on February 17, 2012 was $1.3159 per €1.00.

Foreign exchange sensitivity analysis

In order to estimate and quantify the transaction risks from foreign currencies, the Company considers the cash flows reasonably expected for the three months following the reporting date as the relevant assessment basis for a sensitivity analysis. For this analysis, the Company assumes that all foreign exchange rates in which the Company had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Company's results of operations would be $10 M.

4.5
Quantitative and qualitative disclosures about market risk

Interest rate risk

We are exposed to changes in interest rates that affect our variable-rate borrowings. We enter into debt obligations including accounts receivable securitizations to support our general corporate purposes such as capital expenditures and working capital needs. Consequently, we enter into derivatives, particularly interest rate swaps to protect interest rate exposures arising from borrowings at floating rates by effectively swapping them into fixed rates.

These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed rate. Additionally, interest rate swaps have been entered into in anticipation of future debt. The U.S. dollar-demoninated swap agreements, all of which expire at various dates in 2012, bear an average interest rate of 3.547%. The euro-denominated interest rate swaps expire in 2012 and 2016 and have an average interest rate of 2.267%.

As of December 31, 2011, the notional amounts of the U.S. dollar-denominated interest rate swaps in place were 2,650 M and the notional amount of euro-denominated interest rate swaps in place was €200 M. Simultaneously with the issuance of senior notes in January 2012, interest rate swaps of $1,500 M and €100 M were terminated. Interest payable and interest receivable under the swap agreements are accrued and recorded as an adjustment to interest expense at each reporting date. At December 31, 2011, the negative fair value of all our interest rate agreements is $132 M.

Interest rate sensitivity analysis

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

The table below presents principal amounts and related weighted average interest rates by year of maturity for interest rate swaps and for our significant debt obligations.

4.5
Quantitative and qualitative disclosures about market risk

INTEREST RATE EXPOSURE

Table 4.5.3

in $ M

	2012	*2013*	*2014*	*2015*	*2016*	*Thereafter*	*Total*	*Fair Value Dec. 31, 2011*
Floating rate $ debt								
Principal payments on Senior Credit Agreement Variable interest rate = 2.05 %	1,262	1,534	–	–	–	–	2,796	2,775
Accounts receivable securitization programs Variable interest rate = 0.42 %	–	–	535	–	–	–	535	535
EIB loans Variable interest rate = 0.68 %	–	165	–	–	–	–	165	165
Floating rate € debt								
Euro Notes 2009/2012 Variable interest rate = 6.79 %	155	–	–	–	–	–	155	157
Euro Notes 2009/2014 Variable interest rate = 7.29 %	5	5	29	–	–	–	39	40
EIB loan Variable interest rate = 2.32 %	–	–	181	–	–	–	181	181
Senior notes 2011/2016 Variable interest rate = 5.072 %	–	–	–	–	129	–	129	131
Fixed rate $ debt								
Senior Notes 2007/2017; fixed interest rate = 6.875 %	–	–	–	–	–	495	495	513
Senior Notes 2011/2018; fixed interest rate = 6.50 %	–	–	–	–	–	395	395	428
Senior Notes 2011/2021; fixed interest rate = 5.75 %	–	–	–	–	–	644	644	637
Fixed rate € debt								
Euro Notes 2009/2012 Fixed interest rate = 7.4065 %	46	–	–	–	–	–	46	48
Euro Notes 2009/2014 Fixed interest rate = 8.3835 %	2	2	15	–	–	–	19	21
Euro Notes 2010/2016 Fixed interest rate = 5.50 %	–	–	–	–	321	–	321	340
Senior Notes 2011/2018 Fixed interest rate = 6.50 %	–	–	–	–	–	511	511	556
Senior Notes 2011/2021 Fixed interest rate = 5.25 %	–	–	–	–	–	388	388	384
Interest rate derivatives								
US$ payer swaps notional amount	2,650	–	–	–	–	–	2,650	(124)
Average fixed pay rate = 3.55 %	3.55 %	–	–	–	–	–	–	–
Receive rate = 3-month $LIBOR	–	–	–	–	–	–	–	–
€ payer swaps notional amount	129	–	–	–	129	–	258	(7)
Average fixed pay rate = 2.27 %	2.80 %	–	–	–	1.73 %	–	–	–
Receive rate = 3-month EURIBOR	–	–	–	–	–	–	–	–

All variable interest rates depicted above are as of December 31, 2011.

CONSOLIDATED FINANCIAL STATEMENTS

Chapter 5

1,071 BILLION U.S. DOLLARS – THE HIGHEST CONSOLIDATED FINANCIAL RESULT IN THE COMPANY'S HISTORY

CONSOLIDATED STATEMENTS OF INCOME

Chapter 5.1

CONSOLIDATED STATEMENTS OF INCOME

Table 5.1.1

in $ THOUS, except share data

	Note	2011	2010
Net revenue			
Dialysis care	1i	9,507,173	9,070,546
Dialysis products		3,287,887	2,982,944
▸ **TOTAL**	23	**12,795,060**	**12,053,490**
Costs of revenue			
Dialysis care		6,677,215	6,345,135
Dialysis products		1,597,144	1,563,634
▸ **TOTAL**		**8,274,359**	**7,908,769**
Gross profit		4,520,701	4,144,721
Operating (income) expenses			
Selling, general and administrative		2,365,934	2,133,333
Research and development		110,834	96,532
Income from equity method investees		(30,959)	(8,949)
▸ **OPERATING INCOME**		**2,074,892**	**1,923,805**
Other (income) expense			
Interest income		(59,825)	(25,409)
Interest expense		356,358	305,473
Income before income taxes		1,778,359	1,643,741
Income tax expense	18	601,097	578,345
Net income		1,177,262	1,065,396
Less: net income attributable to noncontrolling interests		106,108	86,879
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**1,071,154**	**978,517**
▸ **BASIC INCOME PER ORDINARY SHARE**	16	**3.54**	**3.25**
▸ **FULLY DILUTED INCOME PER ORDINARY SHARE**	16	**3.51**	**3.24**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Chapter 5.2

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Table 5.2.1

in $ THOUS

	Note	2011	2010
▸ **NET INCOME**		**1,177,262**	**1,065,396**
Gain (loss) related to cash flow hedges	*21,22*	(102,446)	(8,109)
Actuarial gains (losses) on defined benefit pension plans	*22*	(81,906)	(35,654)
Gain (loss) related to foreign currency translation	*22*	(181,234)	(110,888)
Income tax benefit (expense) related to components of other comprehensive income	*21,22*	72,617	12,821
▸ **OTHER COMPREHENSIVE INCOME (LOSS)**	*22*	**(292,969)**	**(141,830)**
▸ **TOTAL COMPREHENSIVE INCOME**		**884,293**	**923,566**
Comprehensive income attributable to noncontrolling interests		104,861	89,370
▸ **COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**779,432**	**834,196**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Chapter 5.3

CONSOLIDATED BALANCE SHEETS

Table 5.3.1

in $ THOUS, except share data, December 31

	Note	2011	2010
Assets			
Current assets			
Cash and cash equivalents	*1 b*	457,292	522,870
Trade accounts receivable less allowance for doubtful accounts of $299,751 in 2011 and $277,139 in 2010		2,798,318	2,573,258
Accounts receivable from related parties	*4c*	111,008	113,976
Inventories	*1d, 5*	967,496	809,097
Prepaid expenses and other current assets	*6*	1,035,366	783,231
Deferred taxes	*1 k, 18*	325,539	350,162
▸ **TOTAL CURRENT ASSETS**		**5,695,019**	**5,152,594**
Property, plant and equipment	*1 e, 7*	2,629,701	2,527,292
Intangible assets	*1 f, 8*	686,652	692,544
Goodwill	*1 f, 8*	9,186,650	8,140,468
Deferred taxes	*1 k, 18*	88,159	93,168
Investment in equity method investees	*3, 23*	692,025	250,373
Other assets and notes receivable		554,644	238,222
▸ **TOTAL ASSETS**		**19,532,850**	**17,094,661**

See accompanying notes to consolidated financial statements.

5.3
Consolidated balance sheets

CONSOLIDATED BALANCE SHEETS

Table 5.3.1

in $ THOUS, except share data, December 31	Note	2011	2010
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		541,423	420,637
Accounts payable to related parties		111,226	121,887
Accrued expenses and other current liabilities	9	1,704,273	1,537,423
Short-term borrowings and other financial liabilities	10	98,801	670,671
Short-term borrowings from related parties	10	28,013	9,683
Current portion of long-term debt and capital lease obligations	11	1,589,776	263,982
Company-obligated mandatorily redeemable preferred securities of subsidiary Fresenius Medical Care Capital Trusts holding solely Company-guaranteed debentures of subsidiaries – current portion	13	–	625,549
Income tax payable	1 k, 18	162,354	117,542
Deferred taxes	1 k, 18	26,745	22,349
▸ **TOTAL CURRENT LIABILITIES**		**4,262,611**	**3,789,723**
Long-term debt and capital lease obligations, less current portion	11	5,494,810	4,309,676
Other liabilities		236,628	294,015
Pension liabilities	12	290,493	190,150
Income tax payable	1 k, 18	189,000	200,581
Deferred taxes	1 k, 18	587,800	506,896
▸ **TOTAL LIABILITIES**		**11,061,342**	**9,291,041**
Noncontrolling interests subject to put provisions	14	410,491	279,709
Shareholders' equity			
Preference shares, no par value, € 1.00 nominal value, 7,066,522 shares authorized, 3,965,691 issued and outstanding		4,452	4,440
Ordinary shares, no par value, € 1.00 nominal value, 385,396,450 shares authorized, 300,164,922 issued and outstanding		371,649	369,002
Additional paid-in capital		3,362,633	3,339,781
Retained earnings		4,648,585	3,858,080
Accumulated other comprehensive (loss) income	22	(485,767)	(194,045)
▸ **TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY**	15	**7,901,552**	**7,377,258**
Noncontrolling interests not subject to put provisions		159,465	146,653
▸ **TOTAL EQUITY**	15	**8,061,017**	**7,523,911**
▸ **TOTAL LIABILITIES AND EQUITY**		**19,532,850**	**17,094,661**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Chapter 5.4

CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 5.4.1

in $ THOUS

	Note	2011	2010
Operating activities			
Net income		1,177,262	1,065,396
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7, 8, 23	557,283	503,224
Change in deferred taxes, net		147,454	14,687
(Gain) loss on sale of investments		(7,679)	(5,888)
(Gain) loss on sale of fixed assets		(1,306)	(628)
Compensation expense related to stock options	17	29,071	27,981
Cash outflow from hedging		(58,113)	–
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(252,794)	(300,274)
Inventories	5	(151,890)	18,326
Prepaid expenses, other current and non-current assets		(150,090)	(60,305)
Accounts receivable from related parties		(11,669)	125,962
Accounts payable to related parties		(4,495)	(135,001)
Accounts payable, accrued expenses and other current and non-current liabilities		132,406	124,279
Income tax payable	1 k, 18	41,042	(9,634)
▸ **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**		**1,446,482**	**1,368,125**

See accompanying notes to consolidated financial statements.

5.4
Consolidated statements of cash flows

CONSOLIDATED STATEMENTS OF CASH FLOWS

Table 5.4.1

in $ THOUS

	Note	2011	2010
Investing activities			
Purchases of property, plant and equipment	1e,7,23	(597,855)	(523,629)
Proceeds from sale of property, plant and equipment	1e,7	27,325	16,108
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	23	(1,785,329)	(764,338)
Proceeds from divestitures		9,990	146,835
▸ **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**		**(2,345,869)**	**(1,125,024)**
Financing activities			
Proceeds from short-term borrowings and other financial liabilities	10	189,987	281,022
Repayments of short-term borrowings and other financial liabilities	10	(248,821)	(258,561)
Proceeds from short-term borrowings from related parties	10	146,872	–
Repayments of short-term borrowings from related parties	10	(127,015)	–
Proceeds from long-term debt and capital lease obligations (net of debt issuance costs and other hedging costs of $ 127,854 in 2011 and $ 31,458 in 2010)	11	2,706,105	947,346
Repayments of long-term debt and capital lease obligations		(957,235)	(1,072,941)
Redemption of trust preferred securities		(653,760)	–
Increase (decrease) of accounts receivable securitization program		24,500	296,000
Proceeds from exercise of stock options	17	94,893	109,518
Dividends paid	15	(280,649)	(231,967)
Distributions to noncontrolling interests		(129,542)	(111,550)
Contributions from noncontrolling interests		27,824	26,416
▸ **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES**		**793,159**	**(14,717)**
▸ **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**		**40,650**	**(6,739)**
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		(65,578)	221,645
Cash and cash equivalents at beginning of period		522,870	301,225
▸ **CASH AND CASH EQUIVALENTS AT END OF PERIOD**		**457,292**	**522,870**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Chapter 5.5

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Table 5.5.1

in $ THOUS, except share data	*Note*	*Preference shares*		*Ordinary shares*	
		Number of shares	*No par value*	*Number of shares*	*No par value*
▸ BALANCE AT DECEMBER 31, 2009		**3,884,328**	**4,343**	**295,746,635**	**365,672**
Proceeds from exercise of options and related tax effects	*17*	72,840	97	2,532,366	3,330
Compensation expense related to stock options	*17*	–	–	–	–
Dividends paid	*15*	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	*14*	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	*22*	–	–	–	–
Comprehensive income		–	–	–	–
▸ BALANCE AT DECEMBER 31, 2010		**3,957,168**	**4,440**	**298,279,001**	**369,002**
Proceeds from exercise of options and related tax effects	*17*	8,523	12	1,885,921	2,647
Compensation expense related to stock options	*17*	–	–	–	–
Dividends paid	*15*	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	*14*	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	*22*	–	–	–	–
Comprehensive income		–	–	–	–
▸ BALANCE AT DECEMBER 31, 2011		**3,965,691**	**4,452**	**300,164,922**	**371,649**

See accompanying notes to consolidated financial statements.

5.5
Consolidated statements of shareholders' equity

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Table 5.5.1

in $ THOUS, except share data	*Note*	*Additional paid in capital*	*Retained earnings*	*Accumulated other comprehensive income (loss)*	*Total FMC AG & CO.KGAA shareholders' equity*	*Noncontrolling interests not subject to put provisions*	*Total Equity*
▸ BALANCE AT DECEMBER 31, 2009		**3,243,466**	**3,111,530**	**(49,724)**	**6,675,287**	**123,103**	**6,798,390**
Proceeds from exercise of options and related tax effects	*17*	98,819	–	–	102,246	–	102,246
Compensation expense related to stock options	*17*	27,981	–	–	27,981	–	27,981
Dividends paid	*15*	–	(231,967)	–	(231,967)	–	(231,967)
Purchase/sale of noncontrolling interests		(6,263)	–	–	(6,263)	17,295	11,032
Contributions from/to noncontrolling interests		–	–	–	–	(54,225)	(54,225)
Changes in fair value of noncontrolling interests subject to put provisions	*14*	(24,222)	–	–	(24,222)	–	(24,222)
Net income		–	978,517	–	978,517	58,040	1,036,557
Other comprehensive income (loss)	*22*	–	–	(144,321)	(144,321)	2,440	(141,881)
Comprehensive income		–	–	–	834,196	60,480	894,676
▸ BALANCE AT DECEMBER 31, 2010		**3,339,781**	**3,858,080**	**(194,045)**	**7,377,258**	**146,653**	**7,523,911**
Proceeds from exercise of options and related tax effects	*17*	85,887	–	–	88,546	–	88,546
Compensation expense related to stock options	*17*	29,071	–	–	29,071	–	29,071
Dividends paid	*15*	–	(280,649)	–	(280,649)	–	(280,649)
Purchase/sale of noncontrolling interests		(5,873)	–	–	(5,873)	9,662	3,789
Contributions from/to noncontrolling interests		–	–	–	–	(59,066)	(59,066)
Changes in fair value of noncontrolling interests subject to put provisions	*14*	(86,233)	–	–	(86,233)	–	(86,233)
Net income		–	1,071,154	–	1,071,154	63,251	1,134,405
Other comprehensive income (loss)	*22*	–	–	(291,722)	(291,722)	(1,035)	(292,757)
Comprehensive income		–	–	–	779,432	62,216	841,648
▸ BALANCE AT DECEMBER 31, 2011		**3,362,633**	**4,648,585**	**(485,767)**	**7,901,552**	**159,465**	**8,061,017**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except share data.

Chapter 5.6

1. THE COMPANY AND BASIS OF PRESENTATION

The Company

Fresenius Medical Care AG & Co. KGaA (FMC AG & CO. KGAA or the Company), a German partnership limited by shares (Kommanditgesellschaft auf Aktien), is the world's largest kidney dialysis company, operating in both the field of dialysis services and the field of dialysis products for the treatment of end-stage renal disease (ESRD). The Company's dialysis business is vertically integrated, providing dialysis treatment at dialysis clinics it owns or operates and supplying these clinics with a broad range of products. In addition, the Company sells dialysis products to other dialysis service providers. In the United States, the Company also provides inpatient dialysis services and other services under contract to hospitals. In this report, FMC AG & CO. KGAA or the Company, "we", "us" or "our" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

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

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include all companies in which the Company has legal or effective control. In addition, the Company consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary. In accordance with current accounting principles, the Company also consolidates certain clinics that it manages and financially controls. The equity method of accounting is used for investments in associated companies over which the Company has significant exercisable influence, even when the Company holds less than 50% ownership. Noncontrolling interests represent the proportionate equity interests of owners in the Company's consolidated entities that are not wholly owned. Noncontrolling interests of recently acquired entities are valuated at fair value. All significant intercompany transactions and balances have been eliminated.

The Company entered into various arrangements with certain dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product distributor have either negative equity or are unable to provide their own funding and operations. Therefore, the Company has agreed to fund their operations through loans. The compensation for the funding can carry interest, exclusive product supply agreements or the Company is entitled to a pro rata share of

profits, if any, and has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately $195,296 and $132,697 in revenue in 2011 and 2010, respectively. The Company provided funding to these VIEs through loans and accounts receivable of $147,900 and $110,600 in 2011 and 2010, respectively. The table below shows the carrying amounts of the assets and liabilities of these VIEs at December 31, 2011 and 2010:

CARRYING AMOUNTS VIES

Table 5.6.1

in $ THOUS

	2011	2010
Trade accounts receivable, net	73,172	60,070
Other current assets	65,576	26,981
Property, plant and equipment, intangible assets & other non-current assets	25,978	29,597
Goodwill	52,251	56,883
Accounts payable, accrued expenses and other liabilities	148,924	105,662
Non-current loans to related parties	13,000	12,998
Equity	55,053	54,870

b) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term, liquid investments with original maturities of up to three months.

c) Allowance for doubtful accounts

Estimates for the allowances for accounts receivable from the dialysis care business are based mainly on past collection history. Specifically, the allowances for the North America services division are based on an analysis of collection experience, recognizing the differences between payors and aging of accounts receivable. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances. The allowances in the International Segment and the products business are based on estimates and consider various factors, including aging, debtor and past collection history.

d) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value —— *see Note 5*. Costs included in inventories are based on invoiced costs and/or production costs as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

e) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation —— *see Note 7*. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years for buildings and improvements with a weighted average life of 12 years and 2 to 15 years for machinery and equipment with a weighted average life of 9 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment. The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2011 and 2010 was $3,784 and $5,918, respectively.

f) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, management contracts, application software, acute care agreements, lease agreements, and licenses acquired in an acquisition method business combination are recognized and reported apart from goodwill —— *see Note 8*.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified trade names and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their average useful life of 8 years. Technology is amortized over its useful life of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their average useful life of 11 years. All other intangible assets are amortized over their weighted average useful lives of 6 years. The weighted average useful life of all amortizable intangible assets is 9 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identified its reporting units and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. A reporting unit is usually defined one level below the segment level based on regions or legal entities. In prior years, two reporting units were identified in the North America segment. In 2011, the segment was realigned to run on a consolidated basis and as a result, for 2011, only one reporting unit was identified in the North America segment. The International segment is divided into two reporting units (Europe and Latin America), while only one reporting unit exists in the segment Asia Pacific. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units.

In a first step, the Company compares the fair value of a reporting unit to its carrying amount. Fair value is determined using estimated future cash flows for the unit discounted by an after-tax weighted average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The reporting units' respective expected growth rates for the period beyond ten years are: North America 1%, Europe 0%, Latin America 4%, and Asia Pacific 4%. The discount factor is determined by the WACC of the respective reporting unit. The Company's WACC consists of a basic rate of 6.27% for 2011. The basic rate is then adjusted by a country-specific risk rate within each reporting unit. In 2011, WACCs for the reporting units ranged from 6.27% to 12.73%.

In the case that the fair value of the reporting unit is less than its book value, a second step is performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the book value, the difference is recorded as an impairment.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

g) Derivative financial instruments

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet —— *see Note 21.* Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity. The ineffective portion of cash flow hedges is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting are recorded in the income statement and usually offset the changes in value recorded in the income statement for the underlying asset or liability.

h) Foreign currency translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the parent company and all non-U.S. subsidiaries are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are considered foreign equity investments, are reported in accumulated other comprehensive income (loss).

i) Revenue recognition policy

Dialysis care revenues are recognized on the date services and related products are provided and the payor is obligated to pay at amounts estimated to be receivable under reimbursement arrangements with third party payors. Medicare and Medicaid in North America and programs involving other government payors in the International Segment are billed at pre-determined rates per treatment that are established by statute or regulation. Most non-governmental payors are billed at our standard rates for services net of contractual allowances to reflect the estimated amounts to be receivable under reimbursement arrangements with these payors.

Dialysis product revenues are recognized when title to the product passes to the customers either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. As product returns are not typical, no return allowances are established. In the event a return is required, the appropriate reductions to sales, accounts receivables and cost of sales are made. Sales are stated net of discounts and rebates.

A minor portion of International Segment product revenues is generated from arrangements which give the customer, typically a healthcare provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. In this type of contract, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables. In certain other sales type leases, the contract is structured whereby ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for sales type leases.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from revenues and the related revenue is reported on a net basis.

j) Research and development expenses

Research and development expenses are expensed as incurred.

k) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdiction. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Company and implemented tax strategies. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized —— *see Note 18*.

It is the Company's policy to recognize interest and penalties related to its tax positions as income tax expense.

l) Impairment

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

For the Company's policy related to goodwill impairment —— *see Note 1f*.

m) Debt issuance costs

Costs related to the issuance of debt are amortized over the term of the related obligation —— *see Note 11*.

n) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the Company's largest subsidiary is partially self-insured for professional liability claims. For all other coverages, the Company assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

o) Concentration of risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to healthcare providers throughout the world, and in providing kidney dialysis treatment, clinical laboratory testing, and other medical ancillary services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Approximately 30% and 32% of the Company's worldwide revenues were earned and subject to regulations under Medicare and Medicaid, governmental healthcare programs administered by the United States government in 2011 and 2010, respectively.

—— *See Note 5* for concentration of supplier risks.

p) Legal contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business —— see Note 20. The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

q) Earnings per ordinary share and preference share

Basic earnings per ordinary share and basic earnings per preference share for all years presented have been calculated using the two-class method based upon the weighted average number of ordinary and preference shares outstanding. Basic earnings per share is computed by dividing net income less preference amounts by the weighted average number of ordinary shares and preference shares outstanding during the year. Basic earnings per preference share is derived by adding the preference dividend per preference share to the basic earnings per share. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that would have been outstanding during the year.

The equity-settled awards granted under the Company's stock incentive plans —— see Note 17 are potentially dilutive equity instruments.

r) Employee benefit plans

The Company recognizes the underfunded status of its defined benefit plans, measured as the difference between plan assets at fair value and the benefit obligation, as a liability. Changes in the funded status of a plan, net of tax, resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost are recognized through accumulated other comprehensive income in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost when realized. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

In the case of the Company's funded plan, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the balance sheet if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under other assets in the balance sheet) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of reimbursement against the fund or a right to reduce future payments to the fund.

s) Recent pronouncements: Recently issued accounting pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-07 (ASU 2011-07), Health Care Entities (Topic 954): Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities in order to provide financial statement users with greater transparency about a healthcare entity's net patient service revenue and the related allowance for doubtful accounts. The amendments require healthcare entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. The provision for bad debts must be reclassified from an operating expense to a deduction from patient service revenue. Additionally, these healthcare entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The amendments also require disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

For public entities, the disclosures required under ASU 2011-07 are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations should be applied retrospectively to all prior periods presented. The Company adopted the provisions of ASU 2011-07 as of January 1, 2012. Had the Company adopted ASU 2011-07 as of January 1, 2011, this would have resulted in a reduction of its 2011 revenue by approximately $224,000 with a corresponding reduction to the SG&A expense. At December 31, 2012, the Company will restate its 2011 Revenue to $12,571,060 and its SG&A expense to $2,141,934 to reflect the retrospective adoption of this Standard in 2012.

In December 2011, the FASB issued Accounting Standards Update 2011-11 (ASU 2011-11), Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the balance sheet, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact of AUS 2011-11 on its consolidated financial statements.

2. SUBSEQUENT EVENTS

On January 26, 2012, Fresenius Medical Care US Finance II, Inc. (US Finance II), a wholly-owned subsidiary of the Company, issued $800,000 aggregate principal amount of senior unsecured notes with a coupon of 5 5/8% (the 5 5/8% Senior Notes) at par and $700,000 aggregate principal amount of senior unsecured notes with a coupon of 5 7/8% (the 5 7/8% Senior Notes) at par (together, the Dollar-denominated Senior Notes). In addition, FMC Finance VIII S.A. (Finance VIII), a wholly-owned subsidiary of the Company, issued €250,000 aggregate principal amount ($328,625 at date of issuance) of senior unsecured notes with a coupon of 5.25% (the 5.25% Euro-denominated Senior Notes) at par. Both the 5 5/8% Senior Notes and the 5.25% Euro-denominated Senior Notes are due July 31, 2019 while the 5 7/8% Senior Notes are due January 31, 2022. US Finance II and Finance VIII may redeem the Dollar-denominated Senior Notes and 5.25% Euro-denominated Senior Notes, respectively, at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the applicable indenture. The holders of the Dollar-denominated Senior Notes and the 5.25% Euro-denominated Senior Notes have a right to request that the respective issuers of the notes repurchase the applicable issue of notes at 101% of principal plus accrued interest upon the occurrence of a change of control of the Company followed by a decline in the rating of the respective notes. The Company intends to use the net proceeds of approximately $1,807,139 for acquisitions, including the pending acquisition of Liberty Dialysis Holdings, Inc., which was announced on August 2, 2011, to refinance indebtedness and for general corporate purposes. The Dollar-denominated Senior Notes and the 5.25% Euro-denominated Senior Notes are guaranteed on a senior basis jointly and severally by the Company and Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (D-GmbH) (together, the Guarantor Subsidiaries).

3. INVESTMENTS

In December 2010, the Company announced a renal pharmaceutical joint venture between the Company and Galenica, Ltd., VFMCRP, to develop and distribute products to treat iron deficiency anemia and bone mineral metabolism for pre-dialysis and dialysis patients. Closing in the U.S. occurred at the end of 2010. In the fourth quarter of 2011, VFMCRP received approval from the responsible European Union antitrust commission and formal closing occurred on November 1, 2011. After closing in the European Union, VFMCRP now operates worldwide, except for in Turkey and Ukraine, where antitrust approval has not yet been granted. This investment is located in the line item "Investment in equity method investees" in the balance sheet and any related income is located in the line item "Income from equity method investees" in the income statement. For information on pending payments of the purchase consideration —— *see Note 11*.

4. RELATED PARTY TRANSACTIONS

a) Service and lease agreements

The Company's parent, Fresenius SE & Co. KGaA, is a German partnership limited by shares resulting from the change of legal form effective January 28, 2011, of Fresenius SE, a European Company (Societas Europaea), and which, prior to July 13, 2007, was called Fresenius AG, a German stock corporation. In these Consolidated Financial Statements, Fresenius SE refers to that company as a partnership limited by shares, effective on and after January 28, 2011, as well as both before and after the conversion of Fresenius AG from a stock corporation into a European Company. Fresenius SE owns 100% of the share capital of Fresenius Medical Care Management AG, the Company's general partner (FMC Management AG, Management AG or the General Partner) and is the Company's largest shareholder owning approximately 30.7% of the Company's voting shares as of December 31, 2011 (31.3% as of February 17, 2012). In August 2008, a subsidiary of Fresenius SE issued Mandatory Exchangeable Bonds in the aggregate principal amount of €554,400. These matured on August 14, 2011

when they were mandatorily exchangeable into ordinary shares of the Company. Upon maturity, the issuer delivered 15,722,644 of the Company's ordinary shares to the bond holders. As a result, Fresenius SE's holding of the Company's ordinary shares decreased to the above percentage. On November 16, 2011, Fresenius SE announced that it intends to increase its voting interest in the Company through the purchase of approximately 3,500,000 ordinary shares, to be executed through share purchases from time to time, in a manner intended to have minimal impact on the Company's share price. The intention of these share purchases is to preserve a long-term voting interest in the Company above 30%.

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively the Fresenius SE Companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. During 2011 and 2010, amounts charged by Fresenius SE to the Company under the terms of these agreements were $75,969 and $59,501 respectively. The Company also provides certain services to the Fresenius SE Companies, including research and development, central purchasing and warehousing. The Company charged $6,555 and $6,115 for services rendered to the Fresenius SE Companies during 2011 and 2010, respectively.

Under real estate operating lease agreements entered into with the Fresenius SE Companies, which are leases for the corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany, the Company paid the Fresenius SE Companies $25,833 and $23,807 during 2011 and 2010, respectively. The majority of the leases expire in 2016 and contain renewal options.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the General Partner's management board. The aggregate amount reimbursed to the General Partner was $13,511 and $16,123, respectively, for its management services during 2011 and 2010 and included $84 and $80, respectively, as compensation for their exposure to risk as general partner. The Company's Articles of Association set the annual compensation for assuming unlimited liability at 4% of the amount of the General Partner's share capital (€1,500).

b) Products

During 2011 and 2010, the Company sold products to the Fresenius SE Companies for $20,220 and $15,413 respectively. During the same periods, the Company made purchases from the Fresenius SE Companies in the amount of $52,587 and $43,474, respectively.

Also, the Company has entered into agreements to provide renal products and pharmaceutical supplies to equity method investees. Under these agreements, the Company sold $21,076 of products to equity method investees during 2011.

In addition to the purchases noted above, the Company currently purchases heparin supplied by APP Pharmaceuticals Inc. (APP Inc.), through an independent group purchasing organization (GPO). APP Inc. is wholly-owned by Fresenius Kabi AG, a wholly-owned subsidiary of Fresenius SE. The Company has no direct supply agreement with APP Inc. and does not submit purchase orders directly to APP Inc. During 2011 and 2010, Fresenius Medical Care Holdings, Inc. (FMCH) acquired approximately $24,106 and $30,703, respectively, of heparin from APP Inc. through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

c) Financing provided by and to Fresenius SE and the General Partner

As of December 31, 2011, the Company had borrowings outstanding with Fresenius SE of €18,900 ($24,455 as of December 31, 2011) at an interest rate of 1.778%, due and repaid on January 3, 2012.

As of December 31, 2011, the Company had a loan of CNY 10,000 ($1,586 as of December 31, 2011) outstanding with a subsidiary of Fresenius SE at an interest rate of 6.65%, due on April 14, 2013.

The Company was party to a German trade tax group with Fresenius SE for fiscal years 1997 – 2001. The Company and Fresenius SE had entered into an agreement on how to allocate potential tax effects of a disallowed impairment charge in 1997 by the German tax authorities, including interest on prepayments, upon resolution between the Company and the German tax authorities. In January 2011, the Company reached a court settlement with the German tax authorities which triggered the recognition and payment of €2,560 ($3,564 as of December 31, 2011) as a tax expense for interest payable to Fresenius SE in 2011 as a result of this agreement.

Throughout 2010, the Company, under its cash pooling agreement, made cash advances to Fresenius SE. The balance outstanding at December 31, 2010 of €24,600 ($32,871 as of December 31, 2010) was fully repaid on January 3, 2011 at an interest rate of 1.942%.

On August 19, 2009, the Company borrowed €1,500 ($1,941 as of December 31, 2011) from the General Partner at 1.335%. The loan repayment, originally due on August 19, 2010, was originally extended until August 19, 2011 and has been further extended until August 20, 2012 at an interest rate of 3.328%.

The Company had a short-term borrowing from related parties outstanding with Fresenius SE which represented taxes payable by the Company arising from the period 1997-2001 during which German trade taxes were paid by Fresenius SE on behalf of the Company. The remaining balance of €5,747 ($7,436 at December 31, 2011) was repaid during the fourth quarter of 2011 at an interest rate of 6%.

d) Other

The Company performs clinical studies for certain of its joint ventures for which services the Company received approximately $9,355 in 2011.

During the first quarter of 2011, the Company made a loan to a related party, the balance of which was $234,490 as of December 31, 2011. The loan is classified within "Other assets and notes receivable" in the balance sheet.

The Chairman of the Company's Supervisory Board is also the Chairman of the Supervisory Board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the Supervisory Board of the Company's General Partner.

The Vice Chairman of the Company's Supervisory Board is a member of the Supervisory Board of the general partner of Fresenius SE and Vice Chairman of the Supervisory Board of the Company's General Partner. He is also a partner in a law firm which provided services to the Company and certain of its subsidiaries. The Company and certain of its subsidiaries paid the law firm approximately $1,930 and $1,601 in 2011 and 2010, respectively. Five of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the Supervisory Board of the Company's General Partner.

The Chairman of the Supervisory Board of the Company's general partner is also the Chairman of the Management Board of the general partner of Fresenius SE, and the Chairman and Chief Executive Officer of the Management Board of the Company's general partner is a member of the Management Board of the general partner of Fresenius SE.

5. INVENTORIES

As of December 31, 2011 and December 31, 2010, inventories consisted of the following:

INVENTORIES
Table 5.6.2

in $ THOUS	*2011*	*2010*
Raw materials and purchased components	163,030	158,163
Work in process	60,128	56,345
Finished goods	610,569	475,641
Health care supplies	133,769	118,948
▸ **TOTAL**	**967,496**	**809,097**

Under the terms of certain unconditional purchase agreements, including the Venofer® license , distribution, manufacturing and supply agreement (the Venofer® Agreement) signed with Luitpold Pharmaceuticals, Inc. and American Regent, Inc. in 2008, the Company is obligated to purchase approximately $2,598,132 of materials, of which $532,974 is committed at December 31, 2011 for 2012. The terms of these agreements run 1 to 14 years. At December 31, 2010, the Company was obligated to purchase approximately $2,164,532 of materials, of which $374,083 was committed at that date for 2011. Due to renegotiations of the Venofer® Agreement during the third quarter of 2011 the unconditional purchase obligation for Venofer® decreased by $242,658 as of December 31, 2011 as compared to the obligation under the old contracts.

Healthcare supplies inventories as of December 31, 2011 and 2010 include $47,654 and $32,987, respectively, of Erythropoietin (EPO), which is supplied by a single source supplier in the United States. Effective January 1, 2012, the Company entered into a new three-year sourcing and supply agreement with its EPO supplier. Delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of the Company.

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2011 and 2010, prepaid expenses and other current assets consisted of the following:

PREPAID EXPENSES AND OTHER CURRENT ASSETS
Table 5.6.3

in $ THOUS

	2011	2010
Rebates	185,152	165,218
Taxes refundable	180,721	124,536
Derivatives	60,877	7,220
Payments on account	40,476	38,654
Prepaid rent	39,468	40,321
Leases receivable	38,175	38,838
Other	490,497	368,444
▸ **TOTAL PREPAID EXPENSES AND OTHER CURRENT ASSETS**	**1,035,366**	**783,231**

The other item in the table above mainly includes deposits and guarantees, prepaid insurance, amounts due from managed locations and deferred financing costs.

7. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2011 and 2010, property, plant and equipment consisted of the following:

ACQUISITION OR MANUFACTURING COSTS
Table 5.6.4

in $ THOUS

	Jan. 1, 2011	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2011
Land and improvements	50,505	(498)	1,143	1,820	854	(677)	53,147
Buildings and improvements	1,856,968	(25,567)	42,853	32,614	119,572	(50,601)	1,975,839
Machinery and equipment	2,893,643	(71,961)	38,045	360,681	27,476	(187,752)	3,060,132
Machinery, equipment and rental equipment under capitalized leases	28,406	(642)	71	8,402	3,285	(3,072)	36,450
Construction in progress	238,812	(6,528)	(2,216)	214,899	(156,983)	(12,978)	275,006
▸ PROPERTY, PLANT AND EQUIPMENT	**5,068,334**	**(105,196)**	**79,896**	**618,416**	**(5,796)**	**(255,080)**	**5,400,574**

DEPRECIATION
Table 5.6.5

in $ THOUS

	Jan. 1, 2011	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2011
Land and improvements	–	8	–	–	–	276	284
Buildings and improvements	873,140	(9,436)	(34)	150,925	3,098	(41,611)	976,082
Machinery and equipment	1,652,936	(42,833)	(2,830)	323,066	383	(153,178)	1,777,544
Machinery, equipment and rental equipment under capitalized leases	14,966	(254)	–	5,447	(118)	(3,094)	16,947
Construction in progress	–	–	–	–	–	16	16
▸ PROPERTY, PLANT AND EQUIPMENT	**2,541,042**	**(52,515)**	**(2,864)**	**479,438**	**3,363**	**(197,591)**	**2,770,873**

NET BOOK VALUE
Table 5.6.6

in $ THOUS, December 31

	2011	2010
Land and improvements	52,863	50,505
Buildings and improvements	999,757	983,828
Machinery and equipment	1,282,588	1,240,707
Machinery, equipment and rental equipment under capitalized leases	19,503	13,440
Construction in progress	274,990	238,812
▸ PROPERTY, PLANT AND EQUIPMENT	**2,629,701**	**2,527,292**

Depreciation expense for property, plant and equipment amounted to $479,438 and $432,930 for the years ended December 31, 2011 and 2010, respectively.

Included in property, plant and equipment as of December 31, 2011 and 2010 were $451,299 and $416,392, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $16,947 and $14,966 at December 31, 2011 and 2010, respectively.

8. INTANGIBLE ASSETS AND GOODWILL

As of December 31, 2011 and 2010, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

ACQUISITION COSTS
Table 5.6.7

in $ THOUS

	Jan. 1, 2011	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2011***
Amortizable intangible assets							
Non-compete agreements	243,575	(706)	14,828	–	–	(231)	257,466
Technology	110,850	131	(115)	–	–	–	110,866
Licences and distribution agreements	233,460	(5,898)	69,368	–	–	(73,102)	223,828
Construction in progress	55,781	(100)	6	7,678	(3,061)	(1,643)	58,661
Self-developed software	46,955	(913)	–	2,561	9,477	(2,480)	55,600
Other	286,021	(7,678)	31,861	12,482	(1,444)	(3,663)	317,579
▸ **TOTAL**	**976,642**	**(15,164)**	**115,948**	**22,721**	**4,972**	**(81,119)**	**1,024,000**
Non-amortizable intangible assets							
Tradename	241,750	(98)	–	–	–	(710)	240,942
Management contracts	5,057	(222)	(80)	–	3,587	–	8,342
▸ **TOTAL**	**246,807**	**(320)**	**(80)**	**–**	**3,587**	**(710)**	**249,284**
▸ **INTANGIBLE ASSETS**	**1,223,449**	**(15,484)**	**115,868**	**22,721**	**8,559**	**(81,829)**	**1,273,284**
▸ **GOODWILL**	**8,587,890**	**(99,369)**	**1,140,926**	**3,754**	**131**	**(677)**	**9,632,655**

AMORTIZATION

Table 5.6.8

in $ THOUS

	Jan. 1, 2011	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2011
Amortizable intangible assets							
Non-compete agreements	167,801	(501)	1	19,358	–	–	186,659
Technology	25,346	(1)	–	7,237	–	–	32,582
Licences and distribution agreements	70,189	(2,427)	–	20,607	(26)	(7,721)	80,622
Construction in progress	–	–	–	–	–	–	–
Self-developed software	21,861	(626)	–	9,442	–	(2,484)	28,193
Other	214,382	(3,070)	(1)	21,201	(622)	(4,616)	227,274
▸ TOTAL	**499,579**	**(6,625)**	**–**	**77,845**	**(648)**	**(14,821)**	**555,330**
Non-amortizable intangible assets							
Tradename	31,326	(2)	–	–	–	(22)	31,302
Management contracts	–	–	–	–	–	–	–
▸ TOTAL	**31,326**	**(2)**	**–**	**–**	**–**	**(22)**	**31,302**
▸ INTANGIBLE ASSETS	**530,905**	**(6,627)**	**–**	**77,845**	**(648)**	**(14,843)**	**586,632**
▸ GOODWILL	**447,422**	**(1,344)**	**–**	**–**	**–**	**(73)**	**446,005**

NET BOOK VALUE

Table 5.6.9

in $ THOUS, December 31	2011	2010
Amortizable intangible assets		
Non-compete agreements	70,807	75,774
Technology	78,284	85,504
Licences and distribution agreements	143,206	163,271
Construction in progress	58,661	55,781
Self-developed software	27,407	25,094
Other	90,305	71,639
▸ **TOTAL**	**468,670**	**477,063**
Non-amortizable intangible assets		
Tradename	209,640	210,424
Management contracts	8,342	5,057
▸ **TOTAL**	**217,982**	**215,481**
▸ **INTANGIBLE ASSETS**	**686,652**	**692,544**
▸ **GOODWILL**	**9,186,650**	**8,140,468**

The amortization on intangible assets amounted to $77,845 and $70,294 for the years 2011 and 2010, respectively. The table shows the estimated amortization expense of these assets for the following five years:

ESTIMATED AMORTIZATION EXPENSE

Table 5.6.10

in $ THOUS	2012	2013	2014	2015	2016
Estimated amortization expense	70,716	66,543	63,162	61,096	59,968

Goodwill

As of January 1, 2011, goodwill related to general manufacturing operations was reclassified from the North America and International segments to Corporate —— see Note 23. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units —— see Note 1f.

A change in New York state regulations allowed for the direct ownership of facilities in that state, which had previously been prohibited by state law. Due to this prohibition, the Company had historically used a combination of administrative service contracts, stock option agreements, and asset acquisitions to qualify for consolidation of such facilities under guidance originally issued as Emerging Issues Task Force 97-2, Application of FASB Statement No. 94 and APB Opinion No. 16 to Physicians Practice Management Entities and Certain Other Entities with Contractual Management Arrangements which is now included within FASB Accounting Standards Codification Topic 810-10, Consolidation: Overall. In such qualifying transactions, a portion of the purchase price was allocated to identifiable intangible assets with the remainder classified as an "Administrative Services Agreement" intangible asset that was accounted for in the same manner as goodwill and was shown on our Balance Sheet at December 31, 2009, under the category Management Contracts within Intangible Assets. With the regulatory approval gained on April 1, 2010, the Company obtained the full ownership of these facilities and reclassified the $214,706 of Administrative Services Agreement intangible asset to goodwill within our North America segment, effective April 1, 2010, to be consistent with other clinic acquisitions where the Company obtained control via legal ownership.

Other than the above, changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2011 and 2010, the Company's acquisitions consisted primarily of the 2011 acquisitions of International Dialysis Centers (IDC) and American Access Care Holdings, LLC and the 2010 acquisitions of Asia Renal Care Ltd. and of Gambro's peritoneal dialysis business as well as the acquisition of clinics in the normal course of operations. The segment detail is as follows:

GOODWILL
Table 5.6.11

in $ THOUS

	North America	*International*	*Corporate*	*Total*
▸ **BALANCE AS OF JANUARY 1, 2010**	**6,694,711**	**656,906**	**159,817**	**7,511,434**
Goodwill acquired	115,040	314,338	132	429,510
Reclassifications	214,706	–	–	214,706
Foreign currency translation adjustment	288	(15,470)	–	(15,182)
▸ **BALANCE AS OF DECEMBER 31, 2010**	**7,024,745**	**955,774**	**159,949**	**8,140,468**
Goodwill acquired	517,213	626,863	–	1,144,076
Reclassifications	(226,900)	(20,449)	247,480	131
Foreign currency translation adjustment	(436)	(98,099)	510	(98,025)
▸ **BALANCE AS OF DECEMBER 31, 2011**	**7,314,622**	**1,464,089**	**407,939**	**9,186,650**

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At December 31, 2011 and 2010, accrued expenses and other current liabilities consisted of the following:

ACCRUED EXPENSES AND OTHER CURRENT LIABLILITIES

Table 5.6.12

in $ THOUS

	2011	2010
Accrued salaries, wages and incentive plan compensations	420,613	389,434
Derivative financial instruments	192,729	124,171
Accrued insurance	162,149	163,240
Unapplied cash and receivable credits	158,006	169,657
Special charge for legal matters	115,000	115,000
Other	655,776	575,921
▸ **TOTAL**	**1,704,273**	**1,537,423**

In 2001, the Company recorded a $258,159 special charge to address legal matters relating to 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 (the Merger), estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (the Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among the Company, the committees representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, the Company will pay $115,000, without interest, upon plan confirmation —— *see Note 20*. With the exception of the proposed $115,000 payment under the Settlement Agreement, all other matters included in the special charge have been resolved.

The other item in the table above includes accruals for operating expenses, interest, withholding tax, value added tax, legal and compliance costs, physician compensation, commissions, short-term portion of pension liabilities, bonuses and rebates, and accrued rents.

10. SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES

As of December 31, 2011 and December 31, 2010, short-term borrowings, other financial liabilities and short-term borrowings from related parties consisted of the following:

SHORT-TERM BORROWINGS
Table 5.6.13

in $ THOUS	2011	2010
Borrowings under lines of credit	91,899	131,791
Accounts receivable facility	–	510,000
Other financial liabilities	6,902	28,880
▸ **SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES**	**98,801**	**670,671**
Short-term borrowings from related parties *see Note 4c*	28,013	9,683
▸ **SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES**	**126,814**	**680,354**

At December 31, 2010, the accounts receivable facility (the A/R Facility) was classified as a short-term borrowing. During the third quarter of 2011, the A/R Facility was renewed for a period of three years. As a result, the A/R Facility has been classified as long-term debt at December 31, 2011, —— *see Note 11*. As of December 31, 2011, there were outstanding borrowings of $534,500 under the A/R Facility.

Short-term borrowings and other financial liabilities

Lines of credit

Short-term borrowings of $91,899 and $131,791 at December 31, 2011 and 2010, respectively, represented amounts borrowed by the Company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2011 and 2010 were 4.88% and 4.19%, respectively.

Excluding amounts available under the Amended 2006 Senior Credit Agreement —— *see Note 11* at December 31, 2011 and 2010, the Company had $234,005 and $234,370 available under other commercial bank agreements. In some instances, lines of credit are secured by assets of the Company's subsidiary that is party to the agreement or may require the Company's guarantee. In certain circumstances, the subsidiary may be required to meet certain covenants.

Other financial liabilities

At December 31, 2011 and 2010, the Company had $6,902 and $28,880 of other financial liabilities which were mainly related to the Company's purchase of noncontrolling interests and to the signing of a 2008 licensing and distribution agreement.

Short-term borrowings from related parties

From time to time during each of the years presented, the Company received advances under the existing loan agreements with Fresenius SE for those years. During the year ended December 31, 2011, the Company received advances ranging from €17,900 to €181,900 with interest rates ranging from 1.832% to 2.683%. During the year ended December 31, 2010, the Company received advances ranging from €10,000 to €86,547 with interest rates ranging from 0.968% to 1.879%. For further information on short-term borrowings from related party outstanding as of December 31, 2011 and 2010 —— *see Note 4c*. Annual interest expense on the borrowings during the years presented was $2,362 and $179 for the years 2011 and 2010, respectively.

11. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, 2011 and December 31, 2010, long-term debt and capital lease obligations consisted of the following:

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Table 5.6.14

in $ THOUS

	2011	2010
Amended 2006 Senior Credit Agreement	2,795,589	2,953,890
Senior Notes	2,883,009	824,446
Euro Notes	258,780	267,240
European Investment Bank Agreements	345,764	351,686
Accounts receivable facility	534,500	–
Capital lease obligations	17,993	15,439
Other	248,952	160,957
	7,084,587	**4,573,658**
Less current maturities	(1,589,776)	(263,982)
▸ **TOTAL**	**5,494,810**	**4,309,676**

The Company's long-term debt consists mainly of borrowings related to its Amended 2006 Senior Credit Agreement, its Senior Notes, its Euro Notes, borrowings under its European Investment Bank Agreements, borrowings under its A/R Facility and certain other borrowings as follows:

Amended 2006 Senior Credit Agreement

The Company, FMCH, and certain other subsidiaries of the Company that are borrowers and/or guarantors thereunder, including Fresenius Medical Care Deutschland GmbH (D-GmbH), entered into a $4,600,000 syndicated credit facility (the 2006 Senior Credit Agreement) with Bank of America, N.A. (BofA); Deutsche Bank AG New York Branch; The Bank of Nova Scotia, Credit Suisse, Cayman Islands Branch; JP Morgan Chase Bank, National Association; and certain other lenders (collectively, the Lenders) on March 31, 2006 which replaced its prior credit agreement.

Since entering into the 2006 Senior Credit Agreement, the Company arranged several amendments with the Lenders and effected voluntary prepayments of the term loans, which led to a change in the total amount available under this facility. Pursuant to an amendment together with an extension arranged on September 29, 2010 the revolving facility was increased from $1,000,000 to $1,200,000 and the Term Loan A facility by $50,000 to $1,365,000 at the time of the amendment (for the December 31, 2011 balance of Term Loan A, *see the table below*). The maturity for both tranches was extended from March 31, 2011 to March 31, 2013. Additionally, the early repayment requirement for Term Loan B, which stipulated that Term Loan B was subject to early retirement if the Trust Preferred Securities due June 15, 2011 were not paid, refinanced or extended prior to March 1, 2011, was removed. Furthermore, the parties agreed to new limitations on dividends and other restricted payments for 2011, 2012 and 2013 *see below*.

In addition, this amendment and subsequent amendments have included increases in certain types of permitted borrowings outside of the Amended 2006 Senior Credit Agreement, provide further flexibility for certain types of investments and acquisitions and included changes in the definition of the Company's Consolidated Leverage Ratio, which is used to determine the applicable margin.

As of December 31, 2011, after consideration of all amendments and repayments to date, the Amended 2006 Senior Credit Agreement consists of:

▸ a $1,200,000 revolving credit facility (with specified sub-facilities for letters of credit, borrowings in certain non-U.S. currencies, and swing line loans in U.S. dollars and certain non-U.S. currencies, with the total outstanding under those sub-facilities not exceeding $1,200,000) which will be due and payable on March 31, 2013.

▸ a term loan facility (Term Loan A) of $1,215,000 also scheduled to mature on March 31, 2013. Quarterly repayments of $30,000 are required at the end of each quarter with the remaining balance outstanding due on March 31, 2013.

▸ a term loan facility (Term Loan B) of $1,521,619 scheduled to mature on March 31, 2013 with 1 quarterly repayment of $4,036 followed by 4 quarterly repayments of $379,396 each due at the end of its respective quarter.

Interest on these facilities will be, at the Company's option, depending on the interest periods chosen, at a rate equal to either (i) LIBOR plus an applicable margin or (ii) the higher of (a) BofA's prime rate or (b) the U.S. Federal Funds rate plus 0.5%, plus an applicable margin.

The applicable margin is variable and depends on the Company's Consolidated Leverage Ratio which is a ratio of its Consolidated Funded Debt less all cash and cash equivalents to Consolidated EBITDA (as these terms are defined in the Amended 2006 Senior Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the Amended 2006 Senior Credit Agreement will be reduced by mandatory prepayments utilizing portions of the net cash proceeds from certain sales of assets, securitization transactions other than the Company's existing A/R Facility, the issuance of subordinated debt other than certain intercompany transactions, certain issuances of equity and excess cash flow.

Obligations under the Amended 2006 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders. The Amended 2006 Senior Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Company and investments by the Company, and require the Company to maintain certain financial ratios defined in the agreement. Additionally, the Amended 2006 Senior Credit Agreement provides for a limitation on dividends and other restricted payments which was $330,000 for 2011 and is $360,000 and $390,000 for 2012 and 2013, respectively. The Company paid dividends of $280,649 in May of 2011 which was in compliance with the restrictions set forth in the Amended 2006 Senior Credit Agreement. In default, the outstanding balance under the Amended 2006 Senior Credit Agreement becomes immediately due and payable at the option of the Lenders. As of December 31, 2011, the Company is in compliance with all covenants under the Amended 2006 Senior Credit Agreement.

The Company incurred fees of approximately $85,828 in conjunction with the 2006 Senior Credit Agreement and fees of approximately $21,115 in conjunction with the Amended 2006 Senior Credit Agreement which are being amortized over the life of this agreement.

The following table shows the available and outstanding amounts under the Amended 2006 Senior Credit Agreement at December 31, 2011 and December 31, 2010:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.15

in $ THOUS, December 31	*2011*	*2010*
Maximum amount available		
Revolving credit	1,200,000	1,200,000
Term Loan A	1,215,000	1,335,000
Term Loan B	1,521,619	1,537,764
▸ **TOTAL**	**3,936,619**	**4,072,764**
Balance outstanding		
Revolving credit	58,970	81,126
Term Loan A	1,215,000	1,335,000
Term Loan B	1,521,619	1,537,764
▸ **TOTAL**	**2,795,589**	**2,953,890**

In addition, at December 31, 2011 and December 31, 2010, the Company had letters of credit outstanding in the amount of $180,766 and $121,518, respectively, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the revolving credit facility.

Senior Notes

As of December 31, 2011, the Company's Senior Notes consisted of the following:

SENIOR NOTES

Table 5.6.16

in $ THOUS, except stated amounts, in $	*Notional amount*	*Maturity*	*Coupon*	*Book value*
Issuer/Transaction				
FMC Finance VI S.A. 2010/2016	€ 250,000	July 15, 2016	5.50 %	320,427
FMC Finance VIII S.A. 2011/2016[1]	€ 100,000	Oct. 15, 2016	5.072 %	129,390
FMC US Finance, Inc. 2007/2017	$ 500,000	July 15, 2017	6 7/8 %	495,118
FMC Finance VIII S.A. 2011/2018	€ 400,000	Sept. 15, 2018	6.50 %	510,730
FMC US Finance II, Inc. 2011/2018	$ 400,000	Sept. 15, 2018	6.50 %	394,724
FMC US Finance, Inc. 2011/2021	$ 650,000	Feb. 15, 2021	5.75 %	644,450
FMC Finance VII S.A. 2011/2021	€ 300,000	Feb. 15, 2021	5.25 %	388,170
▸ **TOTAL**				**2,883,009**

[1] *This note carries a variable interest rate which was 5.072% at December 31, 2011.*

In October 2011, €100,000 ($137,760 at date of issuance) of floating rate senior notes (Floating Rate Senior Notes) were issued at par. These floating rate senior notes are due October 15, 2016. Proceeds were used for acquisitions, to refinance indebtedness outstanding under the Amended 2006 Senior Credit Agreement and for general corporate purposes.

In September 2011, $400,000 of dollar-denominated senior notes and €400,000 ($549,160 at date of issuance) of euro-denominated senior notes were issued at an issue price of 98.623%. Both the dollar- and euro-denominated senior notes have a coupon of 6.50% and a yield to maturity of 6.75% and mature on September 15, 2018. Proceeds were used for acquisitions, to refinance indebtedness outstanding under the revolving credit facility of the Amended 2006 Senior Credit Agreement and under the A/R Facility, and for general corporate purposes.

In June 2011, Fresenius Medical Care US Finance, Inc acquired substantially all of the assets of FMC Finance III S.A. (FMC Finance III) and assumed the obligations of FMC Finance III under its $500,000 6 7/8% Senior Notes due 2017 (the 6 7/8% Senior Notes) and the related indenture. The guarantees of the Company and the Guarantor Subsidiaries for the 6 7/8% Senior Notes have not been amended and remain in full force and effect. The 6 7/8% Notes were issued in July 2007 with a coupon of 6 7/8% at a discount, resulting in an effective interest rate of 7 1/8%.

In February 2011, $650,000 of dollar-denominated senior notes and €300,000 ($412,350 at date of issuance) of euro-denominated senior notes were issued with coupons of 5.75% and 5.25%, respectively, at an issue price of 99.060% and par, respectively. The dollar-denominated senior notes had a yield to maturity of 5.875%. Both the dollar- and euro-denominated senior notes mature on February 15, 2021. Proceeds were used to repay indebtedness outstanding under the A/R Facility and the revolving credit facility of the Amended 2006 Senior Credit Agreement, for acquisitions, including payments under the Company's acquisition of IDC, and for general corporate purposes to support the Company's renal dialysis products and services businesses.

In January 2010, €250,000 ($353,300 at date of issuance) of senior notes was issued with a coupon of 5.50% at an issue price of 98.6636%. These senior notes had a yield to maturity of 5.75% and are due July 15, 2016. Proceeds were used to repay short-term indebtedness and for general corporate purposes.

All Senior Notes are unsecured and guaranteed on a senior basis jointly and severally by the Company and its subsidiaries, FMCH and D-GmbH. The issuers may redeem the Senior Notes (except for the Floating Rate Senior Notes) at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the ratings of the respective Senior Notes.

The Company has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2011, the Company was in compliance with all of its covenants under the Senior Notes.

Euro Notes

In April 2009, the Company issued euro-denominated notes (Euro Notes) totaling €200,000 ($258,780 at December 31, 2011), which are senior, unsecured and guaranteed by FMCH and D-GmbH, consisting of 4 tranches having terms of 3.5 and 5.5 years with floating and fixed interest rate tranches. Proceeds were used to retire the Euro Notes issued in 2005. As of December 31, 2011, the Company was in compliance with all of its covenants under the Euro Notes.

European Investment Bank agreements

The Company entered into various credit agreements with the European Investment Bank (EIB) in 2005, 2006 and 2009. The EIB is a not-for-profit long-term lending institution of the European Union and lends funds at favourable rates for the purpose of capital investment and R&D projects, normally for up to half of the funds required for such projects.

Borrowings under the four EIB credit facilities available at December 31, 2011 and 2010 are shown below:

AVAILABLE AND OUTSTANDING CREDITS

Table 5.6.17

	Maturity	Maximum amount available December 31, in € THOUS		Balance outstanding December 31, in $ THOUS	
		2011	2010	2011	2010
Revolving credit	2013	90,000	90,000	115,812	115,812
Loan 2005	2013	41,000	41,000	48,806	48,806
Loan 2006	2014	90,000	90,000	116,451	120,258
Loan 2009	2014	50,000	50,000	64,695	66,810
▸ **TOTAL**		**271,000**	**271,000**	**345,764**	**351,686**

While the EIB agreements were granted in euro, advances under the Revolving Credit, Loan 2005 and Loan 2006 could be denominated in certain foreign currencies, including U.S. dollars. As a result, the borrowings under the Revolving Credit and Loan 2005 have been drawn down in U.S. dollars, while the borrowings under Loan 2006 and Loan 2009 have been drawn down in euro. All borrowings are fully utilized as of December 31, 2011. Under the terms of the Revolving Credit Facility agreement, the Company could effect borrowings under this facility only until March 15, 2010 and could drawdown only up to €90,000 in total, which at the time of the initial borrowing equaled $115,800. Any change in the euro borrowings balances from year to year are due to fluctuations in exchange rates between the periods.

All agreements with the EIB have variable interest rates that change quarterly. The Company's U.S. dollar borrowings had an interest rate of 0.676% and the euro borrowings had interest rates of 1.565% and 3.666% at December 31, 2011 and the dollar borrowings had an interest rate of 0.432% and the euro borrowings had interest rates of 1.018% and 3.257% at December 31, 2010.

Borrowings under the 2005 and 2006 agreements are secured by bank guarantees while the 2009 agreement is guaranteed by FMCH and D-GmbH. All EIB agreements have customary covenants. As of December 31, 2011, the Company is in compliance with the respective covenants.

Accounts Receivable Facility

The Company has an asset securitization facility (the A/R Facility) which was most recently renewed on August 18, 2011 for a term expiring on July 31, 2014 and with the available borrowings increasing from $700,000 to $800,000. As the A/R Facility was renewed annually in the past, it has historically been classified as a short-term borrowing. Since the recent renewal extended the due date to 2014, the A/R Facility has been reclassified into long-term debt. At December 31, 2011 there are outstanding borrowings under the A/R Facility of $534,500.

Under the A/R Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's Consolidated Balance Sheet and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2011 was 1.29%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2011 and 2010, in conjunction with certain acquisitions and investments, including the VFMCRP joint venture —— *see Note 3*, the Company had pending payments of the purchase considerations totaling approximately $228,398 and $139,277, respectively, of which $103,828 and $119,090, respectively, was classified as the current portion of long-term debt.

Annual payments

Aggregate annual payments applicable to the Amended 2006 Senior Credit Agreement, Senior Notes, Euro Notes, EIB agreements, capital leases, and other borrowings for the five years subsequent to December 31, 2011 are:

ANNUAL PAYMENTS
Table 5.6.18

in $ THOUS	*2012*	*2013*	*2014*	*2015*	*2016*	*Thereafter*	*Total*
Annual payments	1,589,776	1,776,771	794,842	28,049	455,527	2,465,205	**7,110,172**

12. EMPLOYEE BENEFIT PLANS

General

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Company currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company has two major defined benefit plans, one funded plan in North America and an unfunded plan in Germany.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the Company's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefits obligations and the return on plan assets for that year. The company's pension liability is impacted by these actuarial gains or losses.

Under defined contribution plans, the Company pays defined contributions to an independent third party as directed by the employee during the employee's service life, which satisfies all obligations of the Company to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company. The Company has a defined contribution plan in North America.

Defined benefit pension plans

During the first quarter of 2002, FMCH, the Company's North America subsidiary, curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. There was no minimum funding requirement for FMCH for the defined benefit plan in 2011. FMCH voluntarily contributed $556 during 2011. Expected funding for 2012 is $10,790.

The benefit obligation for all defined benefit plans at December 31, 2011, is $512,745 (2010: $425,472) which consists of the gross benefit obligation of $352,296 (2010: $282,792) for the North America plan, which is funded by plan assets, and the benefit obligation of $160,449 (2010: $142,680) for the German unfunded plan.

The following table shows the changes in benefit obligations, the changes in plan assets, and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from the Company's funded benefit plan.

FUNDED STATUS OF EMPLOYEE BENEFIT PLANS

Table 5.6.19

in $ THOUS	***2011***	*2010*
Change in benefit obligation		
Benefit obligation at beginning of year	425,472	386,852
Foreign currency translation	(6,207)	(8,898)
Service cost	10,625	7,982
Interest cost	24,822	22,615
Transfer of plan participants	61	181
Actuarial (gain) loss	69,769	26,655
Benefits paid	(11,797)	(9,915)
▸ **BENEFIT OBLIGATION AT END OF YEAR**	**512,745**	**425,472**
Change in plan assets		
Fair value of plan assets at beginning of year	232,325	236,633
Actual return on plan assets	(4,174)	3,191
Employer contributions	556	600
Benefits paid	(9,717)	(8,099)
▸ **FAIR VALUE OF PLAN ASSETS AT END OF YEAR**	**218,990**	**232,325**
▸ **FUNDED STATUS AT END OF YEAR**	**293,755**	**193,147**

The Company had a pension liability of $293,755 and $193,147 at December 31, 2011 and 2010, respectively. The pension liability consists of a current portion of $3,262 (2010: $2,997) which is recognized as a current liability in the line item "accrued expenses and other current liabilities" in the balance sheet. The non-current portion of $290,493 (2010: $190,150) is recorded as non-current pension liability in the balance sheet. Approximately 84% of the beneficiaries are located in North America with the majority of the remaining 16% located in Germany.

The accumulated benefit obligation for all defined benefit pension plans was $486,143 and $394,276 at December 31, 2011 and 2010, respectively. The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $486,143 and $394,276 at December 31, 2011 and 2010, respectively; the related plan assets had a fair value of $218,990 and $232,325 at December 31, 2011 and 2010, respectively.

The pre-tax changes in the table below reflect actuarial losses (gains) in other comprehensive income relating to pension liabilities. As of December 31, 2011, there are no cumulative effects of prior service costs included in other comprehensive income.

OTHER COMPREHENSIVE INCOME (LOSS) RELATED TO PENSION LIABILITIES

in $ THOUS

Table 5.6.20

	Actuarial losses (gains)
▸ **ADJUSTMENTS RELATED TO PENSIONS AT JANUARY 1, 2010**	**67,218**
Additions	40,917
Releases	(5,313)
Foreign currency translation adjustment	50
▸ **ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2010**	**102,872**
Additions	91,693
Releases	(8,737)
Foreign currency translation adjustment	(1,050)
▸ **ADJUSTMENTS RELATED TO PENSIONS AT DECEMBER 31, 2011**	**184,778**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $17,158.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2011. The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

WEIGHTED AVERAGE ASSUMPTIONS FOR BENEFIT OBLIGATIONS

in %

Table 5.6.21

	2011	*2010*
Discount rate	5.10	5.70
Rate of compensation increase	3.69	4.00

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for each of the years ended December 31:

COMPONENTS OF NET PERIODIC BENEFIT COST

Table 5.6.22

in $ THOUS

	2011	2010
Service cost	10,625	7,982
Interest cost	24,822	22,615
Expected return on plan assets	(17,750)	(17,453)
Amortization of unrealized losses	8,737	5,313
▸ **NET PERIODIC BENEFIT COSTS**	**26,434**	**18,457**

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

WEIGHTED AVERAGE ASSUMPTIONS FOR NET PERIODIC BENEFIT COSTS

Table 5.6.23

in %

	2011	2010
Discount rate	5.70	6.00
Expected return of plan assets	7.50	7.50
Rate of compensation increase	4.00	4.01

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

EXPECTED BENEFIT PAYMENTS

Table 5.6.24

in $ THOUS

	2012	2013	2014	2015	2016	2017 through 2021
Expected benefit payments	14,233	15,390	16,786	18,257	19,934	126,553

Plan assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2011 and 2010:

PLAN ASSETS
Table 5.6.25

in $ THOUS

Asset category	Total	Fair value measurements at **December 31, 2011**	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Equity investments			
Common stocks	–	–	–
Index funds[1]	55,538	–	55,538
Fixed income investments			
Government securities[2]	6,612	5,025	1,587
Corporate bonds[3]	143,782	–	143,782
Other bonds[4]	483	–	483
U.S. Treasury Money Market Funds[5]	6,600	6,600	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	5,975	5,975	–
▸ **TOTAL**	**218,990**	**17,600**	**201,390**

Asset category	Total	Fair value measurements at December 31, 2010	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Equity investments			
Common stocks	2,565	2,565	–
Index funds[1]	65,621	–	65,621
Fixed income investments			
Government securities[2]	4,479	1,967	2,512
Corporate bonds[3]	152,564	–	152,564
Other bonds[4]	2,442	–	2,442
U.S. Treasury Money Market Funds[5]	4,232	4,232	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	422	422	–
▸ **TOTAL**	**232,325**	**9,186**	**223,139**

[1] *This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.*
[2] *This Category comprises fixed income investments by the U.S. government and government sponsored entities.*
[3] *This Category primarily represents investment grade bonds of U.S. issuers from diverse industries.*
[4] *This Category comprises private placement bonds as well as collateralized mortgage obligations.*
[5] *This Category represents funds that invest in treasury obligations directly or in treasury backed obligations.*
[6] *This Category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.*

The methods and inputs used to measure the fair value of plan assets are as follows:

- Common stocks are valued at their market prices as of the balance sheet date.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy

For the North America funded plan, the Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the Company's expected rate of return on pension plan assets was 7.50% for 2011.

The Company's overall investment strategy is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The investment policy, utilizing a revised target investment allocation of 35% equity and 65% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The Plan policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year US Treasury Strip Index.

Defined contribution plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $16.5 if under 50 years old ($22 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2011 and 2010, was $33,741 and $31,583, respectively.

13. MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES

In June 2001, the Company issued Trust Preferred Securities through Fresenius Medical Care Capital Trusts IV and V, statutory trusts organized under the laws of the State of Delaware. On their redemption date of June 15, 2011, the Company redeemed these securities in the amount of $225,000 and €300,000 ($428,760 at the date of redemption), respectively, primarily with funds obtained under existing credit facilities.

The trust preferred securities outstanding as of December 31, 2011 and 2010 are as follows:

TRUST PREFERRED SECURITIES

Table 5.6.26

in THOUS, except stated amounts, in $	*Year issued*	*Stated amount*	*Interest rate*	*Mandatory redemption date*	***2011***	*2010*
Fresenius Medical Care Capital Trust IV	2001	$ 225,000	7⅞ %	Jun. 15, 2011	–	224,835
Fresenius Medical Care Capital Trust V	2001	€ 300,000	7⅜ %	Jun. 15, 2011	–	400,714
▸ **TOTAL**					**–**	**625,549**

14. NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

As of December 31, 2011 and December 31, 2010 the Company's potential obligations under these put options are $410,491 and $279,709, respectively, of which, at December 31, 2011, $113,794 were exercisable. In the last three fiscal years ending December 31, 2011, three puts have been exercised for a total consideration of $6,536.

Following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31, 2011 and 2010:

NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

Table 5.6.27

in $ THOUS

	2011	*2010*
▸ **BEGINNING BALANCE AS OF JANUARY 1, 2011 AND 2010**	**279,709**	**231,303**
Contributions to noncontrolling interests	(43,104)	(38,964)
Purchase/sale of noncontrolling interests	37,786	28,969
Contributions from noncontrolling interests	7,222	5,289
Changes in fair value of noncontrolling interests	86,233	24,222
Net income	42,857	28,839
Other comprehensive income (loss)	(212)	51
▸ **ENDING BALANCE AS OF DECEMBER 31, 2011 AND 2010**	**410,491**	**279,709**

15. SHAREHOLDERS' EQUITY

Capital stock

The General Partner has no equity interest in the Company and, therefore, does not participate in either the assets or the profits and losses of the Company. However, the General Partner is compensated for all outlays in connection with conducting the Company's business, including the remuneration of members of the management board and the supervisory board —— *see Note 4*.

The general meeting of a partnership limited by shares may approve Authorized Capital (genehmigtes Kapital). The resolution creating Authorized Capital requires the affirmative vote of a majority of three quarters of the capital represented at the vote and may authorize the management board to issue shares up to a stated amount for a period of up to five years. The nominal value of the Authorized Capital may not exceed half of the issued capital stock at the time of the authorization.

In addition, the general meeting of a partnership limited by shares may create Conditional Capital (bedingtes Kapital) for the purpose of issuing (i) shares to holders of convertible bonds or other securities which grant a right to shares, (ii) shares as the consideration in a merger with another company, or (iii) shares offered to management or employees. In each case, the authorizing resolution requires the affirmative vote of a majority of three quarters of the capital represented at the vote. The nominal value of the Conditional Capital may not exceed half or, in the case of Conditional Capital created for the purpose of issuing shares to management and employees, 10% of the Company's issued capital at the time of the resolution.

All resolutions increasing the capital of a partnership limited by shares also require the consent of the General Partner for their effectiveness.

Authorized capital

By resolution of the Annual General Meeting (AGM) of shareholders on May 11, 2010, the General Partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the Company's share capital until May 10, 2015 up to a total of €35,000 through issue of new bearer ordinary shares for cash contributions, "Authorized Capital 2010/I". Additionally, the newly issued shares may be taken up by financial institutions nominated by the General Partner with the obligation to offer them to the shareholders of the Company (indirect pre-emption rights). The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such an exclusion of pre-emption rights will be permissible for fractional amounts. No Authorized Capital 2010/I has been issued as of December 31, 2011.

In addition, by resolution of the AGM of shareholders on May 11, 2010, the General Partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the share capital of the Company until May 10, 2015 up to a total of €25,000 through the issue of new bearer ordinary shares for cash contributions or contributions in kind, "Authorized Capital 2010/II". The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such exclusion of pre-emption rights will be permissible only if (i) in case of a capital increase against cash contributions, the nominal value of the issued shares does not exceed 10% of the nominal share value of the Company's share capital and the issue price for the new shares is at the time of the determination by the General Partner not significantly lower than the stock price in Germany of the existing listed shares of the same class and with the same rights or, (ii) in case of a capital increase against contributions in kind, the purpose of such increase is to acquire an enterprise, parts of an enterprise or an interest in an enterprise. No Authorized Capital 2010/II has been issued as of December 31, 2011.

Authorized Capital 2010/I and Authorized Capital 2010/II became effective upon registration with the commercial register of the local court in Hof an der Saale on May 25, 2010.

Conditional capital

By resolution of the Company's AGM on May 12, 2011, the Company's share capital was conditionally increased with regards to the 2011 Stock Option Plan (2011 SOP) by up to €12,000 subject to the issue of up to 12 M non-par value bearer ordinary shares with a nominal value of €1.00 each. For further information —— *see Note 17*.

By resolution of the Company's AGM on May 9, 2006, as amended by the AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a nominal value of €1.00. This Conditional Capital increase can only be effected by the exercise of stock options under the Company's Stock Option Plan 2006 with each stock option awarded exercisable for one ordinary share —— *see Note 17*. The Company has the right to deliver ordinary shares that it owns or purchases in the market in place of increasing capital by issuing new shares.

Through the Company's other employee participation programs, the Company has issued convertible bonds and stock option/subscription rights (Bezugsrechte) to employees and the members of the Management Board of the General Partner and employees and members of management of affiliated companies that entitle these persons to receive preference shares or, following the conversion offer in 2005, ordinary shares. At December 31, 2011, 49,090 convertible bonds or options for preference shares remained outstanding with a remaining average term of 2.8 years and 12,024,817 convertible bonds or options for ordinary shares remained outstanding with a remaining average term of 4.59 years under these programs. For the year ending December 31, 2011, 8,523 options for preference shares and 1,885,921 options for ordinary shares had been exercised under these employee participation plans —— *see Note 17*.

As the result of the Company's three-for-one stock split for both preference and ordinary shares on June 15, 2007, and with the approval of the shareholders at the AGM on May 15, 2007, the Company's Conditional Capital was increased by $6,557 (€4,454). Conditional Capital available for all programs at December 31, 2011 is $36,659 (€28,332) which includes $15,527 (€12,000) for the 2011 SOP, $15,168 (€11,723) for the 2006 Plan and $5,964 (€4,609) for the 2001 Plan.

Dividends

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius Medical Care AG & Co. KGaA as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch).

If no dividends on the Company's preference shares are declared for two consecutive years after the year for which the preference shares are entitled to dividends, then the holders of such preference shares would be entitled to the same voting rights as holders of ordinary shares until all arrearages are paid. In addition, the payment of dividends by FMC AG & CO. KGAA is subject to limitations under the Amended 2006 Senior Credit Agreement —— *see Note 11*.

Cash dividends of $280,649 for 2010 in the amount of €0.67 per preference share and €0.65 per ordinary share were paid on May 13, 2011.

Cash dividends of $231,967 for 2009 in the amount of €0.63 per preference share and €0.61 per ordinary share were paid on May 12, 2010.

16. EARNINGS PER SHARE

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for 2011 and 2010:

RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE

Table 5.6.28

in $ THOUS, except per share data	*2011*	*2010*
Numerators		
Net income attributable to shareholders of FMC AG & CO. KGAA	1,071,154	978,517
Less: dividend preference on preference shares	110	104
▸ **INCOME AVAILABLE TO ALL CLASSES OF SHARES**	**1,071,044**	**978,413**
Denominators		
Weighted average number of:		
Ordinary shares outstanding	299,012,744	296,808,978
Preference shares outstanding	3,961,617	3,912,348
Total weighted average shares outstanding	302,974,361	300,721,326
Potentially dilutive ordinary shares	1,795,743	1,311,042
Potentially dilutive preference shares	20,184	35,481
Total weighted average ordinary shares outstanding assuming dilution	300,808,487	298,120,020
Total weighted average preference shares outstanding assuming dilution	3,981,801	3,947,829
Basic income per ordinary share	3.54	3.25
Plus preference per preference shares	0.02	0.03
Basic income per preference share	3.56	3.28
Fully diluted income per ordinary share	3.51	3.24
Plus preference per preference shares	0.03	0.03
Fully diluted income per preference share	3.54	3.27

17. STOCK OPTIONS

In connection with its equity-settled stock option programs, the Company incurred compensation expense of $29,071 and $27,981 for the years ending December 31, 2011 and 2010, respectively. There were no capitalized compensation costs in any of the three years presented. The Company also recorded a related deferred income tax of $8,195 and $8,020 for the years ending December 31, 2011 and 2010, respectively.

Stock options and other share-based plans

At December 31, 2011, the Company has awards outstanding under various stock-based compensation plans.

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of the Company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and Supervisory Boards, forms the Company's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following the Company's AGM and with respect to the grants made in December, on the first Monday in October.

Members of the Management Board of the General Partner, members of the management boards of the Company's affiliated companies and the managerial staff members of the Company and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of the General Partner's Management Board, the General Partner's Supervisory Board has sole authority to grant awards and exercise other decision making powers under the 2011 Incentive Program (including decisions regarding certain adjustments and forfeitures). The General Partner has such authority with respect to all other participants in the 2011 Incentive Program.

The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets measured over a four-year period beginning with the first day of the year of the grant. For each such year, the performance target is achieved if the Company's adjusted basic income per ordinary share (Adjusted EPS), as calculated in accordance with the 2011 Incentive Program, increases by at least 8% year over year during the vesting period or, if this is not the case, the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year of the Adjusted EPS during the four-year vesting period. At the end of the vesting period, one-fourth of the awards granted is forfeited for each year in which the performance target is not achieved. All awards are considered vested if the compounded annual growth rate of the Adjusted EPS reflects an increase of at least 8% per year during the four-year vesting period. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the four-year vesting period.

The 2011 Incentive Program was established with a conditional capital increase up to €12,000 subject to the issue of up to 12 M non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. Of these 12 M shares, up to 2 M stock options are designated for members of the Management Board of the General Partner, up to 2,5 M stock options are designated for members of management boards of direct or indirect subsidiaries of the Company and up to 7,5 M stock options are designated for managerial staff members of the Company and such subsidiaries. The Company may issue new shares to fulfill the stock option obligations or the Company may issue shares that it has acquired or which the Company itself has in its own possession.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of the Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock under the 2011 Incentive Program entitles the holders to receive payment in Euro from the Company upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of the Company's ordinary shares on the exercise date. Phantom stock will have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

During 2011, the Company awarded 1,947,231 stock options under the 2011 Incentive Program, including 307,515 stock options granted to members of the Management Board of FMC Management AG, the Company's general partner, at an average exercise price of $67.87 (€52.45), an average fair value of $19.27 each and a total fair value of $37,525, which will be amortized over the four-year vesting period. The Company awarded 215,638 phantom shares, including 29,313 phantom shares granted to members of the Management Board of FMC Management AG, the Company's general partner, at a measurement date average fair value of $63.71 (€49.24) each and a total fair value of $13,739 as of December 31, 2011, which will be amortized over the four-year vesting period.

Incentive plan

In 2011, Management Board members were eligible for performance-related compensation that depended upon achievement of targets. The targets are measured by reference to operating profit margin, growth of group-wide after-tax earnings (EAT growth) as well as the development of free cash flow (cash flow before acquisitions), and are derived from the comparison of targeted and actually achieved current year figures. Targets are divided into Group level targets and those to be achieved in individual regions.

The bonus for fiscal year 2011 will consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component will be paid after the end of 2011. The share-based component is subject to a three-year vesting period, although a shorter period may apply in special cases. The amount of cash payment relating to the share-based component shall be based on the closing share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the three-year vesting period. The amount of the achievable bonus for each of the members of the Management Board is capped.

In 2006, Management AG adopted a three-year performance related compensation plan for fiscal years 2008, 2007 and 2006, for the members of its management board in the form of a variable bonus. A special bonus component (award) for some of the management board members consists in equal parts of cash payments and a share-based compensation based on development of the share price of Fresenius Medical Care AG & Co. KGaA's ordinary shares. The amount of the award in each case depends on the achievement of certain performance targets. The targets are measured by reference to revenue growth, operating income, consolidated net income, and cash flow development. Annual targets have been achieved and the cash portion of the award has been paid after the end of the respective fiscal year. The share-based compensation portion of the award has been granted but subject to a three-year vesting period beginning after the respective fiscal year in which the target has been met and is amortized over the same three-year vesting period. The payment of the share-based compensation portion corresponds to the share price of Fresenius Medical Care AG & Co. KGaA's ordinary shares on exercise, i.e. at the end of the vesting period, and is also made in cash. The share-based compensation is revalued each reporting period during the vesting period to reflect the market value of the stock as of the reporting date with any changes in value recorded in the reporting period. This plan was fully utilized at the end of 2011.

Share-based compensation incurred under these plans for years 2011 and 2010 was $2,306 and $2,603, respectively.

Fresenius Medical Care AG & Co. KGaA stock option plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (the Amended 2006 Plan) was established by resolution of the Company's AGM with a conditional capital increase up to €15,000 subject to the issue of up to 15 M no par value bearer ordinary shares with a nominal value of €1.00 each, which can be exercised to obtain one ordinary share. Of the 15 M ordinary shares, up to 3 M options were designated for members of the Management Board of the General Partner, up to 3 M options were designated for members of management boards of direct or indirect subsidiaries of the Company and up to 9 M options were designated for managerial staff members of the Company and such subsidiaries. With respect to participants who are members of the General Partner's Management Board, the general partner's Supervisory Board has sole authority to grant stock options and exercise other decision making powers under the Amended 2006 Plan (including decisions regarding certain adjustments and forfeitures). The General Partner has such authority with respect to all other participants in the Amended 2006 Plan.

The exercise price of options granted under the Amended 2006 Plan was the average closing price on the Frankfurt Stock Exchange of the Company's ordinary shares during the 30 calendar days immediately prior to each grant date. Options granted under the Amended 2006 Plan have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is subject to achievement of performance targets measured over a three-year period from the grant date. For each such year, the performance target is achieved if the Company's Adjusted EPS, as calculated in accordance with the Amended 2006 Plan, increases by at least 8% year over year during the vesting period, beginning with Adjusted EPS for the year of grant as compared to Adjusted EPS for the year preceding such grant. Calculation of Adjusted EPS under the Amended 2006 Plan excluded, among other items, the costs of the transformation of the Company's legal form and the conversion of preference shares into ordinary shares. For each grant, one-third of the options granted are forfeited for each year in which EPS does not meet or exceed the 8% target. The performance targets for 2011 and 2010 were met. Vesting of the portion or portions of a grant for a year or years in which the performance target is met does not occur until completion of the entire three-year vesting period.

During 2010, the Company awarded 2,817,879 options under the Amended 2006 Plan, including 423,300 options granted to members of the Management Board of FMC Management AG, the Company's general partner, at a weighted average exercise price of $57.07 (€42.71), a weighted average fair value of $10.47 each and a total fair value of $29,515 which will be amortized over the three year vesting period. After December 2010, no further grants were issued under the Amended 2006 Plan.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

Fresenius Medical Care 2001 International stock option plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (the "2001 Plan"), options in the form of convertible bonds with a principal of up to €10,240 were issued to the members of the Management Board and other employees of the Company representing grants for up to 4 M non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split effected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate. Except for the members of the Management Board, eligible employees may purchase the bonds by issuing a non-recourse note with terms corresponding to the terms of and secured by the bond. The Company has the right to offset its obligation on a bond against the employee's obligation on the related note; therefore, the convertible bond obligations and employee note receivables represent stock options issued by the Company and are not reflected in the Consolidated Financial Statements. The options expire ten years from issuance and can be exercised beginning two, three or four years after issuance. Compensation costs related to awards granted under this plan are amortized on a straight-line basis over the vesting period for each separately vesting portion of the awards. Bonds issued to Management Board members who did not issue a note to the Company are recognized as a liability on the Company's balance sheet.

Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The exercise price of options subject to a stock price target corresponds to the stock exchange quoted price of the preference shares upon the first time the stock exchange quoted price exceeds the initial value by at least 25%. The initial value (initial value) is the average price of the preference shares during the last 30 trading days prior to the date of grant. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. The exercise price of the options without a stock price target is the Initial Value. Each option entitles the holder thereof, upon payment of the respective conversion price, to acquire one preference share. Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005.

Other stock option plans

On May 12, 2011, the remaining conditional capitals of the employee's participation plan of 1996 and the Stock Option Program from 1998 were cancelled by resolution of the Company's AGM. Both plans have expired and no further bonds can be converted or stock options exercised.

At December 31, 2011, the Management Board members of the General Partner held 2,354,875 stock options for ordinary shares and employees of the Company held 9,669,942 stock options for ordinary shares and 49,090 stock options for preference shares, under the various stock-based compensation plans of the Company.

At December 31, 2011, the Management Board members of the General Partner held 29,313 phantom shares and employees of the Company held 186,149 phantom shares under the 2011 Incentive Plan.

The Table below provides reconciliations for stock options outstanding at December 31, 2011, as compared to December 31, 2010:

RECONCILIATION OF OPTIONS OUTSTANDING

Table 5.6.29

	Number of options in THOUS	*Weighted average exercise*	
		in €	*in $*
Stock options for ordinary shares			
▸ **BALANCE AT DECEMBER 31, 2010**	**12,152**	**33.78**	**43.71**
Granted	1,947	52.45	67.87
Exercised	1,886	30.87	39.94
Forfeited	188	34.93	45.20
▸ **BALANCE AT DECEMBER 31, 2011**	**12,025**	**37.24**	**48.18**
Stock options for preference shares			
▸ **BALANCE AT DECEMBER 31, 2010**	**59**	**19.19**	**24.83**
Exercised	9	22.52	29.14
Forfeited	1	18.21	23.56
▸ **BALANCE AT DECEMBER 31, 2011**	**49**	**18.64**	**24.12**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2011:

FULLY VESTED OUTSTANDING AND EXERCISABLE OPTIONS

Table 5.6.30

	Number of options in THOUS	*Weighted average remaining contractual life in years*	*Weighted average exercise price*		*Aggregate intrinsic value*	
			in €	*in $*	*in €*	*in $*
Options						
for preference shares	49	2.80	18.64	24.11	1,189	1,538
for ordinary shares	4,767	2.79	30.57	39.56	104,520	135,238

At December 31, 2011, there was $51,096 of total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted-average period of 1.9 years.

During the years ended December 31, 2011 and 2010, the Company received cash of $81,883 and $96,204, respectively, from the exercise of stock options — *see Note 15*. The intrinsic value of options exercised for the twelve-month periods ending December 31, 2011 and 2010 was $50,687 and $50,921, respectively. The Company recorded a related tax benefit of $13,010 and $13,313 for the years ending December 31, 2011 and 2010, respectively.

Fair value information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the 2006 Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. 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 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. The assumptions used to determine the fair value of the 2011 and 2010 grants are as follows:

ASSUMPTIONS
Table 5.6.31

	2011	2010
Expected dividend yield *in %*	1.62	1.98
Risk-free interest rate *in %*	2.55	2.28
Expected volatility *in %*	22.22	22.92
Expected life of options *in years*	8	7
Weighted average exercise price *in €*	52.45	42.71
Weighted average exercise price *in $*	67.87	57.07

18. INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

INCOME BEFORE INCOME TAXES
Table 5.6.32

in $ THOUS

	2011	2010
Germany	344,267	303,954
United States	1,122,800	1,084,756
Other	311,292	255,031
▸ **TOTAL**	**1,778,359**	**1,643,741**

Income tax expense (benefit) for the years ended December 31, 2011 and 2010, consisted of the following:

EXPENSE (BENEFIT) FOR INCOME TAXES

Table 5.6.33

in $ THOUS

	2011	2010
Current		
Germany	67,484	100,635
United States	278,634	355,739
Other	106,087	101,206
▸ **TOTAL CURRENT**	**452,205**	**557,580**
Deferred		
Germany	14,565	(16,479)
United States	139,282	52,648
Other	(4,955)	(15,404)
▸ **TOTAL DEFERRED**	**148,892**	**20,765**
▸ **TOTAL**	**601,097**	**578,345**

In 2011 and 2010, the Company is subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable and a trade tax rate of 12.64% and 12.88% for the fiscal years ended December 31, 2011 and 2010, respectively.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rates are 28.46% and 28.71% for the fiscal years ended December 31, 2011 and 2010, respectively.

RECONCILIATION OF INCOME TAXES

Table 5.6.34

in $ THOUS

	2011	2010
Expected corporate income tax expense	506,121	471,836
Tax free income	(38,926)	(24,088)
Income from at equity investments	(6,883)	(550)
Tax rate differentials	140,079	118,495
Non-deductible expenses	4,536	6,934
Taxes for prior years	144	11,994
Change in valuation allowance	5,544	(2,259)
Noncontrolling partnership interests	(31,300)	(26,870)
Other	21,782	22,853
▸ **ACTUAL INCOME TAX EXPENSE**	**601,097**	**578,345**
▸ **EFFECTIVE TAX RATE**	**33.8%**	**35.2%**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2011 and 2010, are presented below:

DEFERRED INCOME TAX ASSETS AND LIABILITIES

Table 5.6.35

in $ THOUS

	2011	2010
Deferred tax assets		
Accounts receivable	5,943	28,538
Inventory	42,824	35,172
Property, plant and equipment, intangible and other noncurrent assets	70,652	79,244
Accrued expenses and other liabilities	265,624	257,957
Pensions	87,248	52,773
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	91,402	93,165
Derivatives	60,056	60,199
Stock-based compensation	24,191	24,112
Other	12,586	12,626
▸ **TOTAL DEFERRED TAX ASSETS**	**660,526**	**643,786**
Less: valuation allowance	(80,418)	(71,799)
▸ **NET DEFERRED TAX ASSETS**	**580,108**	**571,987**
Deferred tax liabilities		
Accounts receivable	25,937	12,549
Inventory	10,899	7,730
Property, plant and equipment, intangible and other noncurrent assets	616,430	522,907
Accrued expenses and other liabilities	24,582	32,747
Other	103,107	81,969
▸ **TOTAL DEFERRED TAX LIABILITIES**	**780,955**	**657,902**
▸ **NET DEFERRED TAX ASSETS (LIABILITIES)**	**(200,847)**	**(85,915)**

The valuation allowance increased by $8,619 in 2011 and by $8,302 in 2010.

The expiration of net operating losses is as follows:

NET OPERATING LOSS CARRYFORWARDS

Table 5.6.36

in $ THOUS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 and thereafter	Without expiration date	Total
	24,916	14,363	22,917	18,527	41,705	19,262	17,872	13,167	5,049	4,746	111,705	**294,229**

In assessing the realizability of deferred taxes, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized or whether deferred tax liabilities will be reversed. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2011.

The Company provides for income taxes on the cumulative earnings of foreign subsidiaries that will not be reinvested. At December 31, 2011, the Company provided for $12,853 of deferred tax liabilities associated with earnings that are likely to be distributed in 2012 and the following years. Provision has not been made for additional taxes on $4,289,651 undistributed earnings of foreign subsidiaries as these earnings are considered permanently reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends; however calculation of such additional tax is not practical. These taxes would predominantly comprise foreign withholding tax on dividends of foreign subsidiaries, and German income tax of approximately 1.4% on all dividends and capital gains.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, the tax years 2002 until 2005 are currently under audit by the tax authorities. The Company recognized and recorded the current proposed adjustments of this audit period in the financial statements. All proposed adjustments are deemed immaterial. In the fourth quarter of 2011 the tax audit for the years 2006 through 2009 was started. Fiscal years 2010 and 2011 are open to audit.

For the tax year 1997, the Company recognized an impairment of one of its subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of its audit for the years 1996 and 1997. The Company filed a complaint with the appropriate German court to challenge the tax authority's decision. In January 2011, the Company reached an agreement with the tax authorities. The additional benefit related to the agreement has been recognized in the financial statements in 2011.

In the U.S., the Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved the right to continue to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, we filed a complaint for a complete refund in the United States District Court for the District of Massachusetts, styled as FMCH v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial. The unrecognized tax benefit relating to these deductions is included in the total unrecognized tax benefit noted below.

The IRS tax audits of FMCH for the years 2002 through 2008 have been completed. On January 23, 2012, the Company executed a closing agreement with the IRS with respect to the 2007-2008 tax audit. The agreement reflected a full allowance of interest deductions on intercompany mandatorily redeemable preferred shares for the 2007-2008 tax years. The agreement evidenced a revocation by the IRS in December of 2011 of an initial disallowance of the deductions on mandatorily redeemable shares for the 2007-2008 tax years that was reflected in an IRS examination report issued on November 21, 2011. The Company also protested the IRS's disallowance of interest deductions associated with mandatorily redeemable shares for the years 2002-2006. Although the Company's protests remain pending before IRS Appeals, the IRS has advised the Company that it will withdraw its disallowance of, and will accordingly permit the deductions associated with, mandatorily redeemable shares for the years 2002-2006. During the IRS tax audit for 2007-2008, the IRS proposed other adjustments which have been recognized in the financial statements.

In the U.S., fiscal years 2009, 2010 and 2011 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the financial statements.

Subsidiaries of FMC AG & CO. KGAA in a number of countries outside of Germany and the U.S. are also subject to tax audits. The Company estimates that the effects of such tax audits are not material to these consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

RECONCILIATION OF UNRECOGNIZED TAX BENEFITS (NET OF INTEREST)

in $ THOUS

Table 5.6.37

	2011	2010
▸ **BALANCE AT JANUARY 1, 2011**	**375,900**	**410,016**
Increases in unrecognized tax benefits prior periods	24,046	12,782
Decreases in unrecognized tax benefits prior periods	(24,897)	(11,429)
Increases in unrecognized tax benefits current period	16,157	13,588
Changes related to settlements with tax authorities	(217,484)	(34,410)
Reductions as a result of a lapse of the statute of limitations	(3,100)	(129)
Foreign currency translation	14,207	(14,518)
▸ **BALANCE AT DECEMBER 31, 2011**	**184,829**	**375,900**

Included in the balance at December 31, 2011 are $162,010 of unrecognized tax benefits which would affect the effective tax rate if recognized. As a result of the settlement agreement for 1997 noted above, the Company reduced the unrecognized tax benefits at December 31, 2011 by $205,781 and a portion of the reduction was realized as an additional tax benefit in 2011. The Company estimates that the uncertain tax benefit at December 31, 2011 will be reduced by approximately $13,000, due to expected settlements with tax authorities. The Company is currently not in a position to forecast the timing and magnitude of changes in other unrecognized tax benefits.

During the year ended December 31, 2011 the Company recognized $2,525 in interest and penalties. The Company had a total accrual of $60,705 of tax related interest and penalties at December 31, 2011.

19. OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2039. Rental expense recorded for operating leases for the years ended December 31, 2011 and 2010 was $601,070 and $563,182, respectively. For information regarding intercompany operating leases, —— *see Note 4a*.

Future minimum rental payments under non-cancelable operating leases for the five years succeeding December 31, 2011 and thereafter are:

FUTURE MINIMUM RENTAL PAYMENTS

in $ THOUS

Table 5.6.38

	2012	2013	2014	2015	2016	Thereafter	Total
Future minimum rental payments	510,891	453,324	389,469	335,328	278,781	739,234	**2,707,027**

20. LEGAL PROCEEDINGS

The Company 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 health-care services and products. Legal matters that the Company currently deems to be material are described below. For the matters described below in which the Company believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the 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

The Company was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (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 the Company, 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, the Company 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 the Company that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and the Company 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, the Company will pay a total of $115,000 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 In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012.

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

On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe 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 asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than $140,000 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 $14,300. 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 touchscreen-equipped 2008K machine effective January 1, 2009. The Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, the Company completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the original District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court. Funds of $70,000 were contributed to the escrow fund. In the parallel reexamination of the last surviving patent, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. Baxter appealed the Board's ruling to the Federal Circuit.

On October 17, 2006, Baxter and DEKA Products Limited Partnership (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 alleged that FMCH's Liberty™ cycler infringes nine patents owned by or licensed to Baxter. During and after discovery, seven of the asserted patents were dropped from the suit. On July 28, 2010, at the conclusion of the trial, the jury returned a verdict in favor of FMCH finding that the Liberty™ cycler does not infringe any of the asserted claims of the Baxter patents. The District Court denied Baxter's request to overturn the jury verdict and Baxter appealed the verdict and resulting judgment to the United States Court of Appeals for the Federal Circuit. On February 13, 2012, the Federal Circuit affirmed the District Court's non-infringement verdict.

Other litigation and potential exposures

Renal Care Group, Inc. (RCG), which the Company acquired in 2006, is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have claims for indemnification and reimbursement of expenses against the Company. The Company expects to continue as a defendant in the litigation, which is proceeding toward trial in the Chancery Court, and believes that defendants will prevail.

On July 17, 2007, resulting from an investigation begun in 2005, the United States Attorney filed a civil complaint in the United States District Court for the Eastern District of Missouri (St. Louis) against Renal Care Group, Inc., its subsidiary RCG Supply Company, and FMCH in its capacity as RCG's current corporate parent. 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 FMCH's acquisition of RCG in 2006. 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. On August 11, 2009, the Missouri District Court granted RCG's motion to transfer venue to the United States District Court for the Middle District of Tennessee (Nashville). On March 22, 2010, the Tennessee District Court entered judgment against defendants for approximately $23,000 in damages and interest under the unjust enrichment count of the complaint but denied all relief under the six False Claims Act counts of the complaint. On June 17, 2011, the District Court entered summary judgment against RCG for $82,643 on one of the False Claims Act counts of the complaint. On June 23, 2011, the Company appealed to the United States Court of Appeals for the Sixth Circuit. Although the Company cannot provide any assurance of the outcome, the Company believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, that the decisions made by the District Court on March 22, 2010 and June 17, 2011 will be reversed, and that its position in the litigation will ultimately be sustained.

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. The first complaint alleged 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 alleged that FMCH unlawfully retaliated against the relator by constructively discharging her from employment. The United States Attorney for the Western District of Texas declined to intervene and to prosecute on behalf of the United States. On March 30, 2010, the District Court issued final judgment in favor of the defendants on all counts based on a jury verdict rendered on February 25, 2010 and on rulings of law made by the Court during the trial. The plaintiff has appealed from the District Court judgment.

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that the Company seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. FMCH has filed a motion to dismiss the complaint. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a Civil Investigative Demand seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH is cooperating fully in responding to the additional Civil Investigative Demand, and will vigorously contest the relator's complaint.

On June 29, 2011, the FMCH received a subpoena from the United States Attorney for the Eastern District of New York (E.D.N.Y.). On December 6, 2011, a single Company facility in New York received a subpoena from the OIG that was substantially similar to the one issued by the U.S. Attorney for the E.D.N.Y. These subpoenas are part of a criminal and civil investigation into relationships between retail pharmacies and outpatient dialysis facilities in the State of New York and into the reimbursement under government payor programs in New York for medications provided to patients with ESRD. Among the issues encompassed by the investigation is whether retail pharmacies may have provided or received compensation from the New York Medicaid program for pharmaceutical products that should be provided by the dialysis facilities in exchange for the New York Medicaid payment to the dialysis facilities. The Company is cooperating in the investigation.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved our right to pursue claims in the United States Courts for refunds of all other disallowed deductions. On December 22, 2008, the Company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. The court has denied motions for summary judgment by both parties and the litigation is proceeding towards trial.

The IRS tax audits of FMCH for the years 2002 through 2008 have been completed. On January 23, 2012, the Company executed a closing agreement with the IRS with respect to the 2007-2008 tax audit. The agreement reflected a full allowance of interest deductions on intercompany mandatorily redeemable preferred shares for the 2007-2008 tax years. The agreement evidenced a revocation by the IRS in December of 2011 of an initial disallowance of the deductions on mandatorily redeemable shares for the 2007-2008 tax years that was reflected in an IRS examination report issued on November 21, 2011. The Company also protested the IRS's disallowance of interest deductions associated with mandatorily redeemable shares for the years 2002-2006. Although the Company's protests remain pending before IRS Appeals, the IRS has advised the Company that it will withdraw from its disallowance of, and will accordingly permit the deductions associated with, mandatorily redeemable shares for the years 2002-2006. During the tax audit for 2007-2008, the IRS proposed other adjustments which have been recognized in the financial statements.

For the tax year 1997, the Company recognized an impairment of one of its subsidiaries which the German tax authorities disallowed in 2003 at the conclusion of their audit for the years 1996 and 1997. The Company has filed a complaint with the appropriate German court to challenge the tax authorities' decision. In January 2011, the Company reached an agreement with the tax authorities. The additional benefit related to the agreement has been recognized in the financial statements in 2011.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Company must also comply with the Anti-Kickback Statute, the False Claims Act, the Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states.

In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law and the False Claims Act, among other laws, and comparable laws of other countries.

Physicians, hospitals and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

Accrued special charge for legal matters

At December 31, 2001, the Company recorded a pre-tax special charge of $258,159 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 $115,000 payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While the Company 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.

21. FINANCIAL INSTRUMENTS

As a global supplier of dialysis services and products in more than 120 countries throughout the world, the Company is faced with a concentration of credit risks due to the nature of the reimbursement systems which are often provided by the governments of the countries in which the Company operates. Changes in reimbursement rates or the scope of coverage could have a material adverse effect on the Company's business, financial condition and results of operations and thus on its capacity to generate cash flow. In the past the Company experienced and, after the implementation of the new bundled reimbursement system in the U.S., also expects in the future generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. Due to the fact that a large portion of the Company's reimbursement is provided by public healthcare organizations and private insurers, the Company expects that most of its accounts receivables will be collectable, albeit somewhat more slowly in the International segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis.

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the Company's non-derivative financial instruments at December 31, 2011, and December 31, 2010:

CARRYING AMOUNT AND FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS

Table 5.6.39

in $ THOUS, December 31	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	457,292	457,292	522,870	522,870
Accounts receivable	2,909,326	2,909,326	2,687,234	2,687,234
Long-term notes receivable	234,490	233,514	–	–
Liabilities				
Accounts payable	652,649	652,649	542,524	542,524
Short-term borrowings[1]	98,801	98,801	670,671	670,671
Short-term borrowings from related parties	28,013	28,013	9,683	9,683
Long-term debt, excluding Amended 2006 Senior Credit Agreement, Euro Notes and Senior Notes[1]	1,147,209	1,147,209	528,082	528,082
Amended 2006 Senior Credit Agreement	2,795,589	2,774,951	2,953,890	2,937,504
Senior Notes	2,883,009	2,989,307	824,446	880,366
Euro Notes	258,780	265,655	267,240	276,756
Trust preferred securities	–	–	625,549	643,828
Noncontrolling interests subject to put provisions	410,491	410,491	279,709	279,709

[1] *At December 31, 2010 the A/R Facility was classified as a short-term borrowing. The A/R Facility was renewed during the third quarter of 2011 for a period of three years. As a result, the A/R Facility has been classified as long-term debt as of December 31, 2011. At December 31, 2011, there were borrowings of $ 534,500 under the A/R Facility.*

The carrying amounts in the table are included in the consolidated balance sheet under the indicated captions or in the case of long-term debt, in the captions —— *shown in Note 11.*

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The valuation of the long-term notes receivable is determined using significant unobservable inputs (Level 3). It is valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates and that are within the Company's industry. The Company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value.

The fair values of the major long-term financial liabilities are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of the noncontrolling interests subject to put provisions is determined using significant unobservable inputs (Level 3). —— *See Note 14* for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

Derivative financial instruments

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. In order to manage the risk of interest rate and currency exchange rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the Company's General Partner. On a quarterly basis the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk management

The Company conducts business on a global basis in various currencies, though a majority of its operations are in Germany and the United States. For financial reporting purposes, the Company has chosen the U.S. dollar as its reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of the Company's international operations are maintained affect its results of operations and financial position as reported in its consolidated financial statements.

The Company's exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. The Company has significant amounts of sales of products invoiced in euro from its European manufacturing facilities to its other international operations and, to a lesser extent, sales of products invoiced in other non-functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the Company enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. As of December 31, 2011 the Company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in accumulated other comprehensive income (loss) (AOCI). Additionally, in connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenues for those contracts that hedge product purchases or SG&A for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled $1,278,764 and $1,026,937 at December 31, 2011 and December 31, 2010, respectively.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currency that do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totaled $2,149,440 and $1,607,312 at December 31, 2011 and December 31, 2010, respectively.

Interest rate risk management

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future debt issuances, including the issuance of senior notes in January 2012 ——— *see Note 2*. The U.S. dollar-denominated interest rate swap agreements, all of which expire at various dates in 2012, bear an average interest rate of 3.55%. The euro-denominated interest rate swaps expire in 2012 and 2016 and have an interest rate of 2.27%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

As of December 31, 2011 and December 31, 2010, the notional amounts of the U.S. dollar-denominated interest rate swaps in place were $2,650,000 and $3,175,000, respectively. As of December 31, 2011, the notional amount of the euro-denominated interest rate swaps in place was €200,000 ($258,780 as of December 31, 2011). Simultaneously with the issuance of senior notes, interest rate swaps of $1,500,000 and €100,000 were terminated as planned and the fair value was settled in January 2012.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives at December 31, 2011 and December 31, 2010:

DERIVATIVE FINANCIAL INSTRUMENTS VALUATION

Table 5.6.40

in $ THOUS, December 31	*2011*		*2010*	
	Assets[2]	*Liabilities*[2]	*Assets*[2]	*Liabilities*[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	4,117	(24,908)	3,703	(51,816)
Interest rate contracts	–	(130,579)	–	(51,604)
Non-current				
Foreign exchange contracts	742	(3,706)	810	(486)
Interest rate contracts	–	(1,076)	–	(73,221)
▸ **TOTAL**	**4,859**	**(160,269)**	**4,513**	**(177,127)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	56,760	(37,242)	3,517	(20,751)
Non-current				
Foreign exchange contracts	1,382	(1,459)	509	(213)
▸ **TOTAL**	**58,142**	**(38,701)**	**4,026**	**(20,964)**

[1] *As of December 31, 2011 and December 31, 2010 the valuation of the Company's derivatives was determined using Significant Other Observable Inputs (Level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.*
[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in Prepaid expenses and other current assets in the Consolidated Balance Sheets while the current portion of those indicated as liabilities are included in Accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the Consolidated Balance Sheets in Other assets or Other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

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 applicable currency.

The Company includes its own credit risk for financial instruments deemed liabilities and counterparty-credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments.

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ THOUS

Table 5.6.41

	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) for the year ended December 31		Location of (gain) or loss reclassified from AOCI in income (effective portion)	Amount of (gain) or loss reclassified from AOCI in income (effective portion) for the year ended December 31	
	2011	2010		**2011**	2010
Derivatives in cash flow hedging relationships					
Interest rate contracts	(80,678)	(18,708)	Interest income/expense	5,946	–
Foreign exchange contracts	(23,452)	3,046	Costs of revenue	(4,262)	7,553
▸ **TOTAL**	**(104,130)**	**(15,662)**		**1,684**	**7,553**

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ THOUS

Table 5.6.42

	Location of (gain) or loss recognized in income on derivatives	Amount of (gain) or loss recognized in income on derivatives for the year ended December 31	
		2011	2010
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	(76,496)	72,454
Foreign exchange contracts	Interest income/expense	6,598	(8,622)
▸ **TOTAL**		**(69,898)**	**63,832**

For foreign exchange derivatives, the Company expects to recognize $10,857 of losses deferred in accumulated other comprehensive income at December 31, 2011, in earnings during the next twelve months.

The Company expects to incur additional interest expense of $29,654 over the next twelve months which is currently deferred in accumulated other comprehensive income. This amount reflects the current fair value at December 31, 2011 of expected additional interest payments resulting from interest rate swaps.

As of December 31, 2011, the Company had foreign exchange derivatives with maturities of up to 47 months and interest rate swaps with maturities of up to 58 months.

22. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2011 and 2010 are as follows:

OTHER COMPREHENSIVE INCOME (LOSS)

in $ THOUS

Table 5.6.43

	Year ended **December 31, 2011**			Year ended December 31, 2010		
	Pretax	Tax effect	Net	Pretax	Tax effect	Net
Other comprehensive income (loss) relating to cash flow hedges						
Changes in fair value of cash flow hedges during the period	(104,130)	41,825	(62,305)	(15,662)	2,241	(13,421)
Reclassification adjustments	1,684	(796)	888	7,553	(1,928)	5,625
▸ **TOTAL OTHER COMPREHENSIVE INCOME (LOSS) RELATING TO CASH FLOW HEDGES**	**(102,446)**	**41,029**	**(61,417)**	**(8,109)**	**313**	**(7,796)**
Foreign-currency translation adjustment	(181,234)	–	(181,234)	(110,888)	–	(110,888)
Adjustments related to pension obligations	(81,906)	31,588	(50,318)	(35,654)	12,508	(23,146)
▸ **OTHER COMPREHENSIVE INCOME (LOSS)**	**(365,586)**	**72,617**	**(292,969)**	**(154,651)**	**12,821**	**(141,830)**

23. BUSINESS SEGMENT INFORMATION

The Company has identified three business segments, North America, International, and Asia Pacific, which were determined based upon how the Company manages its businesses. All segments are primarily engaged in providing dialysis care services and the distribution of products and equipment for the treatment of ESRD. In the U.S., the Company is also engaged in providing inpatient dialysis services and other services under contract to hospitals. The Company has aggregated the International and Asia Pacific operating segments as "International". The segments are aggregated due to their similar economic characteristics. These characteristics include the same services provided and products sold, the same type patient population, similar methods of distribution of products and services and similar economic environments.

Management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. Management believes that the most appropriate measure in this regard is operating income which measures the Company's source of earnings. Financing is a corporate function, which the Company's segments do not control. Therefore, the Company does not include interest expense relating to financing as a segment measure. Similarly, the Company does not allocate "corporate costs," which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc., because the Company believes that these costs are also not within the control of the individual segments. As of January 1, 2011, production of products, production asset management, quality management and procurement is centrally managed in Corporate by Global Manufacturing Operations. These corporate

activities do not fulfill the definition of an operating segment. Products are transferred to the operating segments at cost, therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the operating segments and consolidated profitability considerations. This presentation is a change from prior periods, when these services were managed within the operating segment by each region. The business segment information in the following table has been adjusted accordingly with the exception of segment assets in prior periods. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as "Corporate". The Company also regards income taxes to be outside the segment's control.

Information pertaining to the Company's business segments for the twelve-month periods ended December 31, 2011 and 2010 is set forth below.

SEGMENT INFORMATION

Table 5.6.44

in $ THOUS

	North America	*International*	*Segment Total*	*Corporate*	*Total*
2011					
Net revenue external customers	8,150,017	4,627,950	12,777,967	17,093	12,795,060
Inter segment revenue	9,196	–	9,196	(9,196)	–
▸ REVENUE	**8,159,213**	**4,627,950**	**12,787,163**	**7,897**	**12,795,060**
Depreciation and amortization	(269,055)	(173,600)	(442,655)	(114,628)	(557,283)
▸ OPERATING INCOME	**1,435,450**	**807,437**	**2,242,887**	**(167,995)**	**2,074,892**
Income (loss) from equity method investees	32,387	69	32,456	(1,497)	30,959
Segment assets[1]	11,761,777	5,589,421	17,351,198	2,181,652	19,532,850
thereof investments in equity method investees	322,990	370,447	693,437	(1,412)	692,025
Capital expenditures, acquisitions and investments[2]	1,055,183	1,161,825	2,217,008	166,176	2,383,184
2010					
Net revenue external customers	8,129,737	3,923,301	12,053,038	452	12,053,490
Inter segment revenue	5,419	–	5,419	(5,419)	–
▸ REVENUE	**8,135,156**	**3,923,301**	**12,058,457**	**(4,967)**	**12,053,490**
Depreciation and amortization	(254,205)	(148,852)	(403,057)	(100,167)	(503,224)
▸ OPERATING INCOME	**1,385,651**	**677,630**	**2,063,281**	**(139,476)**	**1,923,805**
Income (loss) from equity method investees	8,753	196	8,949	–	8,949
Segment assets	11,720,495	4,787,479	16,507,974	586,687	17,094,661
thereof investments in equity method investees	243,452	6,921	250,373	–	250,373
Capital expenditures, acquisitions and investments[3]	448,327	559,774	1,008,101	279,866	1,287,967

[1] *If production were still managed within the segments, as it was in 2010, segment assets would have been $ 12,805,094 in North America, $ 6,212,698 in International and $ 515,058 in Corporate in 2011.*
[2] *North America and International acquisitions exclude $ 6,000 and $ 225,034, respectively, of non-cash acquisitions and investments for 2011.*
[3] *North America, International and Corporate acquisitions exclude $ 122,847, $ 32,935 and $ 2,125, respectively, of non-cash acquisitions and investments for 2010.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

GEOGRAPHIC DIVISION

Table 5.6.45

in $ THOUS

	2011		2010	
	Net revenue	Long-lived assets	Net revenue	Long-lived assets
Germany	425,507	417,805	374,883	471,537
North America	8,150,017	10,318,964	8,129,737	9,236,166
Rest of the World	4,219,536	3,010,780	3,548,870	2,139,877
▸ **TOTAL**	**12,795,060**	**13,747,549**	**12,053,490**	**11,847,580**

24. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to the consolidated statements of cash flows:

SUPPLEMENTARY CASH FLOW INFORMATION

Table 5.6.46

in $ THOUS

	2011	2010
Supplementary cash flow information		
Cash paid for interest	259,835	264,525
Cash paid for income taxes[1]	455,805	520,766
Cash inflow for income taxes from stock option exercises	13,010	13,313
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(1,684,630)	(668,198)
Liabilities assumed	215,253	102,698
Noncontrolling interest subject to put provisions	26,684	–
Noncontrolling interest	20,983	36,141
Notes assumed in connection with acquisition	20,016	31,666
Cash paid	(1,401,694)	(497,693)
Less cash acquired	47,461	16,318
▸ **NET CASH PAID FOR ACQUISITIONS**	**(1,354,233)**	**(481,375)**

[1] *Net of tax refund.*

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Chapter 5.7

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2011, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment follows the guidance for management of the evaluation of internal controls over financial reporting released by the Securities and Exchange Commission on May 23, 2007. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2011 is effective.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that the Company's transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011, has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included —— *on page 280*.

February 21, 2012

Fresenius Medical Care AG & Co. KGaA, a partnership limited by shares, represented by
Fresenius Medical Care Management AG, its General Partner

DR. BEN J. LIPPS
Chief Executive Officer

MICHAEL BROSNAN
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Chapter 5.8

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the internal control over financial reporting of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Fresenius Medical Care's management is responsible for maintaining effective internal control over financial reporting and its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

5.8
Report of independent registered public accounting firm on internal control over financial reporting

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresenius Medical Care maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresenius Medical Care as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated February 21, 2012 expressed an unqualified opinion on those consolidated financial statements.

February 21, 2012
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Chapter 5.9

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2011 and 2010 and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresenius Medical Care as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresenius Medical Care's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

February 21, 2012
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

FURTHER INFORMATION

Chapter 6

2,898

OF OUR OWN
DIALYSIS CLINICS
WORLDWIDE

FINANCIAL GLOSSARY

Chapter 6.1

▼ A

American Depositary Receipt (ADR)

Physical certificate proving ownership in one or several American Depositary Shares (ADS). Fresenius Medical Care's ordinary and preference shares are listed on the New York Stock Exchange (NYSE) in the form of ADR.

▼ D

Days Sales Outstanding (DSO)

Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

DAX

Acronym for "German stock index" – calculated on the basis of the weighted prices of the 30 largest (by market capitalization and market turnover) German stock corporations.

Debt / EBITDA ratio

Important indicator in corporate management. It compares a company's debt to earnings before interest, tax, depreciation and amortization and other non-cash charges.

Dividend

Portion of a company's profits. The profit to be distributed divided by the number of outstanding shares shows the dividend per share. The dividend is paid to shareholders usually once a year in the form of cash, stock or tangible assets.

▼ E

EBIT (Earnings Before Interest and Taxes)

This is used to assess the company's earnings position. More precisely, it is the operating result before earnings from financial activities and investments.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

Corresponds to operative cash flow before taxes.

▼ F

Free float

The proportion of a company's listed shares that are freely available for trading. According to the definition of Deutsche Börse, block ownership (as opposed to free float) is considered to be shares held by a shareholder which, cumulatively, make up at least five percent of the registered share capital in one class of share.

▼ K

Kommanditgesellschaft auf Aktien (KGaA)

A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

▼ M

Market capitalization

Total value of all outstanding shares of a company calculated by the number of shares multiplied by the share price.

▼ O

Operating margin

Earnings before interest and taxes (EBIT) divided by revenues.

Ordinary and preference shares

The capital stock of the Company consists of ordinary and preference shares, both of which are bearer shares. Preference shares are non-voting, but are entitled to a dividend exceeding that of ordinary shares. The distribution of the minimum dividend on preference shares takes precedence over the distribution of a dividend on ordinary shares.

▼ R

Rating

The rating is a classification of the creditworthiness of a company accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

6.1
Financial Glossary

Return on Equity (ROE)
The Return on Equity is an indicator of company profitability related to the shareholders' financing.

Return On Invested Capital (ROIC)
The return on a Company's adjusted invested capital divided by average invested capital. Invested capital consists of current and noncurrent assets plus accumulated goodwill amortization less cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and other liabilities (including income tax accruals).

Return On Operating Assets (ROOA)
EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current assets, noncurrent assets, less noncurrent deferred tax assets and accounts payable (including those due to related parties).

▼
S

Sarbanes-Oxley Act (SOX)
A law aimed at corporations and their auditors designed to improve financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders by extending regulations which relate to financial reporting and internal monitoring systems. SOX requirements include strict obligations for a company's management regarding the provision of complete and correct information. The new and expanded rules apply for all U.S. exchange-listed companies.

Securities and Exchange Commission (SEC)
A federal agency that regulates and monitors the U.S. financial markets.

Share index
Indicates the development of the stock market as a whole and/or of individual groups of shares (e. g. DAX, DOW JONES, STOXX). Share indices act as a guide for investors to help them identify trends in the stock market. The index calculation is based on a weighted value for the average development of the stock corporations that make up the index. Share indices can be calculated as price indices or performance indices.

▼
U

U.S. GAAP
United States Generally Accepted Accounting Principles.

▼
V

Volatility
This means the price fluctuation of a security or currency. Often this is calculated from the form of standard deviation from the share price history or implicit from a price-setting formula.

▼
W

Working capital
Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity position.

REGIONAL ORGANIZATION

Chapter 6.2

EUROPE/MIDDLE EAST/AFRICA

Table 6.2.1

Production
Selling
Dialysis services

Germany	Fresenius Medical Care Deutschland GmbH	Bad Homburg v.d.H.	100 %
France	Fresenius Medical Care Groupe France S.A.S.	Fresnes	100 %
Great Britain	Fresenius Medical Care (U.K.) Ltd.	Nottinghamshire	100 %
Serbia	Fresenius Medical Care Srbija d.o.o.	Vrsac	100 %
Italy	Fresenius Medical Care Italia S.p.A.	Cremona	100 %
Spain	National Medical Care of Spain, S.A.	Madrid	100 %
South Africa	Fresenius Medical Care South Africa (PTY) Ltd.	Gauteng	100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100 %
Belgium	Fresenius Medical Care Belgium N.V.	Antwerp	100 %
Morocco	Fresenius Medical Care Maroc S.A.	Casablanca	100 %
Ireland	Fresenius Medical Care (Ireland) Limited	Dublin	100 %
Poland	Fresenius Medical Care Polska S.A.	Poznan	100 %
Portugal	NephroCare Portugal S.A.	Lisbon	100 %
Romania	Fresenius Medical Care Romania Srl	Bucharest	100 %
Saudi Arabia	Fresenius Medical Care Saudi Arabia Ltd.	Jeddah	100 %
Croatia	Euromedical d.o.o.	Zagreb	100 %
Russia	ZAO Fresenius SP	Moscow	100 %
Slovakia	Fresenius Medical Care Slovensko, spol. s.r.o.	Pieštany	100 %
Slovenia	Fresenius Medical Care Slovenija d.o.o.	Zrece	100 %
Czech Republic	Fresenius Medical Care CR, s.r.o.	Prague	100 %
Hungary	FMC Dializis Center Kft	Budapest	100 %
Sweden	Fresenius Medical Care Sverige AB	Stockholm	100 %
Ukraine	Fresenius Medical Care Ukraine TOV	Kiev	100 %
Finland	Fresenius Medical Care Suomi Oy	Helsinki	100 %
Lebanon	Fresenius Medical Care Lebanon s.a.r.L.	Beirut	99 %
The Netherlands	Fresenius Medical Care Nederland B.V.	Nieuwkuijk	100 %
Austria	Fresenius Medical Care Austria GmbH	Vienna	100 %
Denmark	Fresenius Medical Care Danmark A/S	Albertslund	100 %
Switzerland	Fresenius Medical Care (Schweiz) AG	Oberdorf	100 %
Bosnia & Herzegovina	Fresenius Medical Care BH d.o.o.	Sarajevo	100 %
Estonia	OÜ Fresenius Medical Care Estonia	Tartu	100 %

NORTH AMERICA

US	Fresenius Medical Care Holdings Inc.	New York	100 %
	National Medical Care Inc.	Delaware	100 %
	Fresenius U.S.Inc.	Massachusetts	100 %
	Renal Care Group Inc.	Delaware	100 %
Mexico	Fresenius Medical Care Mexico S.A.	Guadalajara	100 %

LATIN AMERICA

Argentina	Fresenius Medical Care Argentina S.A.	Buenos Aires	100 %
Colombia	Fresenius Medical Care Colombia S.A.	Bogotá	100 %
Brazil	Fresenius Medical Care Ltda.[1]	Sao Paulo	100 %
Chile	Fresenius Medical Care Chile S.A.	Santiago de Chile	100 %
Venezuela	Fresenius Medical Care de Venezuela C.A.	Caracas	100 %
Peru	Fresenius Medical Care del Peru S.A.	Lima	100 %
Ecuador	Manadialisis S.A.	Quito	100 %

ASIA-PACIFIC

Australia	Fresenius Medical Care Australia PTY Ltd.	Sydney	100 %
Japan	Fresenius-Kawasumi Co. Ltd.	Tokyo	70 %
China	Fresenius Medical Care (Shanghai) Co., Ltd.	Shanghai	100 %
	Fresenius Medical Care Hong Kong Limited	Hong Kong	100 %
Singapore	Fresenius Medical Care Singapore Pte. Ltd.	Singapore	100 %
Taiwan	Fresenius Medical Care Taiwan Co., Ltd.	Taipei	100 %
India	Fresenius Medical Care India Private Limited	New Delhi	100 %
Indonesia	PT Fresenius Medical Care Indonesia	Jakarta	100 %
Malaysia	Fresenius Medical Care Malaysia Sdn. Bhd.	Kuala Lumpur	100 %
Philippines	Fresenius Medical Care Philippines, Inc.	Makati City	100 %
South Korea	Fresenius Medical Care Korea Ltd.	Seoul	100 %
Thailand	Fresenius Medical Care (Thailand) Ltd.	Bangkok	100 %
Pakistan	Fresenius Medical Care Pakistan (Private) Ltd.	Lahore	100 %

[1] *Via franchise centers.*
Simplified chart of Fresenius Medical Care's regional organization. Line of Business in 2011 in respective country.
Some percentage of subsidiaries represent direct and indirect shareholdings.

MAJOR SUBSIDIARIES

Chapter 6.3

MAJOR SUBSIDIARIES 2011

Table 6.3.1

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[4]
Europe/Middle East/Africa						
Germany	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	1,949.6	0.0	781.3	3,239
	FMC GmbH, Bad Homburg v.d.H.	100	353.1	0.0	58.6	289
France	FMC France S.A.S., Fresnes	100	142.5	3.1	20.8	205
	FMC SMAD S.A.S., Savigny	100	107.8	12.1	52.3	383
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	91.5	7.2	32.3	193
Italy	FMC Italia S.p.A., Cremona	100	148.4	3.1	65.6	197
	SIS-TER S.p.A., Cremona	100	80.7	3.3	24.4	299
Spain	FMC España, S.A., Madrid	100	132.3	1.9	46.7	187
	National Medical Care of Spain, S.A., Madrid	100	0.7	(1.5)	73.3	1,516
South Africa	FMC South Africa (PTY) Ltd., Gauteng	100	43.0	1.7	16.5	385
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	84.0	1.4	62.0	240
Belgium	FMC Belgium N.V., Antwerp	100	44.3	1.9	11.0	51
Marocco	FMC Maroc S.A., Casablanca	100	16.8	0.8	9.6	60
Serbia	FMC Srbija d.o.o., Vrsac	100	72.1	15.1	47.2	655
Poland	FMC Polska S.A., Poznan	100	53.5	4.6	17.7	71
	Fresenius Nephrocare Polska Sp.z.o.o., Poznan	100	81.2	0.8	18.2	1,143
Portugal	FMC Portugal, S.A., Maia	100	54.4	2.8	14.6	48
	NephroCare Portugal, S.A., Lisbon	100	158.1	15.0	79.5	1,039
Romania	FMC Romania Srl, Bucharest	100	37.1	3.3	14.7	71
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	22.5	2.5	11.7	23
Slovenia	FMC Slovenija d.o.o., Zrece	100	9.2	0.5	3.8	11
	NEFRODIAL d.o.o., Zrece	100	13.9	(0.1)	4.0	89
Czech Republic	FMC CR, s.r.o., Prague	100	55.4	6.1	16.6	61
Hungary	FMC Magyarország Egészségügyi Korlátolt Felelösségü Társaság, Budapest	100	30.5	0.2	22.6	48
	FMC Dializis Center Kft., Budapest	100	48.1	(0.7)	0.3	642
Denmark	FMC Danmark A/S, Albertslund	100	14.6	0.7	2.4	25
Finland	FMC Suomi OY, Helsinki	100	19.6	0.5	4.6	23
Lebanon	FMC Lebanon s.a.r.l., Beirut	99	4.3	0.1	1.0	12
The Nether-lands	FMC Nederland B.V., Nieuwkuijk	100	27.1	0.0	5.0	42
Austria	FMC Austria GmbH, Vienna	100	34.7	1.2	3.9	29
Russia	ZAO Fresenius SP, Moscow	100	92.0	7.6	22.3	122
Sweden	FMC Sverige AB, Stockholms	100	33.4	0.4	5.8	34
Switzerland	FMC (Schweiz) AG, Oberdorf	100	39.1	2.2	10.8	44
Estonia	OÜ FMC Estonia, Tartu	100	2.3	(0.3)	0.5	22
Ukraine	FMC Ukraine TOV, Kiev	100	10.4	0.2	5.3	88

6.3
Major Subsidiaries

MAJOR SUBSIDIARIES 2011

Table 6.3.1

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[4]
North America						
USA	FMC Holdings Inc., New York	100	7,992.9	640.4	5,293.4	44,049
Mexico	FMC de Mexico, S.A., Guadalajara, Jalisco[3]	100	139.6	(12.9)	12.3	1,528
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	195.8	17.6	82.7	2,630
Colombia	FMC Colombia S.A., Bogotá	100	141.3	6.6	110.5	1,211
Brazil	FMC Ltda., Sao Paulo	100	159.6	14.1	95.5	601
Chile	Pentafarma S.A., Santiago	100	18.9	2.3	8.7	59
Venezuela	FMC de Venezuela, C.A., Caracas	100	33.2	1.8	16.7	599
Peru	FMC del Peru S.A., Lima	100	3.5	0.6	1.4	20
Ecuador	Manadialisis S.A., Quito	100	12.6	0.8	0.9	280
Asia-Pacific						
Australia	FMC Australia PTY Ltd., Sydney	100	136.8	7.2	55.7	359
Japan	FMC Japan K.K., Tokyo	100	72.6	(6.1)	(36.0)	599
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	23.5	0.8	25.8	61
China	FMC (Shanghai) Co., Ltd., Shanghai	100	170.3	19.7	71.5	214
	FMC (Jiangsu) Co. Ltd., Changshu	100	0.3	(0.6)	17.0	404
Hong Kong	FMC Hong Kong Limited, Hong Kong	100	29.8	0.3	45.0	41
	Biocare Technology Company Limited, Hong Kong	100	32.0	(0.8)	16.9	15
	Excelsior Renal Service Co., Limited, Hong Kong	51	32.0	1.4	21.5	832
Singapore	FMC Singapore Pte. Ltd., Singapore	100	7.8	(0.2)	4.3	54
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	61.1	2.4	25.9	99
	Jiate Excelsior Co., Ltd. , Taipei	51	7.8	(0.3)	7.2	127
India	FMC India Private Limited, New Dehli	100	21.4	2.2	5.2	94
Indonesia	PT FMC Indonesia, Jakarta	100	14.1	2.7	10.5	34
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	21.7	2.0	15.7	154
Philippines	FMC Philippines, Inc., Makati City	100	16.6	3.5	13.0	43
	FMC Renalcare Corp., Makati City	100	0.8	(0.9)	0.9	23
South Korea	FMC Korea Ltd., Seoul	100	117.5	5.1	54.5	193
	NephroCare Korea Inc., Seoul	100	7.5	0.8	2.5	11
Thailand	FMC (Thailand) Ltd., Bangkok	100	19.6	0.8	9.2	41
	NephroCare (Thailand) Co., Ltd., Bangkok	100	5.7	0.5	1.6	30
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	6.4	0.6	2.2	31

[1] *Direct and indirect interest.*
[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated Financial Statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*
[3] *Included in US-GAAP-closing of FMC Holdings Inc.*
[4] *Full-time equivalents.*

FIVE-YEAR SUMMARY

Chapter 6.4

FIVE-YEAR SUMMARY

Table 6.4.1

$ in THOUS, except share data

	2011	2010	2009	2008	2007
Statements of Income					
Net revenue	12,795,060	12,053,490	11,247,477	10,612,323	9,720,314
Costs of revenue	8,274,359	7,908,769	7,415,965	6,983,475	6,364,519
Gross profit	4,520,701	4,144,721	3,831,512	3,628,848	3,355,795
Selling, general and administrative expenses	2,365,934	2,133,333	1,986,640	1,876,177	1,709,150
Income from equity method investees	30,959	8,949	4,534	–	–
Research and development expenses	110,834	96,532	93,810	80,239	66,523
Operating income (EBIT)	2,074,892	1,923,805	1,755,596	1,672,432	1,580,122
Interest expenses, net	296,533	280,064	299,963	336,742	371,047
Income before income taxes and noncontrolling interests	1,778,359	1,643,741	1,455,633	1,335,690	1,209,075
Income tax expense[1]	601,097	578,345	490,413	475,702	453,765
Less: net income attributable to noncontrolling interests[1]	106,108	86,879	74,082	42,381	38,180
▶ NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA	**1,071,154**	**978,517**	**891,138**	**817,607**	**717,130**
Income per ordinary share	3.54	3.25	2.99	2.75	2.43
Income per preference share	3.56	3.28	3.02	2.78	2.45
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,632,175	2,427,029	2,212,681	2,088,103	1,943,451
Personnel expenses	4,362,315	3,967,732	3,708,951	3,506,423	3,189,348
Depreciation	479,438	432,930	396,860	368,304	329,327
Amortization	77,845	70,294	60,225	47,367	34,002
Balance Sheet					
Current assets	5,695,019	5,152,594	4,727,800	4,211,997	3,859,472
Non-current assets	13,837,831	11,942,067	11,093,515	10,707,679	10,310,793
▶ TOTAL ASSETS	**19,532,850**	**17,094,661**	**15,821,315**	**14,919,676**	**14,170,265**
Short-term debt	1,716,590	1,569,885	484,418	1,139,599	974,387
Other current liabilities	2,546,021	2,219,838	2,125,297	2,004,813	2,052,106
Current liabilities	4,262,611	3,789,723	2,609,715	3,144,412	3,026,493
Long-term debt	5,494,810	4,309,676	5,084,017	4,598,075	4,668,008
Other non-current liabilities[1]	1,303,921	1,191,642	1,097,890	1,054,403	792,321
Non-current liabilities[1]	6,798,731	5,501,318	6,181,907	5,652,478	5,460,329
Total liabilities[1,2]	11,061,342	9,291,041	8,791,622	8,796,890	8,486,822
Noncontrolling interest subject to put provisions[2]	410,491	279,709	231,303	162,166	116,539
Equity[1,2]	8,061,017	7,523,911	6,798,390	5,960,620	5,566,904
▶ TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19,532,850**	**17,094,661**	**15,821,315**	**14,919,676**	**14,170,265**
Total debt	7,211,400	5,879,561	5,568,435	5,737,674	5,642,395
Working capital[3]	3,263,998	3,047,756	2,717,503	2,322,184	1,922,366
Credit Rating					
Standard & Poor's					
Corporate credit rating	BB	BB	BB	BB	BB
Subordinated debt	BBB–	BB	BB	BB	B+
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba1	Ba2
Subordinated debt	Baa3	Ba3	Ba3	Ba3	B1
Fitch					
Corporate credit rating	BB+	BB	BB	BB	
Subordinated debt	BBB	B+	B+	B+	

[1] *Due to the adoption of the new accounting rule ASC 810 (U.S. GAAP) in 2009, tax expenses related to minority interests of partnerships were reclassified to noncontrolling interest in the years 2008 and 2007. The effect is neutral to net income attributable to FMC AG & CO. KGAA. In the balance sheet noncontrolling interests are presented in equity. The previous year's periods have been adjusted accordingly.*

[2] *The Company has reclassified noncontrolling interests, which are subject to put provisions from equity into a mezzanine positon in the Consolidated Balance Sheets. The Consolidated Statement of Shareholders' Equity has been adjusted till year 2007 retrospectively.*

[3] *Current assets less current liabilities (excluding current debt and accruals for special charge included in accrued expenses and other current liabilities).*

6.4
Five-year summary

FIVE-YEAR SUMMARY

Table 6.4.1

$ in THOUS, except share data

	2011	2010	2009	2008	2007
Cash Flow					
Net cash provided by operating activities	1,446,482	1,368,125	1,338,617	1,016,398	1,199,574
Capital expenditures, net[4]	(570,530)	(507,521)	(561,876)	(673,510)	(543,053)
Free cash flow[4]	875,952	860,604	776,741	342,888	656,521
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	(1,785,329)	(764,338)	(188,113)	(276,473)	(263,395)
Proceeds from divestitures	9,990	146,835	51,965	58,582	29,495
Share data					
Year-end share price Frankfurt, Xetra *in €*					
Ordinary shares	52.50	43.23	36.94	33.31	36.69
Preference shares	42.95	35.21	33.31	33.50	35.39
Year-end ADR share price New York *in $*					
Ordinary shares	67.98	57.66	53.01	47.18	52.75
Preference shares	55.00	48.00	45.60	43.00	46.84
Weighted average number of ordinary shares	299,012,744	296,808,978	294,418,795	293,233,477	291,929,141
Weighted average number of preference shares	3,961,617	3,912,348	3,842,586	3,795,248	3,739,470
Total dividend amount *in € THOUS*	209,929	196,533	182,853	172,767	160,220
Dividend per ordinary share[5] *in €*	0.69	0.65	0.61	0.58	0.54
Dividend per preference share[5] *in €*	0.71	0.67	0.63	0.60	0.56
Employees					
Full-time equivalents	79,159	73,452	67,988	64,666	61,406
Operational ratios *in %*					
EBITDA margin	20.6	20.1	19.7	19.7	20.0
EBIT margin	16.2	16.0	15.6	15.8	16.3
EPS growth	8.7	8.9	8.5	13.5	32.9
Organic revenue growth (currency-adjusted)	2.2	5.6	8.1	7.3	6.4
Return on invested capital (ROIC)	8.7	8.8	8.5	8.6	8.4
Return on operating assets (ROOA)	12.2	12.5	12.2	12.3	12.5
Return on equity before taxes[1,2,6]	22.5	22.3	21.8	22.8	22.0
Return on equity after taxes[1,2,6]	13.6	13.3	13.3	14.0	13.1
Cash flow return on invested capital (CFROIC)	14.3	14.5	14.4	14.5	14.4
Leverage ratio (total debt/EBITDA)[7]	2.7	2.4	2.5	2.7	2.8
Gearing ((total debt – cash)/equity)[1,2]	0.8	0.7	0.8	0.9	1.0
EBITDA/Interest expenses, net	8.9	8.7	7.4	6.2	5.2
Cash from operating activities in percent of revenue	11.3	11.4	11.9	9.6	12.3
Equity ratio (equity/total assets)[1,2]	41.3	44.0	43.0	40.0	39.3
Dialysis Care Data					
Treatments *in M*	34.4	31.7	29.4	27.9	26.4
Patients	233,156	214,648	195,651	184,086	173,863
Clinics	2,898	2,744	2,553	2,388	2,238

[4] *2007: Capital expenditures, net, have been restated to exclude spendings for purchases of intangible assets. Acquisitions and investments, net of cash acquired, and net purchases of intangible assets have been restated accordingly.*
[5] *2011: Proposal to be approved by the Annual General Meeting on May 10, 2012.*
[6] *Return on equity has been calculated based on the net income attributable to FMC AG & CO. KGAA and the total FMC AG & CO. KGAA shareholders' equity.*
[7] *Correction of non-cash charges of $53.4 M in 2011, $44.6 M in 2010, $50.8 M in 2009, $44.4 M in 2008 and $40.7 M in 2007.*

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CONTACTS

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IMPRINT

Chapter 6.8

Subject to change.

This annual report is also available in German and may be obtained from the Company upon request.

Annual reports, interim reports, and further information on the Company are also available on our website: www.fmc-ag.com

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This report contains forward-looking statements that are based on plans, projections and estimates and subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors. The risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this report.

Fresenius Medical Care AG & Co. KGaA
Registered seat and commercial register:
Hof an der Saale (Germany), HRB 4019

Chairman of the Supervisory Board:
Dr. Gerd Krick

General partner:
Fresenius Medical Care Management AG

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Rice Powell, Michael Brosnan,
Roberto Fusté, Dr. Emanuele Gatti,
Dr. Rainer Runte, Kent Wanzek

Chairman of the Supervisory Board:
Dr. Ulf M. Schneider

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FINANCIAL CALENDER

May 3, 2012
REPORT ON THE FIRST QUARTER 2012

May 10, 2012
ANNUAL GENERAL MEETING
Frankfurt / Main

May 11, 2012
PAYMENT OF DIVIDEND
subject to the approval of the Annual General Meeting

August 1, 2012
REPORT ON THE SECOND QUARTER 2012

October 31, 2012
REPORT ON THE THIRD QUARTER 2012

IMPORTANT FAIRS

April 28 – May, 1 2012
AMERICAN SOCIETY FOR PEDIATRIC NEPHROLOGY ANNUAL MEETING
Boston, U.S.

May 24 – 27, 2012
ERA-EDTA CONGRESS EUROPEAN RENAL ASSOCIATION – EUROPEAN DIALYSIS AND TRANSPLANT ASSOCIATION
Paris, France

September 6 – 8, 2012
ANNUAL SCIENTIFIC MEETING OF THE ESPN EUROPEAN SOCIETY FOR PAEDIATRIC NEPHROLOGY
Krakow, Poland

September 9 – 12, 2012
CONGRESS OF THE INTERNATIONAL SOCIETY FOR PERITONEAL DIALYSIS (ISPD)
Kuala Lumpur, Malaysia

September 15 – 18, 2012
EDTNA/ERCA INTERNATIONAL CONFERENCE EUROPEAN DIALYSIS & TRANSPLANT NURSES ASSOCIATION EUROPEAN RENAL CARE ASSOCIATION
Strasbourg, France

October 30 – November 4, 2012
ANNUAL MEETING OF THE ASN AMERICAN SOCIETY OF NEPHROLOGY
San Diego, California, U.S.

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