

04.7 COMPENSATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

REPORT OF THE MANAGEMENT BOARD OF FRESENIUS MEDICAL CARE MANAGEMENT AG, OUR GENERAL PARTNER

The compensation report of Fresenius Medical Care AG & Co. KGaA summarizes the principles applied for the determination of the compensation of the management board members of Fresenius Medical Care Management AG as general partner of Fresenius Medical Care AG & Co. KGaA and explains the amounts and structure of the management board compensation.

The compensation report is based on the recommendations of the German Corporate Governance Code and also includes the disclosures in accordance with the Commercial Code extended by the Act on the Disclosure of Management Board Compensation.

I. COMPENSATION OF THE MANAGEMENT BOARD

The basis for the compensation of the management board was, in its structure and respective amount, determined by the supervisory board of Fresenius Medical Care Management AG. The objective of the compensation system is to enable the members of the management board to participate in the development of the business relative to their duties and performance and the successes in managing the economic and financial position of the Company taking into account its comparable environment.

The compensation of the management board is, as a whole, performance oriented and consists of three elements in fiscal year 2007:

- non-performance related compensation (basic salary)
- performance related compensation (variable bonus)
- components with long-term incentive effect (share options, share-based compensation with cash settlement)

Furthermore, three members of the management board had pension commitments in the reporting period.

The design of the individual components is based on the following criteria:

The non-performance-related compensation was paid in twelve monthly installments as basic salary in fiscal year 2007. In addition, 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 and refunds of charges and additional contributions to pension and health insurance.

The performance-related compensation will also be granted for fiscal year 2007 as a variable bonus. The amount of the bonus in each case depends on the achievement of individual and common targets. For the total performance-related compensation, the maximum achievable bonus is fixed. The targets are measured on revenue growth, consolidated net income and operating income (EBIT) as well as the development of cash flow, are in part subject to a comparison with the previous year's figures and can for another part be derived from the comparison of budgeted and actually achieved figures. Furthermore, targets are divided into group level targets and those to be achieved in individual regions. The regional targets also include in some cases special components for a three-year period, fiscal years 2006, 2007 and 2008, that link a special bonus component to the achievement of extraordinary financial targets connected to special integration measures, e. g. in connection with the acquisition of

Renal Care Group in the U.S. The special components require an extraordinary increase in earnings. These special bonus components thereby consist in equal parts of cash payments and a share-based compensation based on the development of the stock exchange price of the Company's ordinary shares. Once the annual targets are achieved, the cash is paid after the end of the respective fiscal year. The share-based compensation also to be granted yearly in these cases is subject to a three-year vesting period. The amount of cash payment of this share-based compensation corresponds to the share price of Fresenius Medical Care AG & Co KGaA ordinary shares on exercise, and is, for that reason, attributed to the long-term incentive compensation components.

For fiscal years 2007 and 2006 the amount of the cash payment of the management board of Fresenius Medical Care Management AG consisted of the following:

	\$ in thousands							
	Non-performance related compensation				Performance related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other ³		Bonus			
	2007	2006 ^{1,2}	2007	2006 ^{1,2}	2007	2006 ^{1,2}	2007	2006 ^{1,2}
Dr. Ben Lipps	1,050	1,050	315	189	2,257	2,043	3,622	3,282
Roberto Fusté	480	370	251	221	624	421	1,355	1,012
Dr. Emanuele Gatti	637	584	63	48	1,530	1,177	2,230	1,809
Rice Powell	700	700	46	20	1,541	1,267	2,287	1,987
Lawrence A. Rosen	548	424	115	105	1,197	935	1,860	1,464
Dr. Rainer Runte	452	414	41	39	979	760	1,472	1,213
Mats Wahlstrom	800	800	47	17	1,761	1,448	2,608	2,265
TOTAL	4,667	4,342	878	639	9,889	8,051	15,434	13,032

¹ Up to February 9, 2006 payment by Fresenius Medical Care AG.
² From February 9, 2006 payment by Fresenius Medical Care Management Care AG as general partner of Fresenius Medical Care AG & Co. KGaA.
³ Includes, insurance premiums, private use of company cars, contributions to pension and health insurance and other benefits.

In fiscal year 2007 stock options based on the Stock Option Plan 2006 were granted as components with long-term incentive effect. The principles of the Stock Option Plan 2006 which was newly implemented in the previous fiscal year, are described in more detail in [Note 15](#) "Stock Options" under the heading "Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006". As of January 1, 2007, the Company had three further Employee Participation Programs secured by conditional capital which entitled their participants to convertible bonds or stock options and under which however, no further options could be issued.

In connection with these successful employee participation programs of the past fiscal years, Fresenius Medical Care AG & Co. KGaA implemented the above-mentioned Stock Option Plan 2006 in accordance with the approval resolution by the general meeting on May 9, 2006. In the course of the share split of three-for-one resolved by the Annual General Meeting on May 15, 2007, the Stock Option Plan 2006 was also amended. A total of 2,395,962 stock options were granted under the Stock Option Plan 2006 on July 30, 2007, of which 398,400 were granted to the members of the management board. At December 3, 2007, the second possible grant date of fiscal year 2007, no stock options were issued to members of the management board.

For fiscal years 2007 and 2006 the number and value of stock options issued and also the value of the share-based compensation is shown in the following table. The data contained therein take into account the share split resolved by the general meeting on May 15, 2007 and implemented by the company with effect as of June 15, 2007.

	COMPONENTS WITH LONG-TERM INCENTIVE EFFECTS							
	Stock options				Share-based compensation with cash settlement		Total	
	Number		Value \$ in thousands		Value \$ in thousands		Value \$ in thousands	
	2007	2006	2007	2006	2007	2006	2007	2006
Dr. Ben Lipps	99,600	99,600	1,318	1,237	1,243	993	2,561	2,230
Roberto Fusté	49,800	49,800	659	619	–	–	659	619
Dr. Emanuele Gatti	49,800	49,800	659	619	366	360	1,025	979
Rice Powell	49,800	49,800	659	619	841	568	1,500	1,187
Lawrence A. Rosen	49,800	49,800	659	619	649	401	1,308	1,020
Dr. Rainer Runte	49,800	49,800	659	619	535	392	1,194	1,011
Mats Wahlstrom	49,800	49,800	659	619	961	648	1,620	1,267
TOTAL	398,400	398,400	5,272	4,951	4,595	3,362	9,867	8,313

The stated values of the stock options granted to members of the management board in fiscal year 2007 correspond to their fair value at the time of grant, namely a value of \$ 13.23 (€9.71) (2006: \$ 13.03/€9.89) per stock option. The exercise price for the stock options granted is \$ 46.22 (€33.91) (2006: \$ 40.16/€30.49).

At the end of fiscal year 2007, the members of the management board held a total of 1,922,628 stock options (December 31, 2006: 1,644,591 stock options).

On the basis of the financial targets achieved in fiscal year 2007, additional rights for share-based compensation with cash settlement amounting to \$ 4,595,000 (2006: \$ 3,362,000) were earned. The number of shares will be determined by the supervisory board on the basis of the current share price.

The amount of the total compensation of the management board of Fresenius Medical Care Management AG for fiscal years 2007 and 2006 consisted of:

\$ in thousands	Cash compensation (without long-term incentive components)		Components with long-term incentive effect		Total compensation (including long-term incentive components)	
	Value		Value		Value	
	2007	2006	2007	2006 ¹	2007	2006 ¹
Dr. Ben Lipps	3,622	3,282	2,561	2,230	6,183	5,512
Roberto Fusté	1,355	1,012	659	619	2,014	1,631
Dr. Emanuele Gatti	2,230	1,809	1,025	979	3,255	2,788
Rice Powell	2,287	1,987	1,500	1,187	3,787	3,174
Lawrence A. Rosen	1,860	1,464	1,308	1,020	3,168	2,484
Dr. Rainer Runte	1,472	1,213	1,194	1,011	2,666	2,224
Mats Wahlstrom	2,608	2,265	1,620	1,267	4,228	3,532
TOTAL	15,434	13,032	9,867	8,313	25,301	21,345

¹ The prior year figures 2006 are adjusted to the presentation format for the year 2007, reflecting grant date fair value. In 2006 total compensation included the expense recognized in the fiscal year.

The components with long-term incentive effect 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. The expenses attributable to fiscal years 2007 and 2006 are stated in the following table.

\$ in thousands	Expense for long-term incentive components with equity instruments		Expense for long-term incentive components by share-based compensation with cash settlement		Total expense for share-based compensation	
	2007	2006	2007	2006	2007	2006
Dr. Ben Lipps	769	483	379	–	1,148	483
Roberto Fusté	384	265	–	–	384	265
Dr. Emanuele Gatti	384	265	133	–	517	265
Rice Powell	378	224	224	–	602	224
Lawrence A. Rosen	398	246	147	–	545	246
Dr. Rainer Runte	384	264	144	–	528	264
Mats Wahlstrom	378	278	256	–	634	278
TOTAL	3,075	2,025	1,283	–	4,358	2,025

The non-performance related compensation components and the basic structures of the performance-related compensation components are agreed in the service agreements with the individual management board members. The stock options are granted annually by the supervisory board to members of the management board.

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 Lawrence A. Rosen. With regard to these pension commitments, Fresenius Medical Care as of December 31, 2007 has pension obligations of \$ 3,192,997 (at December 31, 2006: \$ 1,698,544). The additions to pension obligations in fiscal year 2007 amounted to \$ 1,530,166 (2006: \$ 568,514). Each of the pension commitments provides a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 65th year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work. The starting percentage of 30 % increases with every year of service by 1.5 percentage points, 45 % being the attainable maximum. 30 % of the gross amount of any later income from an occupation of the management board member is set-off against the pension.

With the chairman of the management board, Dr. Ben Lipps, there is an individual agreement, instead of a pension provision, to the effect that, taking account of a competitive restriction after the ending of the employment contract/service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 46 % of the non-performance related compensation components paid to him in the fiscal year 2007.

The management board members Dr. Emanuele Gatti, Rice Powell and Mats Wahlstrom have been granted benefits (severance, calculated on the basis of guaranteed simple annual income, based on the relevant basic salary) by individual agreements for the event that their employment with Fresenius Medical Care Management AG should end. One half of any additional compensation payments which the said management board members would be entitled to in connection with existing post-contractual prohibitions of competitive activity would be set-off against these severance payments. The employment contracts of management board members contain no express provisions for the case of a change of control.

III. MISCELLANEOUS

In fiscal year 2007, no loans or advance payments of future compensation components were made to members of the management board of Fresenius Medical Care Management AG.

As far as legally permitted, Fresenius Medical Care Management AG undertook to indemnify the members of the management board against claims against them arising out of their work for the company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the company concluded a Directors' & Officers' insurance with an appropriate excess. The indemnity applies for the time in which each member of the management board is in office and for claims in this connection after the ending of the membership of the management board in each case.

Former members of the management board did not receive any compensation in fiscal year 2007.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board of FMC-AG & Co. KGaA is regulated in § 13 of its statute.

Corresponding to this regulation the Company reimburses the Supervisory Board members for expenses incurred from their duties as Supervisory Board members, including value added tax.

Each member of the supervisory board shall receive a fixed fee of \$ 80,000 per annum for each full fiscal year, payable in four equal instalments at the end of each calendar quarter. In the event that the general meeting, taking into consideration the annual results, resolves a higher remuneration by a three fourths majority of the votes cast, such higher remuneration shall be payable.

The chairman of the supervisory board shall receive additional remuneration in the amount of \$ 80,000 and his deputy additional remuneration in the amount of \$ 40,000. As a member of a committee, a supervisory board member shall receive, in addition, \$ 30,000 per year, or as chairman of a committee, \$ 50,000 per year, payable in each case in four equal installments at the end of each calendar quarter.

To the extent that a member of the supervisory board is at the same time member of the supervisory board of the General Partner Fresenius Mediacal Care Management AG and receives remuneration for his services as member of the supervisory board of the Management AG, the remuneration will be reduced to half of it. The same shall apply in relation to additional remuneration of the Chairman and his deputy if such person is, at the same time, the chairman or his deputy, respectively, of the supervisory board of the Management AG. If the deputy of the chairman of the supervisory board of the Company is at the same time chairman of the supervisory board of the Management AG he shall not receive additional remuneration for his services as deputy of the chairman of the Company.

In 2007 the aggregate compensation fees to all members of the Supervisory Board of FMC-AG & Co. KGaA was \$ 598,584 and the aggregate compensation fees to all members of the Audit Committee was \$ 167,498.

As regulated in § 7 of the Company's statute the aggregate compensation fees to the members of the Supervisory Board of the General Partner Management AG of \$ 478,754 were charged to FMC-AG & Co. KGaA.

