ANNUAL REPORT **2010**

VAMED

	2010	2009
Order intake (€ m)	851,2	737,5
- including project business (€ m)	624,8	539,2
Sales (€ m)	712,8	617,7
International sales (%)	51,4	44,6
EBIT (€ m)	41,0	35,8
EBT (€ m)	42,6	39,0
Staff (as at Dec. 31)	3.110	2.849

Acc. to International Financial Reporting Standards (IFRS)

VAMED AG

VAMED Projects

Annual Report of the Group

FOREWORD OF THE EXECUTIVE BOARD

VAMED's success in the year 2010 has once again evidenced that, through our unique value chain in the areas prevention, acute care, rehabilitation and nursing, VAMED is not only very well positioned for the future but may also refer to a track record of economic success in internationally challenging circumstances.

As the leading global provider of health care services VAMED is eager to render significant contributions to the continued development of health care systems and the enhancement of individual persons' quality of life. Thus, VAMED may look back on yet another record year and on substantial improvements of all key ratios. Through innovative approaches and wide-ranging offers VAMED has again and with success managed to expand existing potentials, tap new markets, and solidify our leading market position.

health. care. vitality. stands for the overall competence VAMED may refer to in the business fields prevention, acute care, rehabilitation and nursing.

Currently, VAMED is working in sixty countries on four continents, and while at a first glance these markets and their requirements seem to be most varied, the basic challenges we are facing are essentially the same. We therefore offer our partners and customers a complete portfolio, ranging from project development, the planning and construction of health care facilities, via highly specialized services to complete operational management. The know-how VAMED has gathered as an operator and service provider constitutes valuable input for the planning, development and construction of new health care facilities, which are optimally adjusted to meet patients' needs. VAMED accompanies projects over the entire life cycle of a health care facility. This way we ensure its sustainable success through a meaningful evaluation of how investment costs compare to long-term operating costs. However, it is not only the economical use of available resources that motivates these measures: they in particular result in quality improvements from which both patients and the staff of health care facilities will benefit. In 2010, the subsidiary VAMED-KMB Technical Operation and Management Ltd., in connection with the EFQM Excellence Awards, received the most renowned European Quality Management prize for their outstanding operational management work at the General Hospital of the City of Vienna – Medical University Campus (AKH).

By 2010, VAMED had implemented more than 500 projects at national and international level, including 15 Private Public Partnership (PPP) models. It is in particular this innovative overall implementation approach employing customized partnership models that opens up new opportunities for investments in the health infrastructure sector. Furthermore, VAMED is a competence partner for many governments, ministries, and major public health care providers in connection with the development and implementation of future-oriented health care provision plans.

In the emergency care sector, VAMED may refer to significant achievements in 2010 in connection with planning and turn-key construction, in particular in Russia, Vietnam and in Germany. In the United Arab Emirates, the Al Ain Hospital, managed by VAMED, was elected 'Hospital of the Year'. In light of other international top competitors for the award, this is a particularly important achievement and distinction.

Already in early 2010, a special rehabilitation hospital for oncology patients, featuring a forward-looking care concept for cancer patients, went into operation in Burgenland, Austria. The opening-up of the Rehabilitation Clinic Montafon in Vorarlberg and of the Neurological Therapeutic Center Gmundnerberg in Upper Austria are further examples of VAMED putting-into-operation two of the most modern rehabilitation centers in Europe. This has also made VAMED the largest private provider of rehabilitative nursing care in Austria.

Overall, VAMED is in charge of 32 health care facilities, and has therefore come to rank among the key health care providers with an international portfolio. Also the areas prevention and health tourism (VAMED Vitality World) render contributions to VAMED's overall success. The Tauern SPA Zell am See - Kaprun in Salzburg and the new Thermal Spa Vienna are impressive lead projects that were opened up in 2010.

Also the year 2011 holds major challenges for VAMED. The framework conditions against which health care providers operate will continue to change. The networking of sectors and technical areas is going to determine future development, the result of which will be integrated health care models. That process will not only be to the patients' benefit, it will also improve the economics of health care in general.

Also in 2011, VAMED will continue with consistency along the route of innovation and cooperation and meet the challenges of quality competition with success. We are confident that VAMED's competences will be much in demand in light of the health care systems' dynamics.

In the year 2010, VAMED again managed to substantially increase order intake, turnover, and results – these are all achievements of our staff, and we should like to take this opportunity to express our appreciation for their outstanding performance, their attitude towards work, their cost awareness, commitment and drive. Likewise, we owe thanks to our customers, partners, and shareholders for the trust they placed in us and for their support during the past fiscal year.

The success of 2010 demonstrates that the VAMED group may build on its staff and partners and is capable of mastering major challenges using its own power and strength. Through our work and our wide range of offers in acute care, rehabilitation and nursing as well as prevention we will also in the future evidence the economic success of our integrated health care models and their benefit for people's health and wellbeing.

Dr. Ernst Wastler
Chairman of the
Executive Board

Mag. Erich Ennsbrunner
Member of the
Executive Board

Mag. Gottfried Koos
Member of the
Executive Board

MMag. Andrea Raffaseder
Member of the
Executive Board

REPORT OF THE SUPERVISORY BOARD

As the term of the Supervisory Board ended, a new Supervisory Board had to be elected at the Annual Shareholders' Meeting of VAMED AG, held on March 18, 2010. All former members were re-elected.

Also in the fiscal year 2010, the Supervisory Board's deliberations focused on activities to strengthen the corporate areas 'Services' and 'Total Operational Management', on activities to expand and strengthen the position of the VAMED group of companies in the health care sector in Central Europe and internationally, as well as on measures to restructure, establish, and acquire companies.

The Executive Board informed the Supervisory Board in writing and orally on the development of the corporate business, the situation of the company, the group companies and the entire VAMED group. Where required in accordance with the provisions of the Companies Act, the Memorandum and Articles of Associations, or the company's rules and regulations, the Supervisory Board's approval was obtained.

The Financial Statements and the Management Report of VAMED AG were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, who issued an unqualified report.

As regards the preparation of separate consolidated financial statements, the Executive Board made use of the exemption provisions under the Austrian Business Code, section 245, under which, as a result of inclusion into the majority shareholder's consolidated financial statements, no separate consolidated financial statements had to be prepared; (condensed) financial statements of the subgroup, representing the VAMED segment in the majority shareholder's consolidated financial statements, were made available to the Supervisory Board.

The Supervisory Board set up a Balance Sheet Committee to audit the financial statements of VAMED AG and the (condensed) financial statements of the VAMED group; after detailed audits and following the Balance Sheet Committee's meeting on March 2, 2011, the Committee recommended the Supervisory Board to approve of the financial statements.

In its meeting of March 17, 2011, the Supervisory Board accordingly approved of the Financial Statements, including Management Report, of VAMED AG, thereby adopting them under the Austrian act governing public limited liability companies, section 96, para. 4. The Supervisory Board is in approval of the Executive Board's suggestion on the use of the profit for the year.

The Supervisory Board suggests appointing Deloitte Audit Wirtschaftsprüfungs GmbH, 1013 Vienna, Renngasse 1/Freyung, as auditors for the Financial Statements 2011 of VAMED AG.

Thanks and recognition are due to the staff for their contribution in the fiscal year 2010.

Vienna, March 17, 2011

Dr. Gerd Krick
Chairman of the Supervisory Board

CORPORATE ORGANS OF VAMED AG

THE EXECUTIVE BOARD

CHAIRMAN OF THE EXECUTIVE BOARD	**Dr. Ernst Wastler**
MEMBER OF THE EXECUTIVE BOARD	**Mag. Erich Ennsbrunner**
MEMBER OF THE EXECUTIVE BOARD	**Mag. Gottfried Koos**
MEMBER OF THE EXECUTIVE BOARD	**MMag. Andrea Raffaseder**

THE SUPERVISORY BOARD

CHAIRMAN	**Dr. Gerd Krick** Chairman of the Supervisory Board of Fresenius SE & Co. KGaA
DEPUTY CHAIRMAN	**Dkfm. Stephan Sturm** Member of the Executive Committee of Fresenius SE & Co. KGaA
MEMBERS	**KR Dkfm. Karl Hollweger** CEO of Österreichische Industrieholding AG (ret.)
	Dr. Reinhard Platzer CEO of Kommunalkredit Austria AG (ret.)
	KR Karl Samstag CEO of Bank Austria Creditanstalt AG (ret.)
	Mag. Andreas Schmidradner Managing Director of B&C Holding GmbH

DELEGATED BY THE WORKS COUNCIL	**Josef Artner**
	Otto Hager
	Ing. Robert Winkelmayer

VAMED GROUP STRUCTURE

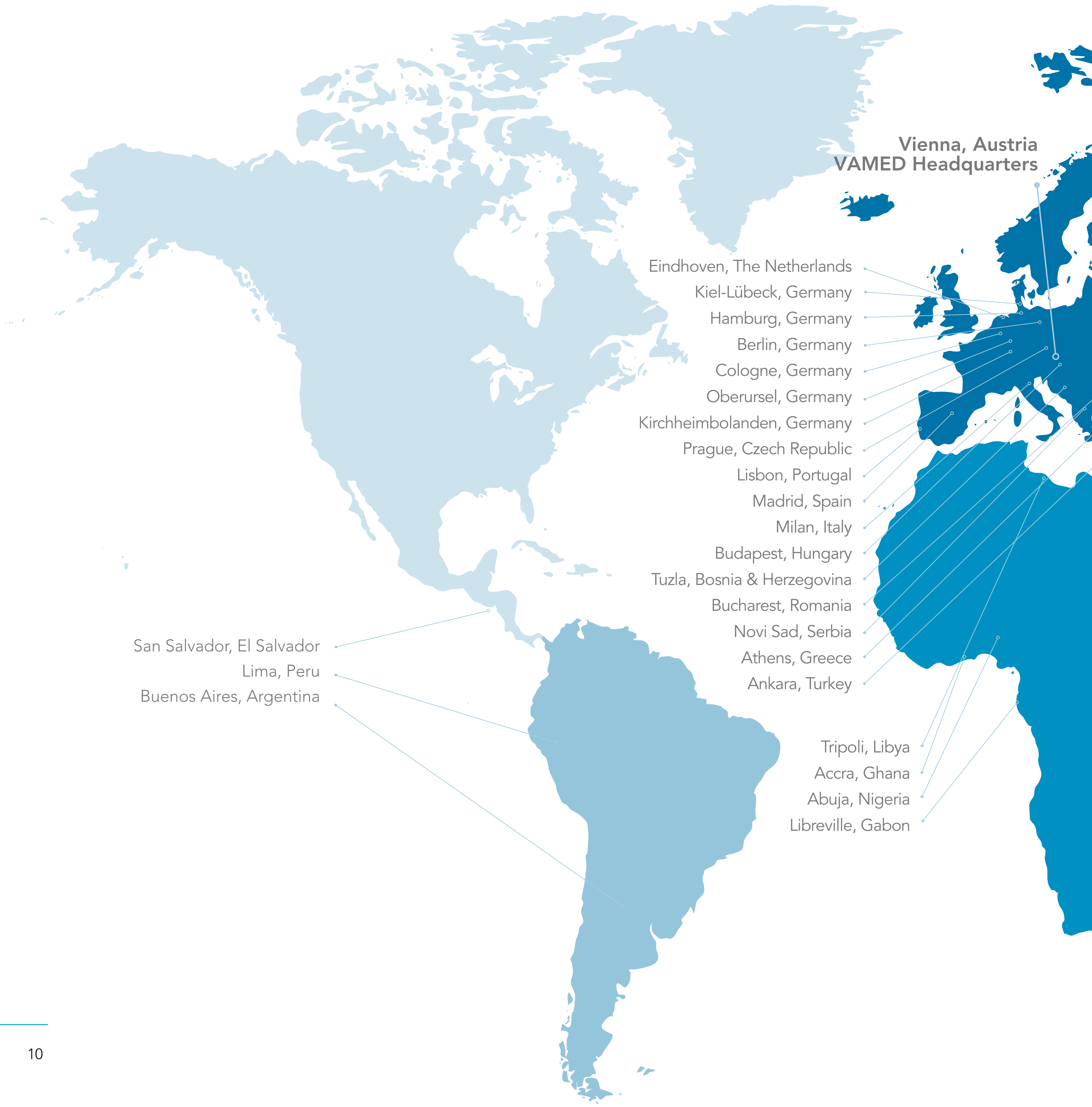
As a globally operating company, VAMED is specialized on projects and services for hospitals and health care facilities, and each individual order places very special and challenging demands on the company. VAMED is eager to face these challenges: With technical expertise, competence and professionalism we turn into reality ideas and visions for the health of tomorrow.


Rendering by: agn

VAMED

PROJECTS		SERVICES	
INTERNATIONAL (without Central Europe)	CENTRAL EUROPE	for AKH and KAV, Vienna	CENTRAL EUROPE and INTERNATIONAL
VE VAMED ENGINEERING GmbH & CO KG, Vienna	**VSG** VAMED Estate Development and Engineering GmbH & CO KG, Vienna	**VKMB** VAMED-KMB Technical Operation and Management Ltd., Vienna	**VMS** VAMED Management und Service GmbH & Co KG, Vienna

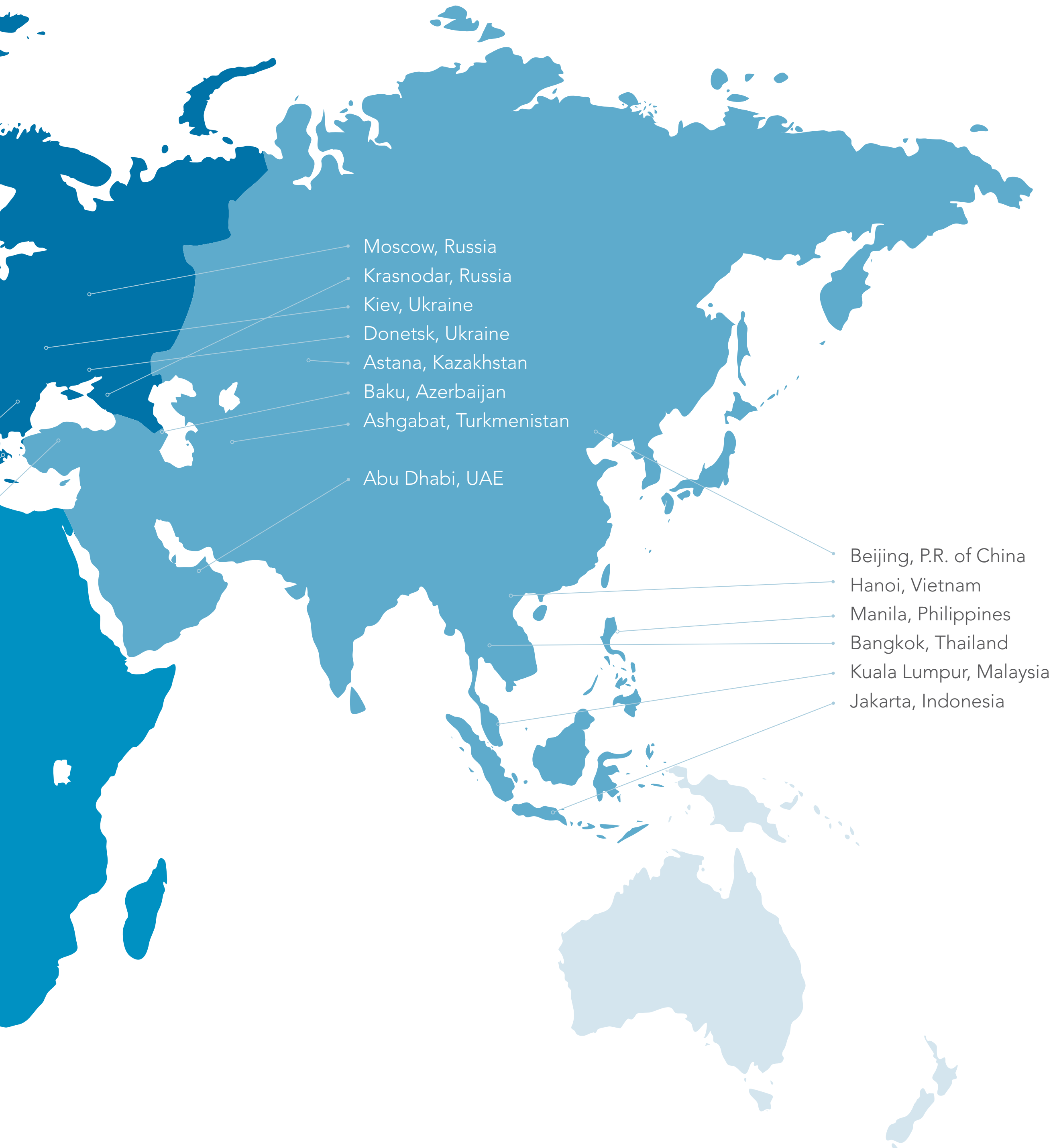
COMMITTED TO HEALTH – WORLDWIDE



Employing a staff of several thousand, VAMED works worldwide on ideas and their implementation for health care facilities of the future.

So far, VAMED has implemented with success some 500 facilities in health care and health tourism (research centers, nursing homes, residences for senior citizens, spa centers and thermal resorts). Just under 80% of these projects were implemented in Europe.

Through major projects VAMED has for many years also been firmly rooted in the Middle East, in Africa and in Asia, where we could build our success on our know-how and professionalism and by offering customized solutions to meet local needs.



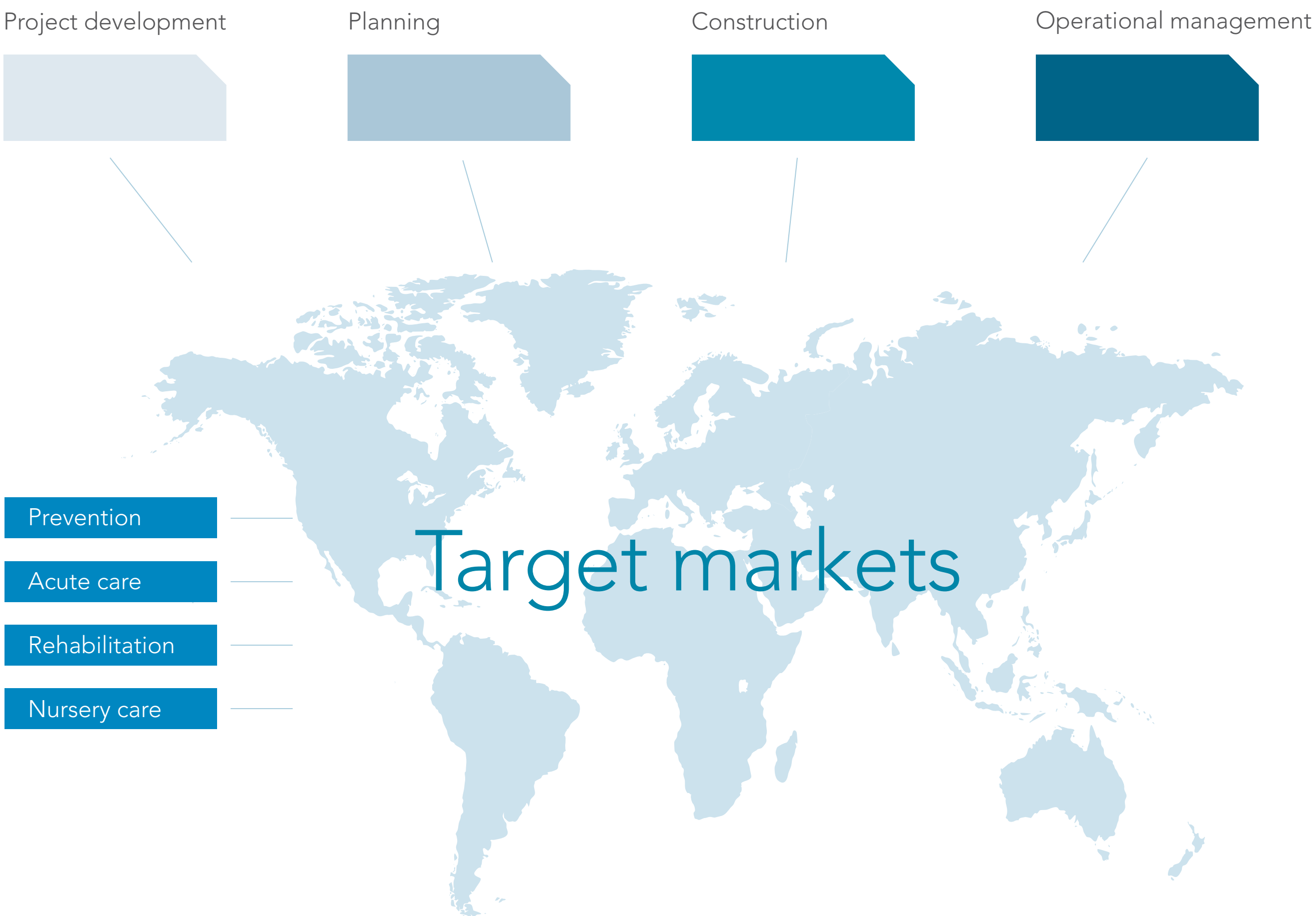
VAMED'S PERFORMANCE SPECTRUM

From individual services to overall implementation projects, including operational management: VAMED is the partner for all health-care sector projects where overall solution competence is required.

VAMED combines professional consultation, planning and construction, financial engineering and management competence and – backed up by a firm commitment to quality, efficiency, and reliability – ensures the sustainable success of projects and of partners in health care – globally. The networking and integration of all competences in the project business and service sectors alike helps VAMED develop a customized solution for each project and enables us to offer, from a single source, whatever is required for its implementation.

VAMED AS AN INTEGRATED HEALTH CARE PROVIDER

The VAMED value-added chain



PROJECT DEVELOPMENT

It all starts with the first idea.

The initial idea for a project is the driving force behind the joint plan: Based on a first idea for a project, VAMED develops individually adjusted and customized solutions to put the project on the right track in functional, technical and financial terms.

- Ideas, plans, market and efficiency analyses
- Planning criteria
- Staff and organization planning
- Information systems
- Financial engineering

PLANNING

Competence through concentrated know-how.

The complex challenges faced when planning projects in the health care sector require a professional team that can put its experience and know-how to good use in designing new solutions – a team that can be trusted.

VAMED's experts, as a competent and well-coordinated team, plan projects from the very beginning and assume responsibility for their complete implementation.

- Target planning
- Functional and operational planning
- General planning
- Architecture and technical building systems planning
- IT planning
- Expert planning

CONSTRUCTION

From the planning stage to the finished building.

VAMED's services cover the entire range from the ground-breaking ceremony to handing-over the turn-key project. Implementation meeting all requirements in terms of deadlines, costs and quality is ensured, as is financial engineering and accompanying control.

- Medical equipment packages
- General contractor's function
- Project management
- Project financing
- Putting-into-operation
- Staff training

OPERATIONAL MANAGEMENT

Comprehensive support, assuming full responsibility.

VAMED offers a full range of operational management services for all health care facilities.

The service business has a modular structure and comprises all areas. With this integrated range of services VAMED warrants optimum management and control over a facility's entire life cycle.

- Total operational management
- Technical management
- IT solutions
- Logistics
- Quality management

health. care. vitality.

Through overall implementation models, VAMED sets new standards internationally for the planning, construction, and efficient operation of health care facilities.

health. care. vitality. are the three aspects of human health and wellbeing, for which we are working worldwide.

From acute care centers via rehabilitation and nursing facilities to prevention and wellness: as the leading provider of health care facilities worldwide with a wide-ranging service portfolio, VAMED has achieved a unique market position. At the very center of all of VAMED's work is human health.

ACUTE CARE
health.

REHABILITATION AND
NURSERY CARE
care.

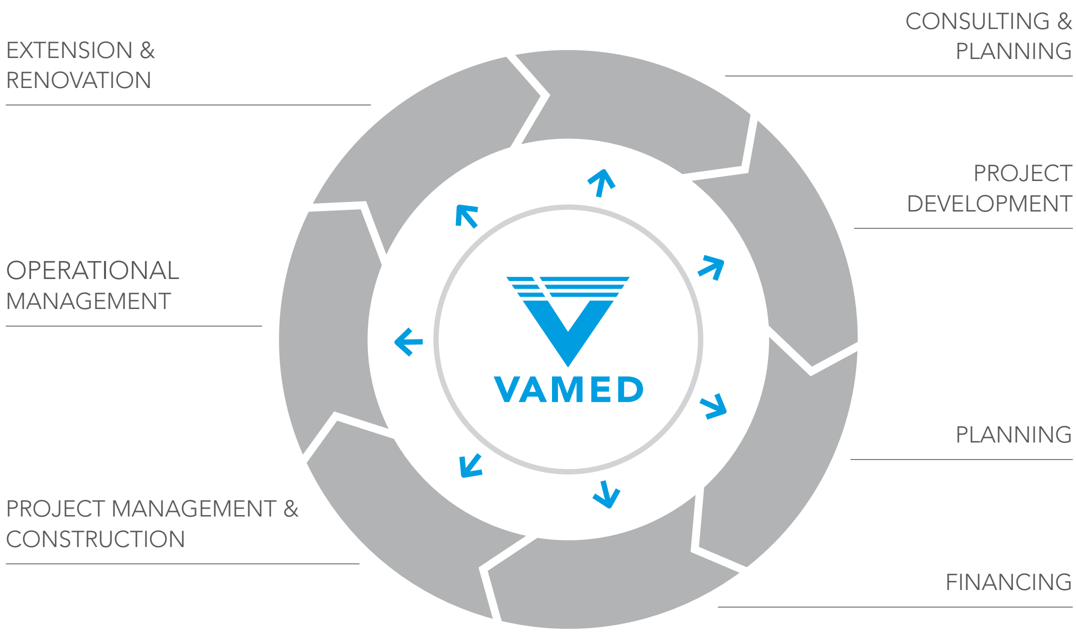
PREVENTION AND WELLNESS
vitality.

VAMED'S LIFE CYCLE MODEL

In order to apply our extensive know-how along the entire value chain and to make optimum use of our full potential to improve health care facilities' efficiency, VAMED aims at maximizing the facility management share in the overall implementation models.

The range of services comprises the complete value chain in the health care sector, ranging from consultation and project development, planning and turn-key implementation, via maintenance to total operational management.

Our peerless expertise in all areas ensures efficient and competent support, also for complex health care facilities, over their entire life cycle.




Rendering by: agn

PROJECT DEVELOPMENT PLANNING

VAMED PROJECTS

By 2010, VAMED had implemented more than 500 projects at an international level, including 15 Private Public Partnership (PPP) models.

From the very beginning, planning and construction, followed by operational management, have been VAMED’s core competences. Customer-specific solutions, reliability, impressive service and country portfolios, as well as the 'think global – act local' principle have strengthened VAMED's leading position worldwide and established our first-class reputation.

It is in particular the public sector that displays increasing interest in Public Private Partnerships (PPPs). For these business models, public and private partners set up a joint project company to plan, build, finance and operate hospitals and other health care facilities.

In order to increase efficiency and ensure its competitive edge, VAMED is always trying to find new and innovative approaches. Apart from partnership-based implementation models, as for instance PPPs, these include international financial engineering and the continuous further development of project management methods and instruments.

Project development
Planning
Construction
Operational management

REGIONAL HOSPITAL NO. 1 KRASNODAR, RUSSIA

Regional Hospital No. 1 in Krasnodar offers the latest examination and treatment methods.

Planning

Construction

CUSTOMER

Public Construction Department of the Krasnodar Region

HOSPITAL TYPE

Central hospital

KEY FACTS

300 new beds (total of 1,200 beds), surgical wing with 26 operating theaters

PROJECT SCOPE

Planning and implementation of reconstruction and extension of the central hospital, incl. putting-into-operation

COMPLETION

2012

Regional Hospital No. 1 in Krasnodar offers the latest examination and treatment methods. The hospital enjoys an excellent reputation among medical facilities in Russia. More than 32,000 people receive inpatient treatment, and there are more than 221,000 outpatients a year.

health.

GENERAL HOSPITAL LIBREVILLE, GABON

CUSTOMER

Ministry of Health

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

250

PROJECT SCOPE

Planning, turn-key construction and putting-into-operation

COMPLETION

2012

WU'AN COUNTRY PEOPLE 'S HOSPITAL HEBEI, CHINA

CUSTOMER

Wu'An Country People's Hospital

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

800

PROJECT SCOPE

Planning, supply, putting-into-operation of medical equipment

COMPLETION

2011

14 TEACHING HOSPITALS, NIGERIA

CUSTOMER

Ministry of Health

HOSPITAL TYPE

University hospital

NUMBER OF BEDS

200 – 800

PROJECT SCOPE

Modernization and extension of 14 teaching hospitals/university clinics all over Nigeria territory

COMPLETION

2011

PMU III (PROJECT MANAGEMENT UNIT), VIETNAM

In Vietnam, the public health sector is being developed nationwide. VAMED was commissioned with the modernization of hospitals throughout the entire territory. Renovation work is carried out in three individual steps (PMU I – III).

- Project development
- Planning
- Construction
- Operational management

As one of the markets with highly dynamic growth, Vietnam is one of the key target markets in Southeast Asia. A result of the decade-long successful cooperation with the country's health institutions, solutions have always been developed jointly and customized to meet specific requirements.

CUSTOMER

Government of the S.R. of Vietnam

HOSPITAL TYPE

General hospital

KEY FACTS

Radiology and nuclear medicine for hospitals in Hanoi and Ho Chi Minh City

PROJECT SCOPE

Planning, supply, putting-into-operation of medical equipment

COMPLETION

2011

health.

COLOGNE MERHEIM HOSPITAL, GERMANY

CUSTOMER

Hospitals of the City of Cologne, non-profit Ltd.

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

108 additional beds (total of 750 beds)

PROJECT SCOPE

Planning, turn-key construction and putting-into-operation of new hospital structures supplementary to the Cologne Merheim Hospital, including car park

COMPLETION

2012

ANNA SPIEGEL RESEARCH COMPLEX, VIENNA, AUSTRIA

CUSTOMER

General Hospital of the City of Vienna – Medical University Campus

HOSPITAL TYPE

Research facility

PROJECT SCOPE

Planning, turn-key construction and putting-into-operation of the research facility for surgery, dermatology, cardiology, medico-chemical laboratory diagnostics, oncology and pediatrics, useful area of 8,000 square meters on 7 floors.

COMPLETION

2010

SARAWAK INTERNATIONAL MEDICAL CENTER, MALAYSIA

CUSTOMER

Sarawak Specialist Hospital & Medical Center

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

200 beds

PROJECT SCOPE

Project management, planning, supply and installation of medical equipment and IT systems, staff training, maintenance for two years

COMPLETION

2010

health.

AL AIN HOSPITAL, ABU DHABI

CUSTOMER

Abu Dhabi Health Service Company, Al Ain

HOSPITAL TYPE

Specialist hospital and teaching hospital

NUMBER OF BEDS

425

PROJECT SCOPE

Total operational management in cooperation with Medical University of Vienna International, extension and modernization of surgery wing, radiology, intensive care, and gynecology

MANAGEMENT

since 2007

PRINCE COURT MEDICAL CENTER, KUALA LUMPUR, MALAYSIA

CUSTOMER

Petronas Group of Companies

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

300

PROJECT SCOPE

Total operational management in cooperation with Medical University of Vienna International, medical equipment package

MANAGEMENT

since 2005

GENERAL HOSPITAL 'SVETI VRACEVI' BIJELJINA, BOSNIA-HERZEGOVINA

CUSTOMER

Ministry of Health

HOSPITAL TYPE

General hospital

NUMBER OF BEDS

246

PROJECT SCOPE

Planning, turn-key construction, putting-into-operation and staff training

COMPLETION

2012

health.

UNIVERSITY HOSPITAL CHARITÉ BERLIN, GERMANY

CUSTOMER

University Hospital Charité Berlin

HOSPITAL TYPE

University hospital

NUMBER OF BEDS

3,200 beds at four locations

PROJECT SCOPE

Facility management via the service company CFM (Charité Facility Management Ltd.), a joint company of Charité, VAMED, Dussmann and Hellmann

FACILITY MANAGEMENT

since 2006

GENERAL HOSPITAL OF THE CITY OF VIENNA, MEDICAL UNIVERSITY CAMPUS

CUSTOMER

ARGE-AKH (Republic of Austria and City of Vienna)

HOSPITAL TYPE

General hospital and university clinics

NUMBER OF BEDS

2,100

PROJECT SCOPE

Completion and putting-into-operation of General Hospital - Medical University Campus in 1994, ongoing extension work ever since

COMPLETION

1994

FACILITY MANAGEMENT

since 1986

NATIONAL RESEARCH CENTER FOR MATERNAL AND CHILD HEALTH, ASTANA, KAZAKHSTAN

CUSTOMER

National Medical Holding

HOSPITAL TYPE

Specialist hospital

NUMBER OF BEDS

500

PROJECT SCOPE

Total operational management in cooperation with Medical University of Vienna International

MANAGEMENT

since 2009

REHABILITATION CLINIC MONTAFON, SCHRUNS, AUSTRIA

The Rehabilitation Clinic Montafon is the first one in Vorarlberg to offer in-patient rehabilitative treatment.

Project development

Planning

Construction

Operational management

CUSTOMER

VAMED-operated

HOSPITAL TYPE

Rehabilitation clinic

KEY FACTS

Total of 150 beds, including
80 for orthopedic and
50 for cardiology patients,
as well as 20 for neurological
rehabilitation

PROJECT SCOPE

Project development, planning, turn-key construction and total operational management of the Rehabilitation Clinic

COMPLETION

2010

This means that the entire medical treatment chain is now available in that Austrian province. Overall, VAMED operates ten nursing and rehabilitation centers in Austria.

care.

NEUROLOGICAL REHABILITATION CENTER ROSENHÜGEL, AUSTRIA

CUSTOMER

Neurological Rehabilitation Center Rosenhügel construction and operating Ltd.

HOSPITAL TYPE

Neurological rehabilitation center

NUMBER OF BEDS

122

PROJECT SCOPE

Total operational management

OPERATIONAL MANAGEMENT

since 2001

NEUROLOGICAL THERAPEUTIC CENTER, KAPFENBERG, AUSTRIA

CUSTOMER

VAMED-operated

HOSPITAL TYPE

Neurological rehabilitation center for multiple sclerosis and stroke patients, physiotherapy and osteoporosis treatment

NUMBER OF BEDS

70

PROJECT SCOPE

Renovation and extension of the emergency hospital into a special hospital, total operational management

OPERATIONAL MANAGEMENT

since 1991

THERME WIEN MED, AUSTRIA

CUSTOMER

Therme Wien GmbH & Co KG

HOSPITAL TYPE

Medical competence center for the locomotor system (outpatient rehabilitation)

PROJECT SCOPE

Project development, planning, turn-key construction and total operational management

OPERATIONAL MANAGEMENT

since 2010
(new Therme Wien MED)

NEUROLOGICAL THERAPEUTIC CENTER GMUNDNERBERG

A new neurological rehabilitation clinic was built on top of Gmundnerberg, at an altitude of 400 m overlooking lake Traunsee.

Project development
Planning
Construction
Operational management

The range of therapies offered is multi-disciplinary and comprises neuropsychology, activating rehabilitative nursing, physiotherapy, ergotherapy, creative social work and nutrition counseling.

CUSTOMER

Neurological Therapeutic Center Gmundnerberg Ltd.

HOSPITAL TYPE

Center for neurological rehabilitation

KEY FACTS

156 beds for stroke, Parkinson and multiple sclerosis patients

PROJECT SCOPE

Project development, planning, construction and total operational management

COMPLETION

2010




care.

ONCOLOGICAL REHABILITATION CENTER SONNBERGHOF, AUSTRIA

CUSTOMER

VAMED-operated

HOSPITAL TYPE

Center for oncological rehabilitation

NUMBER OF BEDS

240

PROJECT SCOPE

Project development, planning, construction and total operational management

OPERATIONAL MANAGEMENT

since 2009

NURSING HOME NEUDÖRFL, AUSTRIA

CUSTOMER

Burgenland Nursing Operating Ltd.

HOSPITAL TYPE

Nursing home for patients suffering from dementia and for socio-psychiatric patients

NUMBER OF BEDS

150

PROJECT SCOPE

Renovation, extension and modernization of the existing nursing home and total operational management (since 2009)

COMPLETION

2011

HOME FOR SENIOR CITIZENS ST. CORONA AM SCHÖPFL, AUSTRIA

CUSTOMER

VAMED-operated

HOSPITAL TYPE

Senior citizens center with nursing area and psychiatric long-term nursing

NUMBER OF BEDS

116

PROJECT SCOPE

Renovation and extension, modernization of senior citizens home and total operational management

OPERATIONAL MANAGEMENT

since 1994

TAUERN SPA ZELL AM SEE - KAPRUN, AUSTRIA

Like all VAMED Vitality World resorts, also Tauern SPA Zell am See - Kaprun is characterized by contemporary architecture, a generous spa and water world, as well as an innovative, choice-quality and wide range of wellness and health offers.

Project development
Planning
Construction
Operational management

Surrounded by fascinating mountains of the Hohe Tauern range on an area of a size of 48,000 square meters, there is the 4-star resort hotel with 160 rooms, its own spa, six different restaurants, four seminar rooms as well as a panoramic spa that comprises 12 indoor and outdoor pools, including an infinity pool made of glass, with a total of 2,100 square meters, and 13 saunas and steam baths. The design of the integrated wellness area reflects the decade-long experience VAMED has gathered as Austria's market leader in thermal spa tourism and the implementation of health-tourism facilities.

KEY FACTS

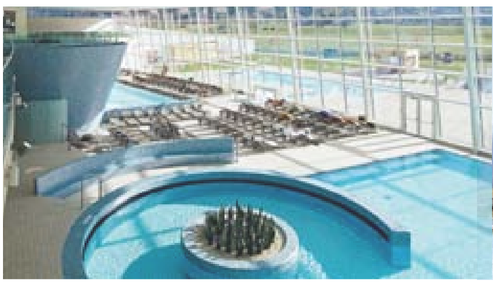
Thermal resort with indoor and outdoor pools, sauna area, fitness, beauty and medical center, gastronomy area, 320-bed 4-star hotel with own thermal spa complex, seminar facilities

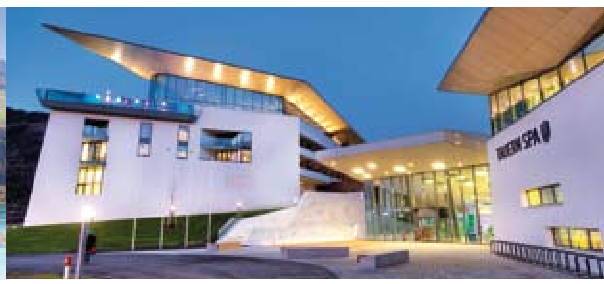
PROJECT SCOPE

Project development, financing, planning, construction, putting-into-operation, and total operational management after completion

COMPLETION

2010, since then operational management





vitality.

THERME LAA HOTEL & SPA, AUSTRIA

KEY FACTS

Thermal resort with indoor and outdoor pools, sauna area, vital oasis with fitness, beauty and medical center, kidsworld with fun water slide, gastronomy area, 244-bed 4-star hotel with own thermal spa complex, seminar facilities

PROJECT SCOPE

Project development, financing, planning, construction, putting-into-operation and total operational management

OPERATIONAL MANAGEMENT

since 2002: Thermal spa
since 2005: Hotel

THERME GEINBERG, AUSTRIA

KEY FACTS

Thermal resort with indoor and outdoor pools, sauna area, caribbean lounge, fitness, beauty and medical center, gastronomy area, 360-bed 4-star vitality hotel, seminar facilities

PROJECT SCOPE

Project development, financing, planning, construction, putting-into-operation and total operational management

OPERATIONAL MANAGEMENT

since 1998

AQUA DOME TIROL THERME LAENGENFELD, AUSTRIA

KEY FACTS

Thermal resort with indoor and outdoor pools, kids area, sauna world and sauna village with pile-dwellings in own mountain lake, fitness, beauty and medical center, AQUA DOME club, gastronomy area, 280-bed 4-star hotel, seminar facilities

PROJECT SCOPE

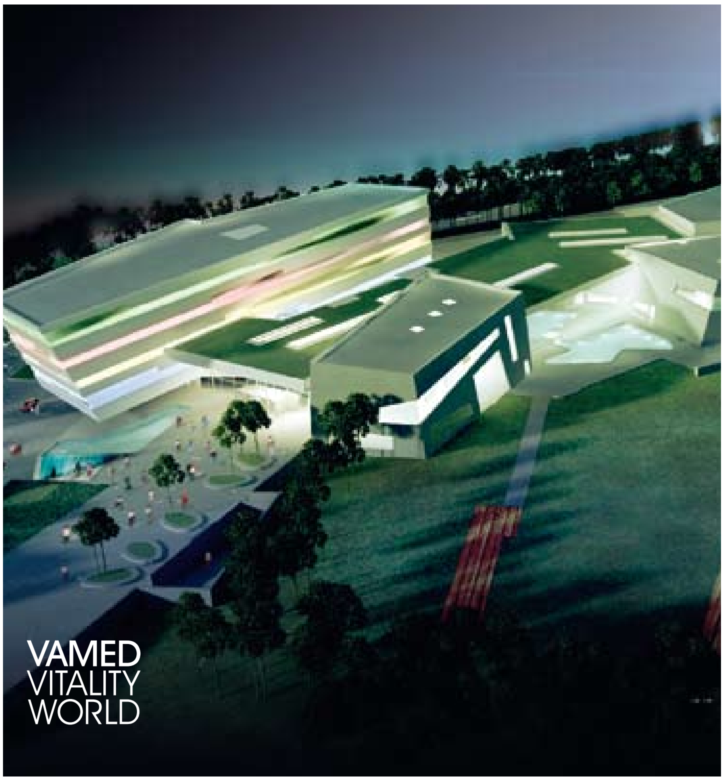
Project development, financing, planning, construction, putting-into-operation and total operational management

OPERATIONAL MANAGEMENT

since 2004

THERME WIEN, AUSTRIA

At the traditional thermal spa location Vienna-Oberlaa, VAMED built Europe's largest city spa in just two years. The entire spa area comprises some 75,000 square meters. VAMED will continue operating Therme Wien.



- Project development
- Planning
- Construction
- Operational management

The optimal combination of the range of offers of Therme Wien and Therme Wien MED at one and the same location combines prevention, wellness and rehabilitation to form one integrated health care offer at top level and evidences VAMED's holistic understanding of health.

KEY FACTS

City spa with indoor and outdoor pools, kids and vitality area, sauna world, fitness and beauty center, gastronomy area, Therme Wien MED Competence Center for the locomotor system, rheumatism center

PROJECT SCOPE

Project development, financing, planning, construction, putting-into-operation and total operational management of the new Therme Wien

OPERATIONAL MANAGEMENT

since 2010 (new Therme Wien)

vitality.

ST. MARTINS SPA & LODGE, AUSTRIA

KEY FACTS

Thermal resort with indoor and outdoor pools, sauna area, fitness, beauty and medical center, gastronomy area, 300-bed 4-star hotel with own thermal spa complex

PROJECT SCOPE

Project development, financing, planning, construction, putting-into-operation and total operational management

OPERATIONAL MANAGEMENT

since 2009

HEALTH CARE CENTER BAD SAUERBRUNN, AUSTRIA

KEY FACTS

Health resort with 320 beds, spa and therapy, indoor pool, sauna sector, gastronomy area, fitness and beauty center

PROJECT SCOPE

Total operational management, as well as renovation and extension of existing building

OPERATIONAL MANAGEMENT

since 2007

LA PURA – WOMEN'S HEALTH RESORT KAMPTAL, AUSTRIA

KEY FACTS

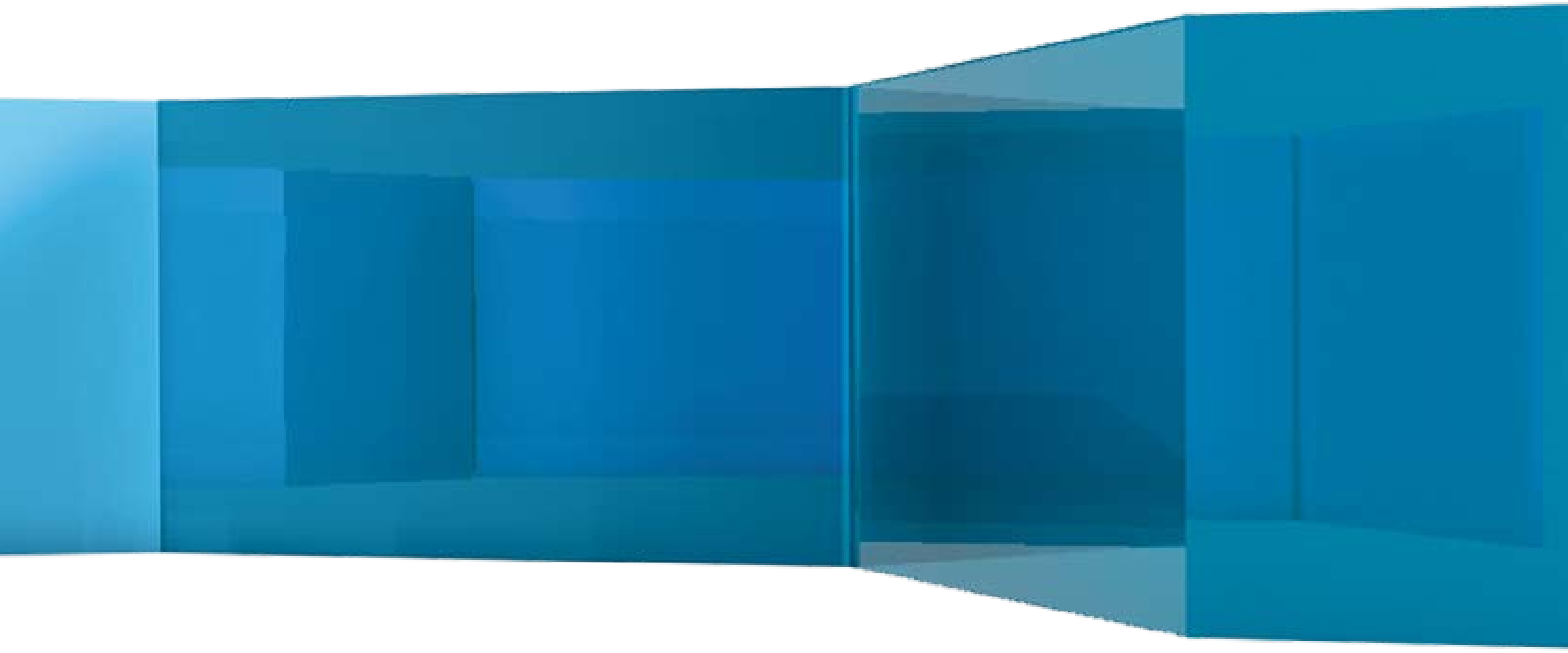
Medical Wellness Resort

PROJECT SCOPE

Renovation, extension and repositioning of the former Medical Vital Resort Gars, total operational management

OPERATIONAL MANAGEMENT

since 2005 (former Medical Vital Resort Gars)



GROUP REPORT 2010

Group Management Report, Consolidated Income Statement, Statement of Comprehensive Income of the Group, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Shareholders' Equity, Notes on the Consolidated Financial Statements

The consolidated financial statements of the VAMED group is equivalent to the segment report 'Fresenius Vamed' in the consolidated financial statements of Fresenius SE & Co. KGaA according to IFRS and is referred to herein as 'financial statements of the VAMED group'.

GROUP MANAGEMENT REPORT 2010

VAMED performed well in 2010 and achieved outstanding results.
VAMED may refer to a successful fiscal year 2010 – sales increased by 15%, EBIT is also up 15%, and earnings before tax (EBT) improved by 9%. An order intake plus of 16% and a plus of 18% in our order books are also indicative of outstandingly good growth rates and form a solid basis for future growth.

1. Economic report

1.1 General economic and business situation

VAMED is specialized on international projects and services for hospitals and health care centers. Our range of services comprises the complete value chain in the health care sector, ranging from consultation, project development, planning, and turn-key completion via maintenance to facility management as well as total operational management. Our wide-ranging competences warrant an efficient and successful support of complex health facilities over their entire life cycles. VAMED is in addition a pioneer in the area of Public Private Partnership (PPP) models for hospitals and other health care facilities in Central Europe.

As a global full-line supplier for health care facilities and with our comprehensive service portfolio, VAMED has achieved a unique market position.

VAMED has so far successfully implemented some 500 projects in more than 60 countries dispersed over four continents.

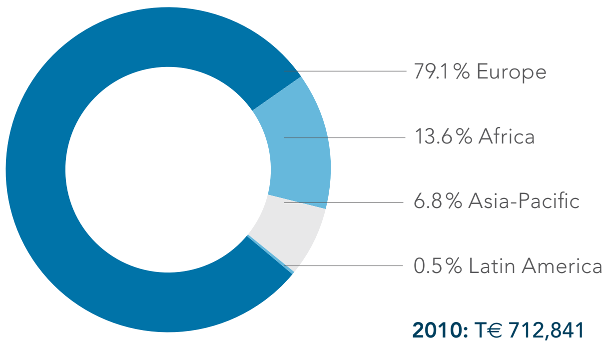
1.2 Business development

Economic performance
In the fiscal year 2010, VAMED managed to increase sales by an impressive 15% to a total of € 713 million (2009: € 618 million). The organic growth rate was 15%.

Breakdown of sales according to sectors:

in T€	2010	2009	Changes
Project business	486,433	419,416	16.0 %
Service business	226,408	198,305	14.2 %
Total	**712,841**	**617,721**	**15.4 %**

Sales broken down by regions:
In 2010, Europe was the most dynamic sales region, accounting for 79% of total sales. Africa and the Asia-Pacific regions contributed 14% and 7%, respectively, to total sales.



In 2010, VAMED was further responsible for sales of a volume of about € 569 million in connection with management contracts. The resulting fees are shown in VAMED's financial statements.

In project business, order intake and orders on hand again developed excellently:

in T€	2010	2009	Changes
Order intake	624,757	539,244	15.9 %
Orders on hand (Dec. 31)	801,153	679,151	18.0 %

VAMED's earnings performance also was outstanding. EBIT rose by 15% to 41 million (2009: € 36 million), while the EBIT margin of 5.8% remained at the previous year's level (2009: 5.8%). In project business, EBIT rose by 30% to € 23 million (2009: € 18 million), and in service business, VAMED achieved an EBIT of € 18 million (2009: € 18 million).

As a result of our business's low capital intensity, VAMED's return on equity (ROE) before taxes is excellent at 21.2% (2009: 21.8%).

VAMED's net income was € 30 million, an increase of 13% against the previous period (2009: € 27 million).

VAMED'S VALUE CHAIN

PROJECT BUSINESS

- Project development
- Consulting
- Planning
- Project management and construction

SERVICE BUSINESS

- Total operational management
- Facility management
- Medico-technical management
- Logistics/Procurement
- IT solutions/information systems

Project Business

Our project business comprises consultation, project development and planning, the turn-key completion of projects, including financing engineering. VAMED responds flexibly to our local clients' needs, providing customized solutions, all from one source.

VAMED also implements projects together with cooperation partners. It is in particular the public sector that displays increasing interest in Public Private Partnerships (PPPs). For these business models, public and private partners set up a joint project company to plan, build, finance and operate hospitals and other health care facilities.

Also for 2010, VAMED may refer to successful performance in its project business. In the following, brief information is given on important projects in individual target markets:

Europe

Another major success could be achieved in Germany, where VAMED was commissioned with the planning, financing and turn-key construction of a new Examination and Treatment Center at the Cologne University (U/B West). The construction phase will be completed in 2012, and the overall investment volume amounts to € 65 million. In connection with this PPP project, VAMED was also put in charge of facility management for a period of 25 years.

Another major project, the partial reconstruction of the Merheim Clinic near Cologne, which was started in 2009, is on schedule. Special mention must be made of the fact that construction work is being effected with the facility in full operation. Additional consultation, planning and project control contracts for a number of different hospitals round off our success in acquiring new business in Germany.

In VAMED's Austrian home market, the focus was on the development of further PPP projects and holistic implementation models. We won a more than € 100 million-contract for the modernization and extension of a 520-bed general hospital in Lower Austria. Planning and construction work on a 150-bed rehabilitation clinic in Schruns/Vorarlberg and of the rehabilitation center Gmundnerberg/Upper Austria was completed as planned in the summer of 2010, and the two clinics started operations with success. For both, VAMED was responsible for project development as well as project implementation. Furthermore, VAMED has been put in charge of total operational management.

An order for the enlargement and operational management of two facilities intensifies our existing PPP commitments in the nursing sector with the Burgenland provincial government.

In Bosnia, VAMED was awarded a major contract for the overall implementation of the Bijeljina General Hospital, and construction work on that 220-bed hospital has already started. In Romania, contracts for the modernization and renewal of a total of three hospitals were signed.

In Russia, the construction of a 300-bed turn-key hospital in Krasnodar was carried on as planned. Completion of that hospital is planned for 2012. Following the successful year 2009, VAMED worked intensively on acquiring new orders from Turkmenistan: we succeeded again in winning three supply contracts for medical technology, including installation, putting-into-operation, and training.

All existing contracts are being implemented to the fullest satisfaction of our customers. In the Ukraine, the medical technology contract for an entire facility received in 2009 was completed with success.

Africa

In Gabon, work on the turn-key construction of a cancer-patients focused hospital in Angondje is continued according to schedule and cost plans. That large order with a contract value exceeding € 80 million will be completed in 2011. The renovation and extension work on a large hospital in Libreville, started in 2008, was continued as planned. In the fourth quarter of 2010, VAMED received a major order of a volume of € 76 million for the turn-key completion of the University Hospital in Owendo.

In Nigeria, final completion work on a total of 14 university hospitals, which we are modernizing, was successfully continued. In Ghana, the turn-key construction of five polyclinics was completed, keeping the agreed schedules and budgets.

In addition to VAMED's intensive work on further penetrating existing African target markets, Mali was identified as a promising future market for VAMED and a first order could already be won in 2010.

Asia-Pacific

In Malaysia, Vietnam, and China are important markets for VAMED, where we have been working with success for many years already. The high level of customer satisfaction with our handling of existing contracts helped VAMED obtain new orders, as for instance in China.

VAMED received a medical technology order for Wu'An Country People's Hospital near Beijing. In Henan province, VAMED was commissioned with supplying medical technology equipment, including putting-into-operation and training, for several hospital locations.

Service Business

VAMED's service business has a modular structure and comprises all facility management aspects in technical, commercial and infrastructure terms for health care sector objects. Our range of services includes the maintenance of buildings, services of all devices and medico/technical plants, waste management and energy management, cleaning of buildings and exterior facilities, security services and also technical operational management, as well as total operational management of health care facilities.

With this offer of integrated solutions VAMED warrants an optimum management and operation of a facility over its entire life cycle, from its construction to the end of its primary useful life, or to its modernization and extension. VAMED also takes over logistics tasks in health care. Through optimizing processes, VAMED minimizes logistics costs and ensure the required quality of health care.

The following overview outlines relevant changes in individual target markets of our services business:

Europe

In 2010, VAMED successfully continued its more than 20-year partnership with the General Hospital of the City of Vienna – Medical University Campus (AKH). VAMED has been in charge of technical operational management of the AKH since 1986.

Apart from that, VAMED was actively involved in construction work for the final completion of the AKH. The AKH Vienna is one of the largest hospitals in Europe, comprising 31 clinics and institutes with about 2,100 beds. In Lower Austria, VAMED successfully continued the facility management of two hospitals with a total of 1,230 beds. Beside the AKH, this is the second largest service contract VAMED has won in Austria. With the putting-into-operation of two rehabilitation centers in Vorarlberg and in Upper Austria, major gaps in service provision were closed and at the same time VAMED advanced to be Austria's largest provider of rehabilitation services. At the beginning of 2010, a rehabilitation oncology center was opened up in the Burgenland province.

Already during its extension phase, the PPP model Oberndorf near Salzburg became a reference project for integrated health care. VAMED was commissioned with the operation of the existing emergency hospital, while at the same time carrying out renovation and expansion work. Furthermore, VAMED is completing work on a rehabilitation center (inauguration in 2011) and is about to start construction work on a Health Center (opening-up in 2012).

In Germany, the PPP project U/B West University Hospital Cologne not only secured a contract for the planning, construction and equipment of the new Examination and Treatment Center; also the technical management of the facilities for a minimum of 25 years was agreed upon. Completion is planned for the end of 2012.

The service contract for the University Hospital Charité in Berlin was prolonged by a further two-year period until 2012. The consortium active in connection with the Charité CFM Facility Management Ltd., led by VAMED, is in charge of the entire service sector, except for Charité's purely medical services. A staff of about 2,600 is working on one of the largest orders ever placed in the European hospitals sector. The service contract with the Hamburg-Eppendorf University Hospital was also continued to the customer's full satisfaction. That contract had already been prolonged twice; the current term ends in 2013. A new five-year partnership was entered with the Schleswig-Holstein University Hospital, which aims at further improving IT services and equipment and at increasing the operational efficiency of the IT infrastructure.

Asia-Pacific

Overseas, VAMED carried on all of its total operational management orders with success. Next to Prince Court Medical Center (PCMC) in Kuala Lumpur/Malaysia and the Al Ain Hospital in Abu Dhabi/VAE, the National Research Center for Maternity and Child Health in Astana/Kazakhstan, with about 500 beds, is the third hospital in our Asian target markets where

VAMED has assumed total operational management. All three projects are implemented in cooperation with the Vienna University of Medicine and constitute important reference projects of VAMED's operational management competences.

As a result of consistent efforts at working the market in Thailand, VAMED also managed to perform very well there: Following first contracts in 2009, we won a further service contract for the Ramathibodi University Hospital, as well as a consultation contract for a Medical Spa in Bangkok.

Africa

In Gabon, VAMED is in charge of the total operational management of seven regional hospitals and of the technical management of the Omar Bongo Ondimba Hospital in Libreville. For the latter, the high level of customer satisfaction resulted in a three-year extension of the existing contract.

The Medical Center Tripoli in Libya is one of VAMED's technical operational management reference projects. Overall renovation work on the Gharian Hospital is planned to be continued in 2011.

VAMED Vitality World

A new health consciousness and the desire for increased vitality are converting spas and wellness centers into valuable facilities of ever increasing importance. VAMED's response to this trend is VAMED Vitality World with its thermal spa resorts; for years we have also developed, implemented and managed related projects with great success.

In cooperation with the City of Vienna, the Thermal Spa Vienna was enlarged and converted into a unique health and wellness landscape, the new Thermal Spa Vienna. The new Thermal Spa Vienna, the most modern health tourism facility in any European metropolis, was opened up in 2010.

In addition, VAMED started operating the € 83 million thermal spa project Tauern SPA Zell am See - Kaprun, Salzburg. VAMED not only developed and built that exceptional project; we are also in charge of its overall operation. This bears evidence of VAMED's full potential along the entire value chain.

In November 2010, St. Martins Thermal Spa & Lodge in the Burgenland province celebrated its first anniversary. This facility combines in a unique form the benefits of a health tourism center with the very special nature experience of the adjacent National Park 'Lake Neusiedl – Seewinkel'.

1.3 Results of operations, financial position, assets and liabilities of the VAMED group

1.3.1 Results of operations

In the fiscal year 2010, the VAMED group managed to increase consolidated sales from T€ 617,721 to T€ 712,841, or by about 15%.

Breakdown of sales by sectors:

in T€	2010	2009	Changes
Project business	486,433	419,416	16.0 %
Service business	226,408	198,305	14.2 %
Total	**712,841**	**617,721**	**15.4 %**

Earnings before taxes and non-controlling interests (EBT) are about € 42.6 million, up some € 3.6 million (or about 9.2%) against the previous year.

Largely as a result of lower interest rate levels, the financial result of about € 1.5 million is some € 1.7 million below last year's € 3.2 million and is mainly derived from investments in liquid funds. Taxes on income and earnings rose by about € 0.4 million to about € 12.0 million. Based on EBT, the tax ratio is 28.3% (previous period: 29.9%).

1.3.2 Assets and liabilities

in T€	31.12.2010	%	31.12.2009	%
ASSETS				
Current assets	381,785	69.6 %	329,089	72.3 %
Property, plant and equipment; goodwill; other intangible assets	78,922	14.4 %	73,741	16.2 %
Other non-current assets	88,022	16.0 %	52,351	11.5 %
Balance sheet total	**548,729**	**100.0 %**	**455,182**	**100.0 %**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term liabilities	274,934	50.1 %	225,273	49.5 %
Long-term liabilities	72,833	13.3 %	51,330	11.3 %
Shareholders' equity	200,962	36.6 %	178,579	39.2 %
Balance sheet total	**548,729**	**100.0 %**	**455,182**	**100.0 %**

Investments

The following investments were made by the VAMED group:

in T€	2010	2009
Property, plant and equipment	6,784	3,716
Goodwill	138	0
Other intangible assets	1,990	1,066
Total	**8,912**	**4,783**

The increase in property, plant and equipment mainly refers to replacement and renewal investments in connection with furniture and fixtures.

1.3.3 Financial position

in T€	2010	2009	Changes
Order intake (project business)	624,757	539,244	15.9 %
Sales	712,841	617,721	15.4 %
Operative result before interest, taxes, depreciation, amortization (EBITDA)	48,619	41,488	17.2 %
EBITDA margin	6.8 %	6.7 %	
Operating result (EBIT)	41,018	35,754	14.7 %
EBT margin	5.8%	5.8 %	
Earnings before taxes and non-controlling interests (EBT)	42,566	38,975	9.2 %
EBT margin	6.0 %	6.3 %	
Net income	30,126	26,754	12.6 %
Balance sheet total	548,729	455,182	20.6 %
Shareholders' equity	200,962	178,579	12.5 %
Equity ratio	36.6 %	39.2 %	
Tax ratio (based on EBT)	28.3 %	29.9 %	

1.4 Non-financial performance indicators

The past record of success and the future potential of the VAMED group are essentially based on the following key factors:

- unique overall competences in the health care sector;
- the skills and potentials of our staff members, the result of their training, expertise, and project experience;
- their ability and readiness to extend networking to beyond organizational units and geographic boundaries;
- internationalism, multi-cultural experience and the resulting ability to develop adequate solutions worldwide;
- independence of suppliers; our product and supplier neutrality ensures optimum benefits for our customers;
- the ability of the entire VAMED group – in the sense of a 'learning organization' – to put to good use and further develop the experience gathered in connection with projects;
- the setting of demanding standards by management and the committed promotion of staff complying with them;
- integration into a large international group operating in the health care sector, tapping all opportunities and international network offers.

This is why the company for years already has attached top priority to further developing their human capital, the single most important factor to ensure lasting success, and established an HCM – Human Capital Management program. Related processes within the lead companies of the VAMED group aim at raising individual training levels and improving qualitative and quantitative resources, thus promoting the organization's capability to perform.

Within the scope of strategic personnel planning, processes are being implemented for the identification of high potentials, i.e. top performers capable of assuming managerial responsibilities. The aim is to specifically train them to fulfill future tasks.

The HCM program is an important instrument that helps to promote identification with the company, prevent high potentials from leaving our company and develop best-trained staff well familiar with the relevant sector in each case to fill responsible positions, and in general to both widen and deepen knowhow over the entire value chain of the VAMED group. This at the same time helps to shorten familiarization periods and to substantially reduce placement errors.

The expansion of the 'VAMED Academy', our internal training and further training center, by additional technical fields and topics on issues like personality development, leadership skills, social and methodological competences, was advanced in 2010 with consistency and will be continued in 2011.

The further development of staff is supplemented and supported by knowledge management systems and quality management systems established at individual company level to meet most challenging standards (e.g., according to ISO 9001:2000, ISO 13485:2003, EFQM, Joint Commission, E-Qalin, and KTQ). In technical terms, all requirements for the various knowledge management components (knowledge portal, panel of experts, Communities of Practice, etc.) were met in 2008. Currently, there are nine Communities of Practice in place across entities. Furthermore, 23 project-specific teamspaces have been implemented. VAMED staff access the knowledge portal about 5,000 times a day to retrieve and exchange information beyond the limits of their departments or companies.

The year 2008 saw the start of the VAMED group's first trainee program, which was brought to a successful end in March 2010. In May 2010, the second round of the trainee program started which, in addition to the training for Hospital Function and Operational Organization Planners, will in future also comprise the profile 'Facility Operators'.

Our continuous efforts at providing choice-quality service in connection with the technical operational management of the Vienna General Hospital have borne fruit: In 2009, VAMED was awarded the 2009 State Price Corporate Quality, category large corporations, by the Federal Ministry of Economy, Family and Youth and the Austrian Foundation for Quality Management (AFQM).

In 2010, VAMED-KMB's achievements under the guidance principle 'from people excellence to people' met with much attention both in Austria and in all of Europe, culminating in VAMED-KMB winning the EFQM Excellence Award. At a national level, VAMED-KMB was awarded the Eco label by the district Vienna-Alsergrund.

The basis of trust to our partners, on which the success of the VAMED group is effectively based, is built on the potential of our staff, our supporting systems, and our overall competences.

Staff

In the year under review, the consolidated companies of the VAMED group had on average 484 manual employees, 2,520 non-manual employees, and 44 apprentices (previous period: 429 manual employees, 2,349 non-manual employees, and 43 apprentices). Changes in the consolidated group resulted in an increase in the total number of staff of 54.

2. Risk report

2.1 General risks

Professional project control and professional project management have become well-established core competences of the VAMED group in the project as well as in services sector. General risks associated with the project and services business are covered by well-tested operating systems for their identification, assessment and minimization, adjusted to the business activity at issue.

These systems for a satisfactory avoidance of default, liquidity and cash-flow risks comprise organizational measures (as for instance risk calculation standards for working out offers; risk assessment prior to acceptance of orders; ongoing project controlling including project supervisory meetings and continuously updated risk evaluation; budget checking at regular intervals, etc.), quality assurance measures (quality standards comprising several business fields, in particular according to ISO 9001:2000, ISO 13485:2003 and EFQM), and measures regarding financial issues (credit reviews; dunning system; ensuring receipt of payment through advance payments, L/Cs, or guaranteed loans; safe investments; sufficient prudential reserves).

In the year 2010, VAMED continued its successful strategy to increasingly offer overall implementation models with a major focus on total operational management for health care facilities. Complex and sophisticated services require relatively long development periods and entail significant cost risks. While such long development periods are common in the trade, VAMED may put its specific experience, standardized procedure models, knowledge databases and wide-ranging interdisciplinary technical competences to good use to substantially shorten these development periods and therefore markedly curtail exposure to cost risks.

Worldwide, almost all countries are currently experiencing enormous cost pressure in meeting health care demands, which can be felt in the hospital sector in particular. In Europe, strategies to reduce hospital bed capacity and to close down hospitals continue to meet with greater approval than plans to catch up on the existing backlog of investment projects. VAMED addresses this general market risk through holistic implementation models including financing (e.g., PPP models). Fair and reasonable sharing of opportunities and risks with mostly public partners/sponsors and a clear focus on core competences in each situation usually constitute the only chance to implement investment projects and increase cost effectiveness in the health care sector.

A targeted further development of core competences from the services sector (management) and the project business for synergetic application against the backdrop of wide-ranging international experience is required to implement such models. Associated risks can be minimized through competent quality management, professional knowledge management, and by operating broadly-based development programs for the staff and the management alike.

For cases in which an event of risk occurs despite wide-ranging measures to minimize risks, a crisis management system has been established which provides for a clearly defined plan to proceed by stages. Using simulated cases, this system is being trained systematically and on a regular basis.

In particular with regard to our responsibility as operators of health care facilities we have detailed plans and protective measures for our staff in place to ensure the continued functioning of those health care facilities we are in charge of.

Simultaneously we have developed detailed key-staff regulations to ensure the operativeness to the required extent of central organization units. Wide-ranging precautionary and protective measures were taken to protect key staff.

2.2 Specific risks

Hedging transactions tailored to the scope of individual projects and their duration are entered into to provide cover against risks associated with trade receivables and future purchases of products and services quoted in foreign currencies.

3. Supplementary report

No events of significant importance with regard to the results of operations, financial position, assets and liabilities of the VAMED group have occurred after the end of the year under review.

Effects, if any, of the current political unrest in North Africa (Libya) on the group's results of operations, financial position, assets and liabilities can currently not be assessed.

4. Outlook

VAMED's tasks in Europe in the year 2011 will in particular be determined by holistic implementation models and PPP projects. Outside of Europe, our focus will be on customized solutions for health care facilities along VAMED's value chain. A particular future focus will be on the development of integrated health care models.

Internationally, health care systems are less exposed to cyclical fluctuations than many other economic sectors. The past years, however, have shown some countries not to stop, but to postpone, planned investments in the health care sector, a fact which VAMED succeeded to offset thanks to our wide and international portfolio of countries.

VAMED in general differs between established markets and those subject to dynamic structural change. In established markets with increasing cost pressure but also cost awareness our services that help generate noticeable and immediate cost reductions are much in demand.

In addition to increasing efficiency through professional technical management, infrastructure or commercial management and logistics, there is a vast number of novel processes indirectly controlled by procedures in the medical and nursing fields that still bear substantial potential for improved efficiency. VAMED is at the cutting edge in developing these new processes.

Profoundly new processes, however, are often contingent on new structural and technical infrastructure for their efficient implementation. In VAMED's established markets therefore the focus will be on services and the adjustment of health care facilities' infrastructures, in particular within the framework of PPP models.

In the majority of VAMED's fast growing target markets, the provision of efficient health care systems that meet the people's needs continues to have priority. While work to develop primary supply structures has largely been completed, the focus in many markets is now on the promotion of the availability of secondary health care and on creating tertiary as well as teaching and research structures within 'Centers of Excellence'. Also in a large number of Asian, Middle Eastern, Southern Central Asian as well as African markets professional services according to European standards are increasingly required.

This in turn generates demand in emerging markets for VAMED's core competences in the project as well as service business segments. In the vast majority of cases, contracts are procured via the classical project business. Building up a modern range of offers in fields like rehabilitation, nursing and preventive care meets with increasing interest in emerging markets.

VAMED's international reference projects, as for instance Charité in Berlin, PCMC in Kuala Lumpur, Malaysia, the Al Ain hospital in Abu Dhabi, or the Center for Maternal and Child Health in Kazakhstan, today constitute landmark projects and arouse much interest in both established and emerging markets.

Also the integrated health care project in Oberndorf, Austria, is developing to become a reference project and arouses public interest at national as well as international levels.

In some international target markets, VAMED expects hesitant flows of funds from financing countries also as a result of political instability. Affected are countries in Africa and Latin America, but also some Eastern European countries.

The outstanding international reputation the VAMED group has built through their professionalism and reliability, based on the wide-ranging portfolio of services and countries, leaves us face the future with confidence and optimism.

Also in 2011, VAMED is determined to live up to the trust placed by partners and customers at home and abroad in our ability to successfully implement projects meeting all requirements as to costs, deadlines and quality. Also in the future we will attach top priority to developing innovative approaches and solutions and ensuring their successful implementation.

Living up to the VAMED motto: 'think global, act local' also in 2011, we will put the wide-ranging international network of branches and joint ventures in Central and Eastern Europe, the Middle East, in Asia, Africa and Latin America, including the total value chain and customized solutions, to our customers' and partners' availability for the benefit of people's health and quality of life.

Vienna, March 02, 2011

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Erich Ennsbrunner
Member of the Executive Board

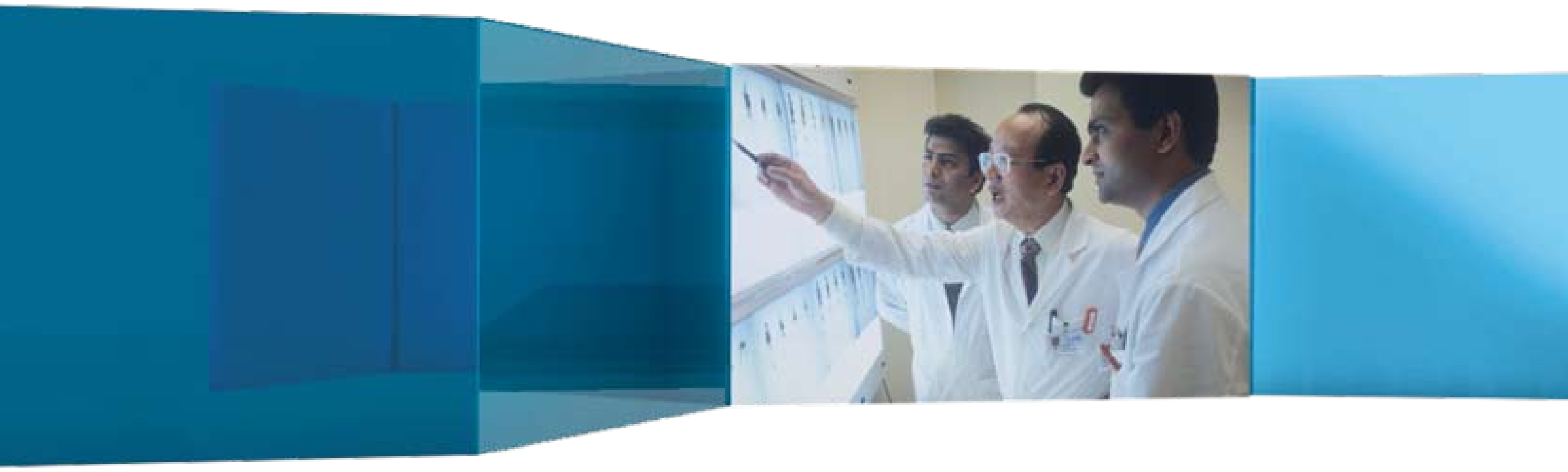
Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

CONSOLIDATED FINANCIAL STATEMENTS 2010

Condensed
CONSOLIDATED FINANCIAL STATEMENTS
OF VAMED AG VIENNA
for the fiscal year
January 1 to December 31, 2010

CONTENTS



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VAMED GROUP – INCOME STATEMENT

January 1 to December 31, in T€	Note(s)	2010	2009
Sales	3	712,841	617,721
Cost of sales	4, 5	-604,330	-522,301
Gross profit		**108,511**	**95,420**
Selling, general and administrative expenses	6	-71,158	-63,829
Other expenses	7	-1,090	-1,460
Other income	7	4,755	5,623
Operating income (EBIT)		**41,018**	**35,754**
Interest income	8	2,216	3,542
Interest expenses	9	-668	-321
Earnings before taxes and non-controlling interests (EBT)		**42,566**	**38,975**
Income taxes	10	-12,031	-11,636
Earnings after income taxes and before non-controlling interests (EAT)		**30,535**	**27,339**
Non-controlling interests	11	-409	-585
Net income		**30,126**	**26,754**

VAMED GROUP – STATEMENT OF COMPREHENSIVE INCOME

Earnings after income taxes and before non-controlling interests (EAT)		**30,535**	**27,339**
Other Comprehensive Income			
Cash flow hedges		236	-179
Foreign currency translation		339	-2
Other Comprehensive Income		**575**	**-181**
Comprehensive Income		**31,110**	**27,158**
Attributable to non-controlling interests		-409	-585
Comprehensive Income of the group		**30,701**	**26,573**

VAMED GROUP – BALANCE SHEET

ASSETS

as at December 31, in T€	Note(s)	2010	2009
Cash and cash equivalents	12	79,467	63,108
Trade accounts receivable, less allowance for doubtful accounts	13	63,396	67,514
Accounts receivable from and loans to related parties	14	133,961	122,284
Inventories	15	82,452	41,807
Prepaid expenses and other current assets	16	22,509	34,375
Total current assets		**381,785**	**329,089**
Property, plant and equipment	17	26,047	26,219
Goodwill	18	48,105	44,303
Other intangible assets	18	4,770	3,220
Deferred taxes	10	3,124	3,187
Other non-current assets	13, 16, 19	84,898	49,165
Total non-current assets		**166,944**	**126,093**
Total assets		**548,729**	**455,182**

LIABILITIES AND SHAREHOLDERS' EQUITY

as at December 31, in T€	Notes(s)	2010	2009
Trade accounts payable	20	80,734	101,958
Short-term accounts payable to related parties	21	535	1,374
Short-term accrued expenses and other short-term liabilities	22, 23	185,785	116,927
Short-term borrowings	24	401	1,402
Short-term loans from related parties	24	525	70
Current portion of long-term debt and liabilities from capital lease obligations	24	150	239
Short-term accruals for income taxes	25	6,804	3,303
Total short-term liabilities		**274,934**	**225,273**
Long-term debt and liabilities from capital lease obligations, less current portion	24	14,702	336
Long-term accrued expenses and other long-term liabilities	22, 23	43,215	37,695
Pension liabilities	26	2,749	2,801
Deferred taxes	10	12,167	10,498
Total long-term liabilities		**72,833**	**51,330**
Non-controlling interests		**2,683**	**2,837**
Subscribed capital	27	10,000	10,000
Capital reserve	27	41,081	41,081
Other reserves	27	147,177	125,214
Accumulated Other Comprehensive Income	28	21	-554
Total shareholders' equity of the group		**198,279**	**175,742**
Total shareholders' equity		**200,962**	**178,579**
Total liabilities and shareholders' equity		**548,729**	**455,182**

VAMED GROUP – CASH FLOW STATEMENT

January 1 to December 31, in T€	2010	2009
Cash provided by/used for operating activities		
Net income of the group	30,126	26,754
Non-controlling interests	409	585
Adjustments to reconcile group net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	7,600	5,734
Change in deferred taxes	1,378	5,065
Gain/loss on sale of fixed assets	-67	-61
Other expenses/income not recognized as cash	904	932
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Change in trade accounts receivable, net	-4,421	9,681
Change in inventories	-40,104	14,121
Change in prepaid expenses and other current assets	176	-1,189
Change in accounts receivable from/payable to related parties	-1,602	-3,423
Change in trade accounts payable, accruals and other liabilities	49,142	-29,817
Change in accruals for income taxes	3,446	328
Cash provided by/used for operating activities	**46,987**	**28,710**
Cash provided by/used for investment activities		
Purchase of property, plant and equipment	-8,771	-4,783
Proceeds from the sale of property, plant and equipment	59	227
Acquisition of investments, net of cash acquired	-3,608	-2,196
Proceeds from divestitures	7	678
Cash provided by/used for investment activities	**-12,313**	**-6,074**
Cash provided by/used for financing activities		
Proceeds from short-term borrowings	0	1,045
Repayments of short-term borrowings	-1,008	-123
Proceeds from/repayment of borrowings from related parties	455	-319
Proceeds from/repayment of borrowings to related parties	-18,105	-54,968
Proceeds from long-term debt and liabilities from capital lease obligations	9,603	0
Repayment of long-term debt and liabilities from capital lease obligations	-247	0
Dividends paid	-8,450	-8,200
Change in non-controlling interests	-563	-14
Cash provided by/used for financing activities	**-18,315**	**-62,579**
Net change in cash and cash equivalents	**16,359**	**-39,943**
Cash and cash equivalents at the beginning of the year	**63,108**	**103,051**
Cash and cash equivalents at the end of the year	**79,467**	**63,108**
thereof: cash and cash equivalents subject to restricted disposition	3,424	6,400

VAMED GROUP – STATEMENT OF SHAREHOLDERS' EQUITY

January 1 to December 31, in T€	Subscribed capital amount	Reserves: Capital reserve	Reserves: Revenue reserves	Other Compre-hensive Income	Total share-holders' equity of the group	Non-controlling interests	Total share-holders' equity
As at December 31, 2008	**10,000**	**41,081**	**105,666**	**-373**	**156,374**	**2,266**	**158,640**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	0	0	932	0	932	0	932
Other Comprehensive Income Cash flow hedges	0	0	0	-179	-179	0	-179
Foreign currency translation	0	0	0	-2	-2	0	-2
Effect of changes of the consolidated group	0	0	63	0	63	0	63
Effect of changes in non-controlling interest	0	0	0	0	0	38	38
Dividends	0	0	-8,200	0	-8,200	-52	-8,252
Net income	0	0	26,754	0	26,754	585	27,339
As at December 31, 2009	**10,000**	**41,081**	**125,215**	**-554**	**175,742**	**2,837**	**178,579**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	0	0	904	0	904	0	904
Other Comprehensive Income Cash flow hedges	0	0	0	236	236	0	236
Foreign currency translation	0	0	0	339	339	0	339
Effect of changes of the consolidated group	0	0	-618	0	-618	0	-618
Effect of changes in non-controlling interest	0	0	0	0	0	0	0
Dividends	0	0	-8,450	0	-8,450	-563	-9,013
Net income	0	0	30,126	0	30,126	409	30,535
As at December 31, 2010	**10,000**	**41,081**	**147,177**	**21**	**198,279**	**2,683**	**200,962**

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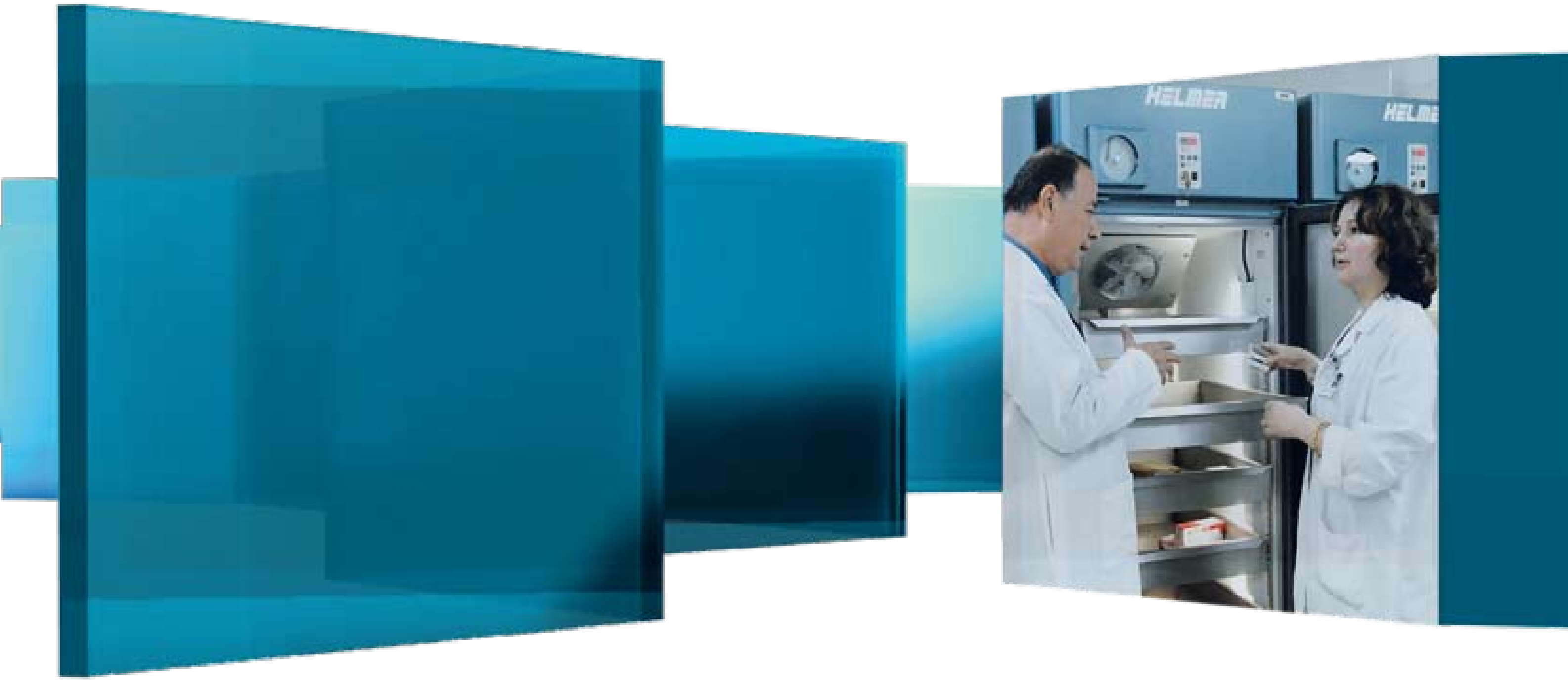

GENERAL NOTES

1. General

I. Group structure

The VAMED group offers health care services worldwide. The headquarters and the location of the lead company, VAMED Aktiengesellschaft, is in 1230 Vienna, Sterngasse 5.

VAMED Aktiengesellschaft (in the following also VAMED AG, or VAG) is owned by Fresenius ProServe GmbH (in the following also FPS), Oberursel, a wholly-owned subsidiary of Fresenius SE & Co. KGaA (in the following also FSE), Bad Homburg v.d.H., (77 %), IMIB Immobilien und Industriebeteiligungen GmbH, Vienna, (13 %), and B & C Beteiligungsmanagement GmbH, Vienna, (10 %).

Fresenius is a worldwide operating health care group with products and services for dialysis, hospitals, as well as the medical care of outpatients. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of FSE, the operating activities were split into the following legally independent business segments (subgroups) in the fiscal year 2010:
- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

General notes on the financial statements of the VAMED group

VAMED AG is included in the consolidated financial statements of Fresenius SE & Co. KGaA with its seat in 61346 Bad Homburg v.d.H., Germany, and makes use of the exemption provisions under the Austrian Business Code, section 245. FSE draws up the consolidated financial statements in the German language in accordance with IFRS under the German Commercial Code, section 315a.

Therefore, the financial statements of the VAMED group have been drawn up on a voluntary basis and are fully in line with the segment report for the 'Fresenius Vamed' segment in FSE's consolidated financial statements according to IFRS. The financial statements of the VAMED group are in euro. For the purpose of clear presentation, figures are given in thousand euro (T€). As a result of the required rounding, minor deviations of total and percentage figures may be seen.

The VAMED group's financial statements vary from the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points:
- The goodwill from the acquisition of the VAMED group at the level of the parent company FSE has been included in the financial statements of the VAMED group (push-down accounting).
- Goodwill from acquisitions of other FSE segments has been included in the VAMED group's financial statements at the values indicated by FSE (push-down accounting).
- The present Notes on the VAMED group's financial statements have been drawn up to the extent required for a clear understanding of the balance sheet and the income statement and do not claim to be complete in the sense of the International Financial Reporting Standards (IFRS).

As for the full wording of the abbreviated company names used in these Notes, please see List of Participating Interests. Broken down into 'fully consolidated companies' and 'non-consolidated companies', that list gives company names in alphabetical order on the basis of their German-language abbreviations.

Also those companies are shown as affiliated and non-consolidated entities which, via FSE's consolidated group, are included in the FSE Financial Statements.

II. Basis of presentation

The financial statements of the VAMED group have been drawn up in accordance with the parent’s guidelines (in particular as regards the application of IFRS, materiality thresholds, and the determination of the consolidated group) and for purposes of drawing up FSE's consolidated financial statements and are included into FSE's consolidated financial statements according to IFRS as the 'Fresenius Vamed' segment.
In order to improve clarity of presentation, various items have been aggregated in VAMED's consolidated balance sheet and income statement. These items are shown separately in the Notes where this provides useful information to the users of VAMED's consolidated financial statements.

The VAMED group's balance sheet contains the information required under IAS 1 (Presentation of Financial Statements) and presents assets and liabilities using a current/non-current classification. The consolidated income statement is classified using the cost-of-sales accounting format.

III. Summary of significant accounting principles

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods.

Capital consolidation is performed by offsetting investments in subsidiaries against the underlying revalued equity at the date of acquisition. The assets and liabilities of subsidiaries, as well as non-controlling interests, are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.
All intercompany revenues, expenses, income, receivables and payables are eliminated. In the year under review, no profits and losses on items of property, plant and equipment and inventory acquired from other group entities had to be eliminated.

Deferred tax assets are recognized on temporary differences resulting from consolidation procedures.
Non-controlling interests comprise the interest of non-controlling shareholders in the consolidated equity of group entities. Profits and losses attributable to the non-controlling shareholders are separately disclosed in the income statement.

b) Composition of the Group

The consolidated financial statements of the group include VAMED AG as well as all material companies in which VAMED AG holds a direct or indirect majority interest, or a majority of voting rights, and may exercise control.

The consolidated financial statements of the group for 2010 include VAMED AG and 12 (2009: 10) Austrian as well as 12 (2009: 11) international companies. In the year under review, the composition of the group changed as follows:

- First consolidation of the following companies as at January 1, 2010
  - PSS GmbH (Dr. Pierer Sanatorium Salzburg Ltd., Salzburg)
  - PSS (Dr. Pierer Sanatorium Salzburg GmbH & Co KG, Salzburg)
  - TMD (TEMAMED Medical Technology Services Ltd., Kirchheimbolanden, Germany)

A complete list of investments of VAMED AG is given in detail in these Notes.

c) Classifications

The classification of the items in VAMED’s consolidated financial statements is based on the presentation in the parent’s consolidated financial statements under IFRS.

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the payor is obligated to pay. Product sales 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. Sales are stated net of discounts, allowances and rebates.

Sales for long-term production contracts are recognized depending on the individual agreement either in accordance with the ‘Completed Contract Method’ (CCM) or, if requirements for its application are met, in accordance with the ‘Percentage-of-Completion Method’ (PoC) on the basis of a project's stage of completion. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, or milestones laid down in the contract. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably.

e) Government grants
Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a liability and offset against earnings over the useful life of the asset in line with depreciation.

f) Impairment
The VAMED group reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's net realizable value or the value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant assets. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of future cash flows of the smallest cash-generating units (CGUs).

If the reasons for impairment cease to exist, an adequate increase is effected, with the exception of goodwill write-downs.

Assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. For such assets, depreciation is ceased. In the year under review, no such assets are shown.

g) Deferred taxes
Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between VAMED’s consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward. The recoverability of deferred tax assets from tax loss carried over, and their usability, is assessed on the basis of the VAMED group's performance planning as well as tax strategies that can be practically implemented. Deferred taxes are computed using enacted or published future tax rates in the relevant national jurisdictions when the amounts are recovered. The recoverability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is shown to the extent that it is probable that sufficient taxable profit will be available to utilize part or all of that deferred tax asset.

h) Cash and cash equivalents
Cash and cash equivalents comprise cash funds and short-term time deposits.

i) Trade accounts receivable
Trade accounts receivable are stated at their nominal value less allowance for doubtful accounts. Allowances are estimated mainly on the basis of payment history to date, the age structure of balances, and all information available on the contract partners. In order to assess the appropriateness of allowances, the VAMED group checks regularly whether there have been any divergences to previous payment history.

j) Inventories
Inventories comprise all assets which are held for sale in the normal course of business (finished products), in the process of production for such sale (work in progress, incl. long-term production contracts) or consumed in the production process or in the rendering of services (raw materials and supplies).

As regards raw materials and supplies, merchandise, and CCM-valued work not yet invoiced, inventories are stated at the lower of acquisition or manufacturing cost (determined by using the average cost or first-in, first-out method) or net realizable value.
As regards PoC-valued work that can not yet be invoiced, valuation is effected on the basis of acquisition or manufacturing cost plus overheads and share of profit equal to the degree of completion.

k) Property, plant and equipment
Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements in asset values to beyond their original amounts are recognized as assets. Repair and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 60 years for buildings and improvements and 3 to 10 years for technical plants, machinery and equipment.

l) Intangible assets with definite useful lives

In the VAMED group, intangible assets with definite useful lives resulting from consolidation, as for instance customer relations, are amortized using the straight-line method over the remaining useful lives of the assets (usually 4 to 5 years) and reviewed for impairment. All other intangible assets are amortized over their individual estimated useful lives between 1 and 15 years.

Losses in value of a lasting nature are impaired and are reversed when the reasons for impairment no longer exists.

m) Goodwill and other intangible assets with indefinite useful lives

The VAMED group identifies intangible assets with indefinite useful lives if, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the group. The identified intangible assets with indefinite useful lives, such as trade names or certain management contracts acquired in connection with M&As, are recognized and reported apart from goodwill. They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or at shorter periods when an event becomes known that could trigger an impairment (impairment test). To perform the annual impairment test of goodwill, the VAMED group identified smallest cash-generating units (CGUs) and determined the carrying amount of each CGU by assigning to it the assets and liabilities, including the existing goodwill and intangible assets. As a rule, a CGU is determined to be one level below segment level in line with operative control ('management approach').

At least once a year, the fair value of each CGU is compared to its carrying amount. The fair value of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by such CGU. In case the value in use of the CGU is less than its carrying amount the difference is at first recorded as an impairment of the fair value of such CGU's goodwill.

For the goodwill of the Fresenius Vamed segment shown in the financial statements of the VAMED group as determined by the parent company, impairment tests are carried out for the CGUs 'Project Business' and 'Service Business'. Impairment tests of all other goodwills are performed at lead company level.

To evaluate the recoverability of separable intangible assets with indefinite useful lives, the VAMED group compares the fair values of these intangible assets with their carrying amounts. An intangible asset's fair value is determined using a discounted cash flow approach and other methods, if appropriate.

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in VAMED's consolidated balance sheet was verified. As a result, the VAMED group did not record any goodwill impairment losses in 2010 and 2009.

A negative difference (badwill), if any, resulting from the purchase price allocation, after reviewing the value approach, shall be immediately recognized in profit or loss. Apart from goodwill, no other intangible assets with indefinite useful lives are shown.

n) Leases

Leased assets assigned to the VAMED group based on the risk and rewards approach (finance leases) are recognized as property, plant and equipment and measured on receipt date at their fair values, as long as the present values of lease payments are not lower. Leased assets are depreciated in straight-line over their useful lives. If there is doubt as to whether title to the leased asset passes at a later stage and there is no advantageous purchase option the asset is depreciated over the contractual lease term, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. If the reasons for impairment cease to exist, adequate increases are effected.

Finance lease liabilities are measured at the present value of the future lease payments and are recognized as financial liability.

o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The VAMED group categorizes its financial instruments as follows: Cash and cash equivalents, assets recognized at amortized costs, liabilities recognized at repayment amounts, derivatives designated as hedging instruments, as well as assets at market value and liabilities at market value. Within the VAMED group, other categories of financial instruments exist to an insignificant extent only or not at all.

Derivative financial instruments (foreign currency forward contracts) are recognized in the balance sheet as assets or liabilities at fair market value. 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 market value of financial instruments classified as cash flow hedges is recognized in shareholders' equity (Accumulated Other Comprehensive Income (Loss)) until the secured underlying transaction is realized (see Note 30, Financial Instruments). The non-effective portion of cash flow hedges is recognized in earnings immediately.

Changes in the fair value of derivatives with regard to which no hedge accounting is applied are recognized periodically in earnings.

p) Liabilities

Liabilities are generally stated at amortized costs as at the balance sheet date, which normally correspond with their repayment amount.

q) Legal contingencies

In the ordinary course of VAMED group's operations, the VAMED group is subject to legal disputes and procedures relating to various aspects of its business. The VAMED group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The VAMED group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the VAMED group 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 the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

r) Other accrued expenses

Accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future, and the amount can be reliably estimated. Tax accruals include obligations for the current year and for prior years.

s) Pension liabilities and similar obligations

The actuarial valuation of pension liabilities is effected in accordance with the accumulated benefits obligations approach for post-employment benefit obligations (projected unit credit method), taking future wage, salary and pension increase rates into account. Actuarial gains or losses exceeding 10% of the pension liabilities' present value are taken into consideration over the beneficiaries' expected future average service period.

t) Stock option plans

The total value of FSE stock options and convertible bonds, as at the day of issue, granted to members of the VAMED group's Executive Board and to the VAMED group's staff is amortized over the blocking period using the value as determined by the parent (in accordance with financial mathematics models).

u) Foreign currency translation

The reporting currency is the euro. Substantially, all assets and liabilities of the foreign subsidiaries are translated at mid-closing rates on balance sheet date, while revenues and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in Accumulated Other Comprehensive Income (Loss).

Gains and losses arising from the translation of foreign currency positions, as far as these are not considered foreign equity instruments, are recorded as 'Other Expenses' or 'Other Income'. During the fiscal year 2010, the VAMED group recognized T€ 881 (previous period: T€ 980) of other expenses and T€ 1,030 (previous period: T€ 782) as other income.

The exchange rates of the main currencies affecting foreign currency translation developed as follows:

	Year-end exchange rate		Average exchange rate	
	31.12.2010	31.12.2009	2010	2009
AED (United Arab Emirates Dinar) per €	4.908	5.291	4.869	5.122
CZK (Czech Crown) per €	25.061	26.473	25.285	26.435
RUB (Russian Ruble) per €	40.820	43.154	40.258	44.138
USD (US-Dollar) per €	1.336	1.441	1.326	1.395

v) Fair value hierarchy

The three-tier fair value hierarchy according to IFRS 7, Financial Instruments Disclosures, classifies assets and liabilities recognized at fair value based on the inputs used in determining the fair value. Level 1 is defined as observable inputs, such as prices quoted in active markets.

Level 2 is defined as inputs other than prices quoted in active markets that are directly or indirectly observable.

Level 3 is defined as unobservable inputs for which little or no market data exist, therefore requiring the company to develop its own assumptions. The fair value hierarchy is used in Note 26, Pensions and similar obligations.

w) Use of estimates

The preparation of the VAMED group's consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

x) Receivables management

The entities of the VAMED group perform ongoing evaluations of the financial situation of their customers and in the vast majority of cases require collateral, in the form of down payments, letters of credit, or bank guarantees, from the customers in particular when they place construction orders.

y) Changes of accounting policies due to new standards

The fiscal year 2010 is based on IFRS as mandatorily required if stipulated by the parent or voluntarily applied earlier for fiscal years starting on January 1, 2010.

In the fiscal year 2010, no standards of importance for the business activity of the VAMED group have been applied for the first time.

z) Recent pronouncements

The IASB has issued the following new standards and interpretations relevant for the VAMED group that are applicable at the earliest for fiscal years starting on or after January 1, 2011:

In October 2010, the IASB adopted amendments of IFRS 9 (Financial Instruments) on accounting for financial liabilities. This marks the completion of the revision of IAS 39, Financial Instruments: Recognition and Measurement, as regards the classification and assessment of financial instruments. Under the new guidelines, companies applying the fair value option for the assessment of their financial obligations are in general supposed to recognize own credit risk changes under Other Comprehensive Income (Loss). The application of all other existing regulations on the accounting of financial obligations is continued.

In November 2009, the IASB adopted IFRS 9 (Financial Instruments) on accounting for financial liabilities replacing the financial instruments categories under IAS 39 by two categories. Financial instruments that have basic loan features and are controlled on a contractual yield basis, are valued at amortized cost. All other financial instruments are valued at fair market values via the Income Statement. Changes in value of strategic investment in equity instruments can be presented as Other Comprehensive Income (Loss).

IFRS 9 is effective for fiscal years beginning on or after January 1, 2013; an earlier adoption is possible. The requirement for companies to apply the amendments to IFRS 9 on the accounting for financial liabilities earlier is the simultaneous application of regulations governing financial instruments.

The parent is currently evaluating the impact of this standard on its consolidated financial statements and determining a suitable implementation date. IFRS 9 approval by the EU Commission is still pending.

As a rule (and in accord with the parent's resolution), the VAMED group does not apply reporting standards before their application has been made mandatory.

IV. Critical accounting policies

In the opinion of the Management of the VAMED group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment.

The influences and judgments as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the VAMED group.

a) Recoverability of goodwill and intangible assets with indefinite useful lives

The amount of intangible assets, including goodwill and trade names, represents a considerable part of the total assets of the VAMED group. As at December 31, 2010, and December 31, 2009, the carrying amounts of these items were € 48.1 million and € 44.3 million, respectively. This represented 8.8 % and 9.7 % of the balance sheet total and 23.9 % and 24.8 % of equity.

Impairment tests of goodwill and non-amortizable intangible assets with indefinite useful lives are performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired.

To determine possible impairments of these assets, the fair values of the CGUs is compared to their carrying amounts. The fair value of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC).

Estimating the discounted future cash flows involves significant assumptions, especially regarding future sales prices, quantities sold and costs. In determining discounted cash flows, the VAMED group utilizes for every reporting unit its three-year budget, projections for years four to ten, and corresponding growth rates for all remaining years. These growth rates are assumed to be about 1.0 % at an unchanged 25 % income tax burden. WACC (after income tax) has been agreed with the parent to be 5.88%. Country-specific adjustments did not occur. If the fair value of the CGU is less than its carrying amount the difference is at first recorded as an impairment of the fair value of such CGU’s goodwill. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in 2010.

A prolonged downturn in the health care industry with sales prices below expectations and/or the costs of the provisions of services and the implementation of construction projects exceeding expectations could adversely affect the VAMED group's estimation of future cash flows for specific segments. Future adverse changes of the economic environment could affect the discount rate. A possible consequence could be a negative influence of additional goodwill impairment losses on the VAMED group's future operating results.

b) Legal contingencies

The VAMED group is not involved in any litigation resulting from the ordinary course of its business, the outcome of which may have a material effect on the financial position, results of operations or cash flows of the VAMED group.

The VAMED group regularly analyzes current information about potential litigation for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

The VAMED group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the VAMED group 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 the disclosure of any such suit or assertion, would not necessarily indicate that an accrual of a loss is appropriate.

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable, net of allowance, were € 79.3 million and € 73.8 million in 2010 and 2009, respectively.

The allowance for doubtful accounts was € 6.6 million and € 5.6 million as of December 31, 2010, and December 31, 2009, respectively.

2. Akquisitions and divestitures

In the year under review, TMD (TEMAMED Medical Technology Services Ltd., Kirchheimbolanden, Germany) was acquired and included in the consolidated group. In addition, the following companies were included in the consolidated group for the first time:

- PSS GmbH (Dr. Pierer Sanatorium Salzburg Ltd., Salzburg)
- PSS (Dr. Pierer Sanatorium Salzburg GmbH & Co KG, Salzburg)

Integration into the consolidated group was carried out as at January 1, 2010, with the following effects on the group's sales and result performance (in million €):

Sales	4.6
EBITDA	0.5
EBIT	0.0
Net interest	0.0
Net income	- 0.1
Balance sheet total	7.6

NOTES ON THE INCOME STATEMENT

(all figures in T€, except head configures)

3. Sales

Sales by activity were as follows:

	2010	2009
Project business	486,433	419,416
Service business	226,408	198,305
Sales	**712,841**	**617,721**

Sales broken down by regions:

	2010	2009
Austria	346,162	342,004
Germany	70,311	45,029
Other European countries	147,736	75,920
Africa	96,811	87,942
South America	3,338	1,426
Asia	48,483	65,400
Sales	**712,841**	**617,721**

4. Cost of sales

Cost of sales comprised the following:

	2010	2009
Personnel	114,865	101,373
Material and third-party services, depreciation and amortization	489,465	420,928
Cost of sales	**604,330**	**522,301**

5. Personnel expenses

Cost of sales, selling and general administrative expenses included personnel expenses of T€ 148,750 and T€ 132,687 in 2010 and 2009, respectively.

	2010	2009
Wages and salaries	113,468	103,119
Social security contributions, cost of retirement benefits (incl. severance payments) and other personnel expenses	35,282	29,568
Personnel expenses	**148,750**	**132,687**

The VAMED group's annual average number of employees by function is shown below:

	2010	2009
Production and services	2,573	2,404
General administration	404	361
Sales and marketing	71	56
Total employees (heads)	**3,048**	**2,821**

6. Selling and general administrative expenses

Selling and general administrative expenses are broken down as follows:

	2010	2009
Selling expenses	26,369	22,618
General administrative expenses	44,789	41,211
Selling and general administrative expenses	**71,158**	**63,829**

7. Other expenses, other income

Other expenses mainly include effects of exchange rate changes and of the revaluation of guarantee obligations.

Other income includes income from investments, gains from the sale of property, plant, and equipment as well as intangible assets, exchange rate gains, income from the reversal of accruals, income from insurance recovery payments, and other operating income.

8. Interest income

Interest income mainly results from investments in the parent companies FSE and FPS, lendings and loans to non-consolidated group companies, as well as interest on bank deposits.

9. Interest expenses

Interest expenses mainly result from local and project-related interim financing (including a small FSE-related part).

10. Income taxes

Income taxes were attributable to the following geographic regions:

	2010	2009
Austria	9,450	9,027
Germany	2,135	2,190
Other foreign countries	446	419
Total income taxes	**12,031**	**11,636**

In the year under review, the corporate tax rate in Austria has remained unchanged against the previous year at 25%.

A reconciliation between the expected and actual income tax expense is shown below.

The expected corporate income tax expense is computed by applying the Austrian corporation tax rate on income before income taxes and non-controlling interests.

	2010	2009
Computed 'expected' income tax expense	10,642	9,744
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	256	406
Foreign tax rate differential	251	1,086
Tax-free income	-286	-148
Taxes for prior years	1,077	669
Other	92	-121
Income tax according to income statement	**12,031**	**11,636**
Effective tax rate	28.26 %	29.85 %

Income tax expenses for 2010 and 2009 consisted of the following:

	2010			2009		
	Current taxes	Deferred taxes	Income taxes	Current taxes	Deferred taxes	Income taxes
Austria	8,243	1,207	9,450	4,363	4,664	9,027
Germany	2,305	-170	2,135	1,733	457	2,190
Other foreign countries	225	221	446	475	-56	419
Total	**10,773**	**1,258**	**12,031**	**6,571**	**5,065**	**11,636**

Deferred taxes:
The tax effects of the temporary valuation differences that give rise to deferred tax assets and liabilities mainly result from the valuation of balance sheet items according to the PoC method (accounts receivable, inventories, and project-related accruals).

As at the balance sheet date, deferred tax assets amount to T€ 3,124, deferred tax liabilities to T€ 12,167, resulting in deferred tax liabilities of T€ 9,043.

As at the balance sheet date, deferred tax assets from loss carryforwards are recognized in the amount of T€ 1,526. In the previous period, that amount was T€ 0. According to budget, the loss carryforwards meet the criteria for recognition and will be used up over the next five years.

VAMED AG and its subsidiaries are subject to tax audits on a regular basis.

The tax audit covering the period 1999 to 2001 has been completed except for one point with regard to which an appeal is still pending.

The tax audit covering the period 2003 to 2005 was completed in 2010.

11. Non-controlling interests

Non-controlling interests are held in SUC, HSB, NFM, and MED; their profit shares are shown under non-controlling interests.

NOTES ON THE BALANCE SHEET

(all amounts in T€)

12. Cash and cash equivalents

As at December 31, 2010, and December 31, 2009, items of restricted disposition of T€ 3,424 and T€ 6,400, respectively, were included in cash and cash equivalents.

	2010	2009
Cash and cash equivalents	79,167	60,428
Securities (available for sale)	300	2,680
Cash and cash equivalents	**79,467**	**63,108**

13. Trade accounts receivable

As of December 31, trade accounts receivable were as follows:

	2010			2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Trade accounts receivable	69,696	16,157	85,853	72,810	6,496	79,306
Less allowance for doubtful accounts	-6,300	-255	-6,554	-5,296	-255	-5,551
Trade accounts receivable, net	**63,396**	**15,902**	**79,298**	**67,514**	**6,241**	**73,755**

14. Accounts receivable from and loans to related parties

As at December 31, these receivables were as follows:

	2010	2009
Trade accounts receivable	5,777	4,645
Receivables from financing and other clearing	128,184	117,639
Accounts receivable from and loans to related parties	**133,961**	**122,284**

As at December 31, 2010, and December 31, 2009, this item included receivables from the group companies FPS, FSE, and the segments FMC, Kabi, and Helios, in the amount of T€ 127,474 and T€ 111,030, respectively.

15. Inventories

As of December 31, inventories consisted of the following:

	2010	2009
Raw materials and purchased components	1,423	1,051
Services not yet invoiced		
valued acc. to CCM	14,040	10,499
valued acc. to PoC	66,127	30,170
Finished goods	863	87
Inventories	**82,452**	**41,807**

Advance payments from customers that could be directly allocated to individual projects were offset against the gross amount of services not yet invoiced.

As at December 31, 2010, and December 31, 2009, advance payment offset amounts totaled T€ 169,659 and T€ 185,560, respectively.

The companies of the VAMED group are obliged to purchase T€ 14,761 of goods and services on fixed terms, of which T€ 14,231 was committed at December 31 for purchases for 2011. The terms of these agreements do not exceed four years. VAMED's purchase obligations that are matched by same-size purchase obligations on the customers' part are not shown.

VAMED also has contingent purchase obligations vis-à-vis suppliers in connection with construction projects the fulfilling of which is linked to the implementation of projects with final customers so that these amounts are not shown.

16. Prepaid expenses and other current and non-current assets

As at December 31, prepaid expenses and other current and non-current assets comprised the following:

			2010			2009
	Short-term	Long-term	Total	Short-term	Long-term	Total
Prepayments	7,136	523	7,659	14,627	0	14,627
Receivables from fiscal authority	8,280	15	8,295	13,829	16	13,845
Interest receivable	3	0	3	568	0	568
Prepaid expenses	4,646	18,750	23,396	3,439	3,499	6,938
Derivative financial instruments	626	0	626	65	0	65
Investments and long-term loans	0	48,205	48,205	0	38,657	38,657
Other assets	2,284	1,503	3,787	2,313	752	3,065
Prepaid expenses and other assets, gross	**22,975**	**68,996**	**91,971**	**34,842**	**42,924**	**77,765**
less allowances	-466	0	-466	-467	0	-467
Prepaid expenses and other current and non-current assets	**22,509**	**68,996**	**91,505**	**34,375**	**42,924**	**77,299**

The item 'Investments and long-term loans' includes investments in non-consolidated companies (in accordance with the List of Investments) as well as long-term loans to non-consolidated companies.

Depreciation on these assets in the amount of T€ 1,135 and T€ 514 was recognized in the fiscal years 2010 and 2009, respectively.

'Other non-current assets' also includes the long-term part of accounts receivable in the amount of T€ 15,902 (previous period: T€ 6,241).

17. Property, plant and equipment

As of December 31, 2010, and December 31, 2009, the acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2010	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2010
Land and land facilities	770	0	0	0	4	**774**
Buildings and improvements	16,154	32	1,002	-21	194	**17,360**
Machinery, equipment and rental equipment under capital leases	37,520	905	4,530	-6,910	1,001	**37,045**
Construction in progress	880	0	1,252	0	22	**2,155**
Total	**55,324**	**937**	**6,784**	**-6,931**	**1,221**	**57,335**

Depreciation and amortization	As at January 1, 2010	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2010
Land and land facilities	0	0	0	0	0	**0**
Buildings and improvements	8,222	10	524	-21	34	**8,770**
Machinery, equipment and rental equipment under capital leases	20,882	549	4,029	-3,370	428	**22,518**
Construction in progress	0	0	0	0	0	**0**
Total	**29,105**	**559**	**4,553**	**-3,391**	**463**	**31,288**

Acquisition and manufacturing costs	As at January 1, 2009	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2009
Land and land facilities	769	0	0	0	1	**770**
Buildings and improvements	15,760	0	345	-1	49	**16,154**
Machinery, equipment and rental equipment under capital leases	36,017	118	2,820	-1,693	258	**37,520**
Construction in progress	325	0	551	0	4	**880**
Total	**52,870**	**118**	**3,716**	**-1,694**	**313**	**55,324**

Depreciation and amortization	As at January 1, 2009	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2009
Land and land facilities	0	0	0	0	0	**0**
Buildings and improvements	7,754	0	461	0	8	**8,222**
Machinery, equipment and rental equipment under capital leases	18,808	50	3,449	-1,527	102	**20,882**
Construction in progress	0	0	0	0	0	**0**
Total	**26,562**	**50**	**3,910**	**-1,527**	**110**	**29,105**

Carrying amounts	**December 31, 2010**	**December 31, 2009**
Land and land facilities	774	770
Buildings and improvements	8,590	7,931
Machinery, equipment and rental equipment under capital leases	14,527	16,638
Construction in progress	2,155	880
Total	**26,047**	**26,219**

Depreciation and amortization are allocated within cost of sales, selling and general administrative expenses, depending upon the area in which the asset is used.

Leasing

'Machinery, equipment and rental equipment under capital leases' includes amounts for leased movable assets and for buildings.

As at December 31, 2010, and December 31, 2009, the carrying amounts of these items were T€ 3,677 and T€ 7,159, respectively.

18. Goodwill and other intangible assets

As at December 31, 2010, and December 31, 2009, the acquisition and manufacturing costs as well as accumulated amortization of intangible assets consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2010	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2010
Goodwill (non-regular amortization)	44,927	3,665	138	0	0	**48,730**
Other (regular amortization)	8,626	1,469	2,198	-236	32	**12,088**
Other (non-regular amortization)	208	0	-208	0	0	**0**
Total	**53,761**	**5,134**	**2,128**	**-236**	**32**	**60,818**

Depreciation and amortization	As at January 1, 2010	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2010
Goodwill (non-regular amortization)	625	0	0	0	0	**625**
Other (regular amortization)	5,614	8	1,913	-235	18	**7,318**
Other (non-regular amortization)	0	0	0	0	0	**0**
Total	**6,239**	**8**	**1,913**	**-235**	**18**	**7,943**

Acquisition and manufacturing costs	As at January 1, 2009	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2009
Goodwill (non-regular amortization)	44,927	0	0	0	0	**44,927**
Other (regular amortization)	7,716	0	938	-37	8	**8,626**
Other (non-regular amortization)	80	0	128	0	0	**208**
Total	**52,723**	**0**	**1,066**	**-37**	**8**	**53,761**

Depreciation and amortization	As at January 1, 2009	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2009
Goodwill (non-regular amortization)	625	0	0	0	0	**625**
Other (regular amortization)	4,338	0	1,309	-37	3	**5,614**
Other (non-regular amortization)	0	0	0	0	0	**0**
Total	**4,963**	**0**	**1,309**	**-37**	**3**	**6,239**

Carrying amounts	**December 31, 2010**	**December 31, 2009**
Goodwill (non-regular amortization)	48,105	44,303
Other (regular amortization)	4,770	3,012
Other (non-regular amortization)	0	208
Total	**52,875**	**47,523**

19. Other non-current assets

This item mainly shows interests in non-consolidated companies as well as loans to non-consolidated investments and non-current prepaid expenses. As for a breakdown, see Note 16.

20. Trade accounts payable

Trade accounts payable are mainly project business related.

21. Accounts payable to related parties

Accounts payable include amounts payable to consolidated FSE companies of T€ 384 (previous period: T€ 243) and to non-consolidated companies and companies in which investments are held of T€ 151 (previous period: T€ 1,131).

22. Accrued expenses

As at December 31, short and long-term accruals consisted of the following:

	2010			2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Personnel expenses	13,670	16,993	30,662	13,622	16,103	29,725
Warranty	794	1,260	2,054	1,272	3,051	4,324
Invoices outstanding	31,033	4,397	35,430	23,530	43	23,573
Other accrued expenses	6,524	1,468	7,992	5,571	2,134	7,705
Accrued expenses	**52,021**	**24,118**	**76,139**	**43,996**	**21,332**	**65,328**

The following table shows the development of other accrued expenses in the fiscal year:

	As at January 1, 2010	Changes in entities consolidated	Additions	Transfers	Consumption	Dissolution	As at December 31, 2010
Personnel expenses	29,725	227	8,659	-203	-7,242	-503	30,662
Warranty	4,324	0	666	0	-838	-2,098	2,054
Invoices outstanding	23,573	9	32,538	0	-18,009	-2,681	35,430
Other accrued expenses	7,705	17	4,928	203	-4,242	-619	7,992
Accrued expenses	**65,328**	**252**	**46,791**	**0**	**-30,331**	**-5,901**	**76,139**

Accruals for personnel expenses mainly refer to bonuses, severance payments, anniversary bonuses, holidays not yet taken and obligations to make additional contributions to pension funds.

Warranty-related accruals refer to warranty claims under construction and service projects.

Accruals for invoices not yet paid mainly refer to construction project-related services already provided but not yet invoiced.

Other accrued expenses comprise auditing and consultation services, interest, and other non-project-related expenditure.

23. Other liabilities

As of December 31, other liabilities consisted of the following:

	2010			2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Social-security-related liabilities	2,732	0	2,732	2,433	0	2,433
Personnel liabilities	1,324	99	1,423	1,128	184	1,312
Tax liabilities	10,325	0	10,325	16,506	0	16,506
Non-current trade accounts payable	0	677	677	0	569	569
Deferred income	1,673	8,431	10,105	824	7,323	8,147
Derivative financial instruments	560	0	560	136	51	187
All other liabilities	46,703	1,530	48,233	6,491	1,869	8,360
Long-term portion of other liabilities	0	1,802	1,802	0	366	366
Other liabilities	**63,317**	**12,540**	**75,857**	**27,518**	**10,363**	**37,880**
Advance payments from customers	**70,447**	**6,557**	**77,004**	**45,414**	**6,000**	**51,414**

24. Debt and liabilities from capital lease obligations

a) Short-term borrowings from third parties

Short-term borrowings refer to project-related interim financing.

b) Short-term loans from related parties

This item refers to one liability vis-à-vis a non-consolidated related party.

c) Long-term debt and liabilities from capital lease obligations

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

	2010			2009		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Long-term borrowings	6	13,996	14,002	19	6	25
Lease obligations	144	706	850	220	329	549
Long-term debt and liabilities from capital lease obligations	**150**	**14,702**	**14,852**	**239**	**335**	**574**

25. Short-term accruals for income taxes

This item shows expected tax liabilities (less prepayments effected).

26. Pensions and similar obligations

Guaranteed benefit obligations have largely been transferred to a pension fund. Benefit claims (pension) are contingent on period of service and compensation received.

Accrued amounts refer to active beneficiaries as well as former employees and dependents.
In addition to defined benefit plans there are also defined contribution plans, with regard to which payments (dependent on employees' own contributions) are effected to pension funds. For defined contribution plans there are no liabilities exceeding continuous contribution payments so that no accruals or liabilities are shown.

MERCER Human Resource are the experts in charge of determining accrued amounts (for companies in Austria on the basis of the 'AVOE 2008 - Employees' mortality tables).

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 VAMED group's funded benefit plans

	2010	2009
Benefit obligations at the beginning of the year	**16,151**	**14,115**
Service cost	253	224
Interest cost	875	861
Contributions by plan participants	10	10
Actuarial losses/gains	2,175	1,638
thereof adjustments according to experience	-68	384
Benefits paid	-750	-687
Amendments	-10	-10
Benefit obligations at the end of the year	**18,704**	**16,151**
thereof vested	14,452	10,732
Fair value of plan assets at the beginning of the year	**11,384**	**11,214**
Actual return on plan assets	732	184
Contributions by the employer	565	653
Contributions by plan participants	10	10
Benefits paid	-741	-678
Fair value of plan assets at the end of the year	**11,950**	**11,384**
Funded status as of December 31	**6,754**	**4,767**

The plan assets are neither used by the staff of the VAMED group nor invested in the VAMED group.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

	2010	2009
Discount rate	4.55 %	5.55 %
Rate of compensation increase	2.49 %	2.55 %
Rate of pension increase	1.75 %	1.75 %

In the year under review, benefit costs in the amount of T€ 531 (previous period: € 576) accrued for the VAMED group defined benefit pension plans, which are composed as follows:

	2010	2009
Service cost	253	224
Interest cost	875	861
Expected return of plan assets	-620	-509
Amortization of non-realized gain/loss	23	0
Net periodic benefit cost	**531**	**576**

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling and general administrative expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

	2010	2009
Discount rate	5.55 %	6.25 %
Expected return of plan assets	5.50 %	5.50 %
Rate of compensation increase	2.55 %	2.48 %

Losses in connection with accumulated benefit obligations mainly result from changes in the discount rates on which actuarial computations are based.

Computation is based on the 'AVOE 2008 - Employees' mortality tables.

Actuarial losses (-) and gains (+) amount to T€ -4,005 (previous period: T€ -1,966).

Of these actuarial losses, a partial amount of T€ 142 will be offset against earnings in the subsequent year.

The following table shows the expected future benefit payments:

Expected benefit payments		For the fiscal years
	810	2011
	841	2012
	920	2013
	977	2014
	1,060	2015
	6,088	2016 until 2020
Total	**10,696**	**for the next 10 years**

Plan investment policy and strategy

Plan assets are managed exclusively by the pension fund in accordance with their investment strategy and are broken down as follows:

	2010	2009
Investment funds for shares	29.46 %	27.19 %
Bond funds	37.51 %	39.74 %
Real estate funds	4.16 %	4.63 %
Other	28.87 %	28.45 %

The 'Other' portion of the plan assets is mainly determined on the basis of Level 1 and 2 ('Fair Value Measurement', approx. 86 % and 12 %, respectively); some 2 % of these assets are determined on a Level 3 basis.

Defined contribution plans

VAMED group's total expense under defined contribution plans for 2010 was T€ 1,358 (previous period: T€ 1,221).

The main part relates to the Austrian plan, which employees of the VAMED group's lead companies can join. Employees can deposit up to 5% of their pay, and the company contributes 100% of the employee's contribution.

27. Shareholders' equity

Subscribed capital

There were no changes of the subscribed capital in the year under review.

Capital reserve

The capital reserve shows the capital reserve from the consolidated financial statements of VAMED AG as at December 31, 2007 (according to the Austrian Business Code), plus additions from the first entry of the goodwill (at parent company level).

Other reserves

Other reserves comprise earnings generated by group entities in the reporting year and in prior years to the extent that they have not been distributed.

Dividends

Under the Austrian Companies Act, the amount of dividends available for distribution to shareholders is based upon the net profit as shown in VAMED AG's financial statements drawn up under the Austrian Business Code.

28. Other Comprehensive Income (Loss)

	Before taxes January 1, 2010	Changes	Before taxes December 31, 2010	Tax effect January 1, 2010	Changes	Tax effect December 31, 2010	After taxes January 1, 2010	After taxes December 31, 2010
Realized and unrealized gains/ losses from derivative financial instruments	-162	334	172	41	-99	-58	-122	114
Foreign currency translation adjustment	-99	363	264	0	-24	-24	-99	240
Effect of changes of the consolidated group	-333	0	-333	0	0	0	-333	-333
Other Comprehensive Income	**-594**	**697**	**103**	**41**	**-123**	**-82**	**-554**	**21**

OTHER NOTES

29. Commitments and contingent liabilities

Operating leases and rental payments

The companies of the VAMED group lease buildings as well as machinery and equipment under various lease agreements expiring on dates through 2028.

Rental expenses in 2010 amounted to T€ 8,638, in the previous period to T€ 5,417.

For the first to the fifth subsequent year, obligations under these contracts amount to T€ 31,058, then to T€ 32,455 (previous period: T€ 32,783, and T€ 35,831).

The VAMED group has contingent liabilities in an assessable amount of € 54.4 million max. (previous period: € 29.3 million) resulting from guarantees and similar obligations (mainly in connection with various construction and service projects).

No amount is indicated for those additional contingent liabilities that, as at the balance sheet date, could not be assessed in the light of the circumstances.

Legal proceedings

In the year under review, the companies of the VAMED group were not involved in any legal proceedings (neither as plaintiff nor as defendant) of material importance for future business performance. All foreseeable risks resulting from such proceedings have been covered by write-downs and accruals, or by insurance contracts.

30. Financial instruments

Valuation of financial instruments

Cash and cash equivalents are stated at nominal value, which equals the fair value.

Short-term financial instruments like accounts receivable and 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.

Valuation of derivatives (foreign currency forwards) is done on the basis of a comparison of the contracted forward rate with the forward rate as at the balance sheet date for the remaining term of the contract. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency.

The VAMED group is exposed to risks related to foreign exchange fluctuations in connection with its international business activities that are partly denominated in currencies other than the euro. In order to manage foreign exchange rate fluctuation risks, the VAMED group enters into certain hedging transactions with highly rated banks or the parent's Treasury.

The VAMED group has determined the euro as its financial reporting currency. The international activities of the group companies results in transaction risks that relate to sales and purchases denominated in foreign currencies. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the VAMED group enters into foreign exchange forward contracts. These hedging transactions were recognized as cash flow hedges.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product and service purchases and sales is reported in Accumulated Other Comprehensive Income (Loss).

Credit risk

The VAMED group has a major exposure on the merits of loss of receivables. This risk is administered through careful credit rating throughout the entire project phase, consistent receivables management, taking out insurance cover (wherever possible), and by outsourcing the financing risk ('soft loans').

Liquidity risk

The VAMED group uses effective working capital and cash management to control liquidity in order to ensure discharge of existing and future financial obligations. In light of cash and cash equivalents and receivables from cash pooling and investments as existent on the balance sheet date and the financing structure of construction projects, the Management of the VAMED group believes these items as well as the cash generated by operating activities and additional short-term borrowings to be sufficient to meet the foreseeable demand for liquidity of the VAMED group.

31. Supplementary information on capital management

The VAMED group has a solid financial profile. There is little demand for debt (in the form of borrowings and bank loans), mainly the result of the project business structure with downpayments of substantial size at project start. Project-related accounts payable and downpayments received as well as project-related accruals are the main debt items.

Due to the Company's diversification within the health care sector and its strong market positions in global, growing and non-cyclical markets, fundamentally stable, predictable and sustainable cash flows are generated.

VAMED group's customers are almost invariably of high credit quality. Moreover, the downpayments and provision of security received in the majority of transactions ensure that cash flows can be planned with reasonable certainty.

Further details on the development of shareholders' equity and debt are given in the Management Report under 'Financial Performance Indicators'.

32. Notes on segment reporting

The VAMED group has identified the business segments 'Project Business' and 'Service Business', which corresponds to the internal organizational and reporting structures (management approach) as at December 31, 2010.

Sales and proceeds between the business segments are principally at arm's length. Administrative services are billed in accordance with service level agreements.

33. Related party transactions

In the year under review, there were no business transactions between companies of the VAMED group and Executive or Supervisory Board members of VAMED AG.

34. Subsequent events

Since the end of the fiscal year 2010, there have been no significant changes in the VAMED group's corporate position or operating environment. At present, there are no plans to carry out any significant changes in the group's structure, administration, legal form, or in the area of personnel.

35. Compensation report

The Executive Board's total compensation amounted to T€ 1,772 (previous period: T€ 1,680).

In the year under review, no loans or advance payments on future compensation elements were made to members of VAMED AG's Executive Board members.

36. Information on the Supervisory Board

Members of the Supervisory Board in the year under review:

Supervisory Board:
Dr. Gerd Krick, Bad Homburg (Chairman)
Dkfm. Stephan Sturm, Bad Homburg (Deputy Chairman)
KR Dkfm. Karl Hollweger, Vienna
Dr. Reinhard Platzer, Vienna
KR Karl Samstag, Vienna
Mag. Andreas Schmidradner, Vienna

Employees' representatives:
Josef Artner, Vienna
Otto Hager, Vienna
Ing. Robert Winkelmayer, Vienna

The Supervisory Board compensation is fixed by the VAMED AG General Meeting and in the year under review amounted to T€ 91 (previous period: T€ 43).

37. Auditor's fees

In 2010 and 2009, fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and its affiliates were expensed as follows:

	2010		2009	
	Total	thereof: Austria	Total	thereof: Austria
Audit fees	252	199	270	206
Tax consulting fees	23	0	28	11
Other fees	0	0	10	3
Total auditor's fees	**275**	**199**	**308**	**220**

38. Investments

VAMED AG's investments are listed in the Annex to the Notes.

39. Responsibility statement

"To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements of the VAMED group give a true and fair view of the assets, liabilities, financial position and profit or loss of the VAMED group, and the Management Report includes a fair review of the development and performance of the business and the position of the VAMED group, together with a description of the principal opportunities and risks associated with the expected development of the VAMED group."

Vienna, March 2, 2011

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Erich Ennsbrunner
Member of the Executive Board

Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

LIST OF PARTICIPATING INTERESTS OF VAMED AG AS AT DECEMBER 31, 2010

(without indirect interests, interests of below 10%, as well as closed-down/non-operating firms)

Abbreviation	Company, location	Capital interest %
Fully consolidated companies:		
VAG	VAMED AG, Vienna	
hi	hospitalia international ltd., Oberursel, Germany	100.00
HSB	Sauerbrunn Spa Operation Ltd., Bad Sauerbrunn	95.00
HTB	HERMED Technical Consulting Ltd., Kirchheimbolanden, Germany	100.00
MED	MEDITERRA s.r.o., Prague, Czech Republic	100.00
NET	MEDNET s.r.o., Prague, Czech Republic	100.00
ALM	ALMEDA a.s., Neratovice, Czech Republic	76.00
NTV	Nemocnice Tanvald s.r.o., Tanvald, Czech Republic	0.30
SED	MEDITERRA-Sedlčany, s.r.o., Sedlčany, Czech Republic	100.00
NFM	Lower Austrian Facility Management Ltd., Wiener Neustadt	60.00
PSS	Dr. Pierer Sanatorium Salzburg GmbH & Co KG, Salzburg	100.00
PSS GMBH	Dr. Pierer Sanatorium Salzburg Ltd., Salzburg	100.00
SUC	SUMINISTROS DE COMERCIO EXTERIOR, S.A., Madrid, Spain	80.68
TMD	TEMAMED Medical Technology Services Ltd., Kirchheimbolanden, Germany	100.00
VE	VAMED ENGINEERING GmbH & CO KG, Vienna	100.00
VE GMBH	VAMED ENGINEERING Ltd., Vienna	100.00
VHP	VAMED Health Project Ltd, Berlin, Germany	100.00
VKMB	VAMED-KMB Technical Operation and Management Ltd., Vienna	100.00
VMS	VAMED Management und Service GmbH & Co KG, Vienna	100.00
VMS GMBH	VAMED Management and Service Ltd., Vienna	100.00
VMS-D	VAMED Management und Service Ltd. Germany, Berlin, Germany	100.00
VMT	VAMED Medical Technology Ltd., Vienna	100.00
V-NL	VAMED Nederland B.V., Arnhem, The Netherlands	100.00
VSG	VAMED Estate Development and Engineering GmbH & CO KG, Vienna	100.00
VSG GMBH	VAMED Estate Development and Engineering Ltd., Vienna	100.00
Non-consolidated companies:		
BBH	Blumauerplatz Holding Ltd., Linz	100.00
BPB	Burgenländische Nursing Home Operating Ltd., Neudörfl	49.00
CFM	Charité Facility Management Ltd., Berlin, Germany	16.33
CWS	CW Hospital Service Ltd., Düsseldorf, Germany	25.00
EHD	PT. European Hospital Development, Jakarta, Indonesia	30.00
GOK	Charitable Oberndorf Hospital Operating Ltd., Oberndorf	49.00
GRB	Health Resort Gars Operating Ltd., Gars am Kamp	19.14

GRG	Health Resort Gars Ltd., Gars am Kamp	19.90
ITS	UK S-H IT Services Ltd., Lübeck, Germany	49.00
ITT	UK S-H Information Technology Ltd., Lübeck, Germany	49.00
KFE	KFE Hospital Facility Management Eppendorf Ltd., Hamburg, Germany	49.00
KME	KME Hospital Medical Technology Eppendorf Ltd., Hamburg, Germany	49.00
LKV	LKV Hospital Construction and Leasing Ltd., Linz	49.00
NRZ	Neurological Rehabilitation Center 'Rosenhügel' Construction and Operating Ltd., Vienna	49.00
NTG	Neurological Therapeutic Center Gmundnerberg Ltd., Altmünster	41.40
NTK	Neurological Therapeutic Center Kapfenberg Ltd., Kapfenberg	90.00
PSZ	Psychosomatic Center Eggenburg Ltd., Eggenburg	29.00
RBB	Rehabilitation Center Baumgartner Höhe Operating Ltd., Vienna	100.00
RMB	Rehabilitation Center Montafon Operating Ltd., Schruns	100.00
ROB	Rehabilitation Center Oberndorf Operating Ltd., Oberndorf	100.00
RZO	Rheumatic Center Vienna-Oberlaa Ltd., Vienna	49.00
STC	Senior Residents Center St. Corona am Schöpfl Operating Ltd., Vienna	100.00
TBG	'TBG' Thermal Center Geinberg Operating Ltd., Geinberg	18.00
TBL	TBL Thermal Center Laa a.d.Thaya Operating Ltd., Laa a.d.Thaya	19.98
TBS	Thermal Center Seewinkel Operating Ltd., Frauenkirchen	100.00
THG	"THG" Thermal Center Geinberg Construction Ltd., Linz	27.34
THL	THL Thermal Center Laa a.d.Thaya Project Development and Construction Ltd., Laa a.d.Thaya	19.96
TWB	Tauern SPA World Operating GmbH & Co KG, Kaprun	17.07
TWB GMBH	Tauern SPA World Operating Ltd., Kaprun	20.99
TWE	Tauern SPA World Construction GmbH & Co KG, Kaprun	17.07
TWE GMBH	Tauern SPA World Construction Ltd., Kaprun	20.99
TWO GmbH	Thermal Center Vienna Ltd., Vienna	19.99
TWO	Thermal Center Vienna GmbH & Co KG, Vienna	19.99
UKH-Linz	UKH-Linz Construction and Leasing Ltd., Linz	33.33
UKK	VAMED UKK Project Ltd., Berlin, Germany	100.00
VAROM	VAMED ROMANIA S.R.L., Bucharest, Romania	100.00
VBH	'VAMED B&H' d.o.o. Tuzla, Tuzla, Bosnia-Herzegowina	100.00
VDS	VAMED Dominikus Service Ltd., Berlin, Germany	49.00
VE (M)	VAMED ENGINEERING (M) SDN. BHD., Kuala Lumpur, Malaysia	16.00
VE (T)	Vamed (Thailand) Co., Ltd., Bangkok, Thailand	15.00
VEE	VAMED EMIRATES LLC, Abu Dhabi, UAE	20.00
VE-NIG	VAMED ENGINEERING NIGERIA LIMITED, Abuja, Nigeria	60.00
VE-PHD	Philippine Hospital Project Development Corporation, Manila, Philippines	40.00
VHC	VAMED Healthcare Co. Ltd., Beijing, Peoples' Republic of China	100.00
VHS	VAMED HEALTHCARE SERVICES SDN. BHD., Kuala Lumpur, Malaysia	88.57
VHT	VAMED Healthcare Services (Thailand) Ltd., Bangkok, Thailand	49.00
VMR	Health Institution - Institute for diagnostics "VAMED" Novi Sad, Novi Sad, Serbia	75.00
VMS-CZ	VAMED CZ s.r.o., Prague, Czech Republic	100.00
V-RU	OOO VAMED, Moscow, Russia	100.00

All company names are shown as registered, except for German-language company names, with regard to which an interpretive English equivalent is given.

AUDITOR'S REPORT

We have audited the 'Condensed Consolidated Financial Statements', comprising balance sheet, income statement, cash flow statement, statement of changes in equity, and shortened notes, of VAMED AG, Vienna, for the fiscal year January 1 to December 31, 2010. The condensed consolidated financial statements are based on the Group Reporting Package prepared under generally accepted accounting principles in accordance with the International Financial Reporting Standards (IFRS). The preparation and the contents of that Group Reporting Package, prepared exclusively for the purpose of integration into the parent's consolidated financial statements, and the resulting condensed consolidated financial statements, are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the condensed consolidated financial statements based on our audit. On signing the job arrangement letter, our mandate, and our responsibility, also vis-à-vis third parties, are subject to the General Conditions of Contract for the Public Accounting Professions (AAB 2010) as published by the Chamber of Public Accountants. Therefore, our liability is excluded for cases of slight negligence. For gross negligence, a maximum liability limit of EUR 2 million is agreed upon in accordance with the Austrian Business Code, section 275.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with professional guidelines and plan and perform the audit to obtain reasonable assurance whether the condensed consolidated financial statements are free of material misstatements. Our understanding of the business and the economic and legal environment of the VAMED group and expectations as to possible misstatements were taken into account in the determination of the audit procedures. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the condensed consolidated financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the legal representatives as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

In deviation from the International Financial Reporting Standards (IFRS), the goodwill resulting from the acquisition of VAMED AG at parent company level has been adopted, goodwill from the acquisition of other parent company segments is shown at the values as determined by the parent company, and the explanatory information in the notes is not given in full scope as requested by the International Financial Reporting Standards (IFRS). In this context, reference is made to the Executive Board's statement in the Notes under 'General Notes on the Condensed Consolidated Financial Statements'.

The condensed consolidated financial statements of VAMED AG, Vienna, as at December 31, 2010, subject to the above paragraphs, in all material respects were prepared in accordance with the parent's generally accepted accounting principles, which provide for the application of the International Financial Reporting Standards (IFRS).

Vienna, March 2, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH
Renngasse 1/
Freyung
1010 Wien

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Michael Heller Certified Public Accountant	ppa. Mag. Dr. Gudrun Dorner Certified Public Accountant

This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report.

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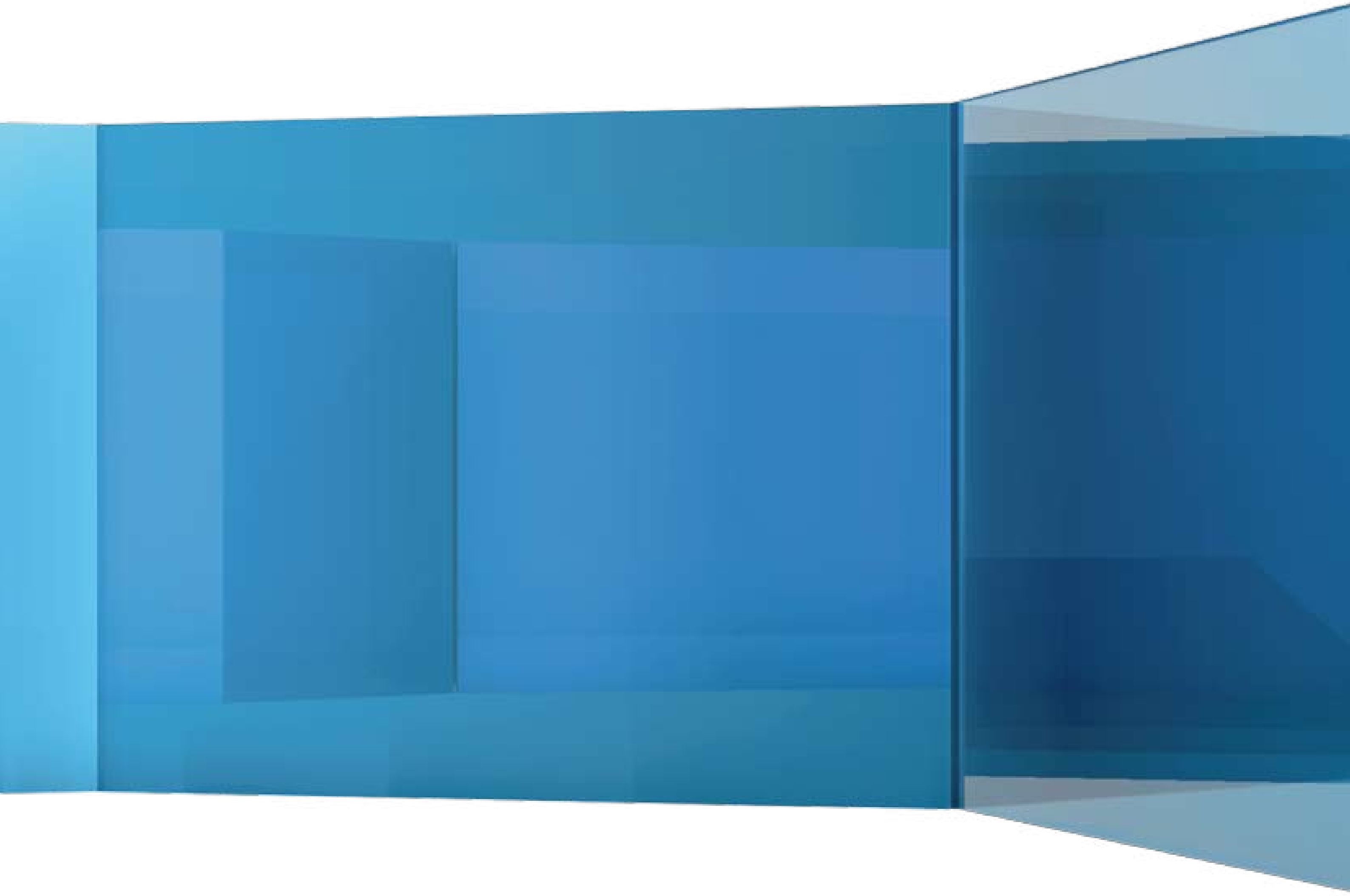

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