FRESENIUS MEDICAL CARE

MOVEMENT

ANNUAL REPORT 2014

Fresenius Medical Care at a glance

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure. More than 2.6 M patients with this disease worldwide regularly undergo dialysis treatment. Dialysis is a vital blood cleansing procedure that substitutes the function of the kidney in case of kidney failure.

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain from a single source. We care for more than 286,000 patients in our global network of 3,361 dialysis clinics. At the same time, we operate 40 production sites on all continents, making us the world's leading provider of dialysis products such as dialysis machines, dialyzers and related disposable accessories.

Fresenius Medical Care has almost 100,000 employees in more than 50 countries. Along with our core business, we will focus on expanding our range of additional medical services. With innovative products and holistic treatment concepts of the highest quality, we aim to offer coordinated care and continuously improve the quality of life of our patients.

OPERATING DATA / KEY FIGURES

in $ M

	2014	*2013*	*Change*
Selected key figures			
Revenue	15,832	14,610	8%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2,954	2,904	2%
Operating income (EBIT)	2,255	2,256	0%
Net income[1]	1,045	1,110	−6%
Net cash provided by (used in) operating activities	1,861	2,035	–
Free cash flow[2]	941	1,307	–
Capital expenditures, net	920	728	–
Acquisitions and investments, net	1,770	478	–
Basic earnings per share *in $*	3.46	3.65	−5%
Dividend per share *in €*	0.78[3]	0.77	1%
Operating income margin *in %*	14.2	15.4	–
Return on invested capital (ROIC) *in %*	6.8	7.7	–
Equity ratio (equity/total assets)[4] *in %*	39.4	41.0	–
Other data			
Employees (full-time equivalents)[4]	99,895	90,690	10%
Patients[4]	286,312	270,122	6%
Clinics[4]	3,361	3,250	3%
Treatments *in M*	42.7	40.5	6%

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Net cash provided by (used in) operating figures after capital expenditures, before acquisitions and investments.*
[3] *Proposal to be approved by the annual general meeting on May 19, 2015.*
[4] *As of December 31 of the respective year.*

MOVEMENT

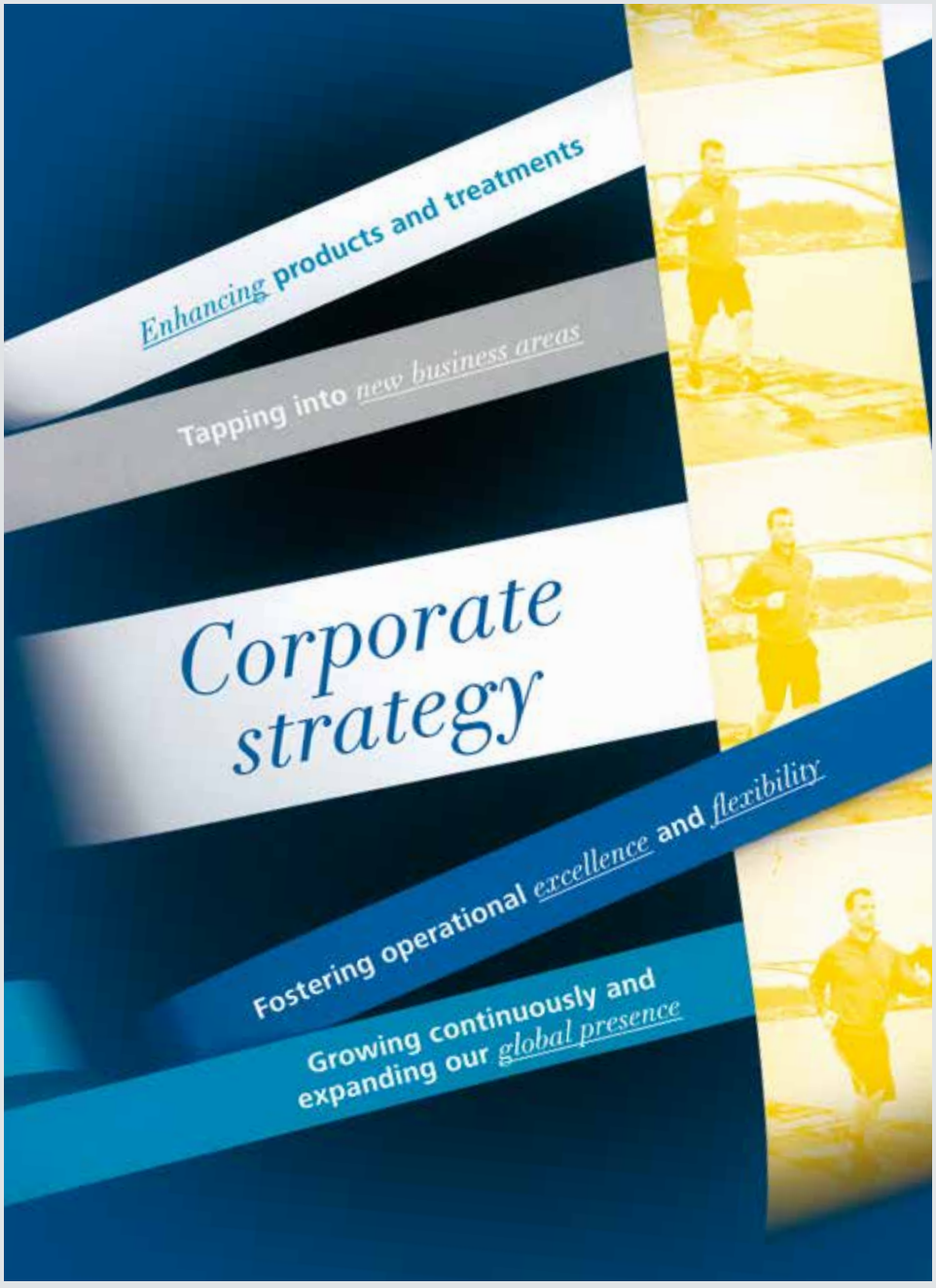
ANNUAL REPORT 2014

Movement ⟶ *Enabling progress*

We are *on the move*, because only if we are on the move we can progress and produce *innovations* that allow us to respond flexibly to *changes* in the market environment and continue to *grow*.

We are always on the move for our *patients*, too. We want to offer them the *best* and *safest* dialysis products and health care services – now and in the future – with the aim of constantly improving their *quality of life*.

Only by moving we can forge *ahead*.


Enhancing products and treatments
Tapping into new business areas
Corporate strategy
Fostering operational excellence and flexibility
Growing continuously and expanding our global presence

Growth ⟶ *Expanding business*

Our aim is to maintain our position as the world's leading provider of *top-quality* dialysis treatments and dialysis products and to use it as a basis for sustainable, profitable growth. In this way, we intend to continuously increase the company value of Fresenius Medical Care and create *added value* for patients, health care systems and investors worldwide.

We have set ourselves long-term *targets* with our *growth strategy 2020:* According to this, Fresenius Medical Care's revenue should increase by around 10% a year on average to $28 billion by 2020. In addition to ongoing strong growth in our existing core business with dialysis products and treatment of dialysis patients, we aim to support this development by offering *medical services* that go beyond dialysis treatment itself.

These services combined under the heading *care coordination* are expected to account for a significant share of overall revenue by 2020.

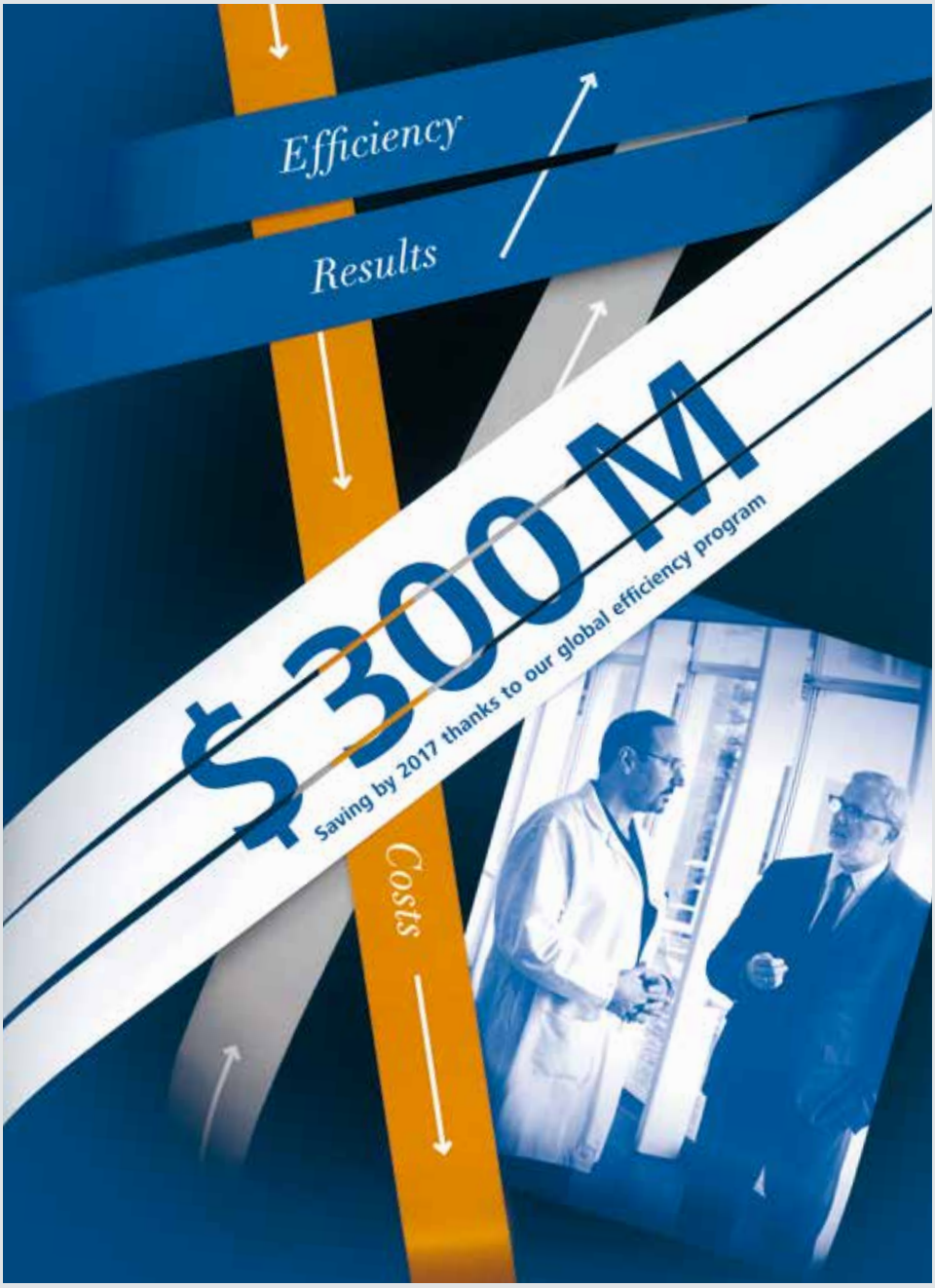

$28 BN
Revenue by 2020
REVENUE GROWTH
INCLUDING CARE COORDINATION
in $ BN
+10%
average
per annum
15
16
1
2014
28
23
5
2020
Revenue from dialysis services and products
Care coordination

Efficiency ⟶ *Capturing potential*

We will keep on enhancing our *efficiency* and making full use of previously untapped *potential* in the future.

Our actions and thoughts are centered above all on our *work processes*. That is why we launched our *global efficiency program* with the aim of optimizing our purchasing, simplifying our structures and *reducing our costs* – and ultimately boosting our earnings on a long-term basis.

Thanks to this program, we were able to save $65 million before tax in 2014. We intend to achieve *savings* of $300 million by 2017.


Efficiency
Results
$300M
Saving by 2017 thanks to our global efficiency program
Costs

International goals ⟶ *Review 2014*

Capacity expansion

Our plant in France, SMAD (1), is one of the sites that we are currently expanding. A total of seven production lines for polysulfone fibers are to be installed here by 2018. We also put our production facility into operation in Vršac, Serbia (2), in the year under review; the aim is to double our production capacity for disposable products to cover the expected growing demand in Europe. Measures such as these are part of our production strategy of manufacturing top-quality products in the right place at the right time at the best possible price.

Positioning

We expanded our medical services in the U.S. with a majority stake in Sound Inpatients Physicians, Inc., and the acquisition of Cogent Healthcare, among others. Both companies maintain a network of hospitalists. We also invested in vascular surgery by taking over National Cardiovascular Partners (NCP). In addition, we acquired MedSpring Urgent Care Centers with centers for emergency outpatient care. Holistic care for our patients will remain at the top of our agenda in the future.

Responsibility

Our employees showed great commitment when the Balkans were hit by a massive cyclone in mid-May. Two of our dialysis centers, in Doboj and Samac in northern Bosnia and Herzegovina, were flooded. Within two days, the patients were evacuated and taken to centers in the surrounding area for further care, while the equipment was salvaged as far as possible. We also donated dialysis machines to hospitals in the region.

Innovative products

We unveiled sleep.safe harmony (3), a new device for customized peritoneal dialysis, and launched it in a number of European countries. It is now even easier to operate than its predecessor models, thus enabling more patients to adapt their treatment themselves.

Green prospects

In Terrassa, Spain, we opened another "green" dialysis center – the first with class A energy performance certification. It features a host of environmentally friendly components, such as a pellet heating system and solar cells (4); in addition, the treated service water is used to irrigate the building's green roof as well as public parks (5). In this way, we are fulfilling our aspiration to reduce the environmental impact of our dialysis treatment.

Location development

In July, we celebrated the 40th anniversary of our main plant for dialyzer production (6) in St. Wendel, Germany. It is also one of the group's most important R & D sites (7). Its success story began in 1974 with the production of infusion solutions at a former hosiery factory; then, in the early 1980s, a team of researchers made a breakthrough in renal replacement therapy with the development of dialysis filters made from the synthetic fiber polysulfone. Since then, we have continuously improved the dialyzers and expanded production capacity at St. Wendel several times. We invested more than $100 million in the location in the last two years alone.


Innovative products
Development
2014 on the move
Responsibility

Our vision

Creating a future *worth living*.
For patients. *Worldwide*. Every day.

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

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life. We use the increasing demand for modern dialysis methods to our advantage and work consistently to enhance the company's growth. Together with our employees, we focus on pursuing strategies that will enable us to uphold our technological leadership. As a vertically integrated company, we offer products and services for the entire dialysis value chain.

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

To our shareholders

CHAPTER 1

To our shareholders

Dear Shareholders,

Movement matters to all of us. It keeps us healthy, boosts our stamina and makes us more productive. We at Fresenius Medical Care are constantly *moving forward*, taking on challenges and making the most of our opportunities.

In 2014, we worked hard to get things moving in many areas. We *seized chances* and further expanded our business. In particular, we set the course for the future of Fresenius Medical Care with our *growth strategy 2020*.

After a muted start to 2014, we continuously improved our financial figures and *met our guidance*. Revenue grew to $15.83 billion, up 8% from the previous year. In the same period, our net income fell from $1.11 billion to $1.05 billion, as expected.

One reason for the slight decline in net income was the challenging situation with regard to the reimbursement of dialysis treatment for state-insured patients in the U.S. Although the *reimbursement rate remained largely stable in 2014 following cutbacks in previous years*, it can no longer adequately cover the rising cost of treatment. We aim to compensate for this shortfall *with our own resources*, as we only expect a slight increase in the reimbursement rate for state-insured patients in the U.S. over the next few years.

Our *global efficiency program* counters this development. In 2014, it enabled us to achieve cost savings of $65 million before tax and structure our work processes more efficiently. In the future, we will enhance our performance even further and save $300 million through this program until 2017.

2014 was also *a year of new beginnings* for Fresenius Medical Care. Our growth strategy, which we unveiled in April at the capital markets day in New York, provides our company with a strategic framework that is geared toward strengthening Fresenius Medical Care's core business on a long-term basis and moving into further *attractive growth areas*. In this way, we aim to generate revenue of $28 billion by 2020, almost doubling our 2013 revenue of $14.6 billion. That is an ambitious target. To achieve it, as the *global market leader for dialysis products and services*, we will continue to work hard and further strengthen our global market position – in all markets in which we operate. In doing so, we will continue to focus on providing *high-quality* services with the aim of ensuring our patients' satisfaction, and to produce outstanding and innovative products for the benefit of people with kidney failure. Meeting the highest quality and compliance standards in all areas has always been our benchmark. After all, we are responsible in equal measure for our patients, our partners in the health care system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.

In addition to *innovative therapy concepts* and state-of-the-art technologies, our work is increasingly centered on a holistic, *coordinated treatment approach*. That is why we now offer various medical services in addition to dialysis treatment itself: Not only do we have specialist physicians who coordinate outpatient and inpatient services as well as intensive-care treatments for our patients, but we also provide vascular maintenance and surgery services, offer emergency medical treatments and coordinate our laboratory and pharmacy business. In 2014, we continued to expand these services and combined them under the heading *"care coordination"* after securing a majority stake in Sound Inpatients Physicians, Inc., which subsequently acquired Cogent Healthcare. Both companies maintain a network of hospital physicians in the U.S. to coordinate optimized and efficient inpatient care. We invested further in the U.S. vascular

surgery market by purchasing National Cardiovascular Partners. In addition, MedSpring Urgent Care Centers, which provides emergency outpatient care, has been part of Fresenius Medical Care since last year. In the year under review, our care coordination revenue increased to $1 billion and is expected to rise to approximately $5 billion by 2020.

We will continue to consistently pursue our growth strategy in the years ahead, both in our care coordination activities and in our business in general. I am delighted that this approach seems to be well-received in the capital markets. Last year, Fresenius Medical Care's *share price rose* by 20% to €61.85, putting it among the *top performers on the DAX*, an indication that you are placing your trust in our business development and day-to-day operations – despite the difficult situation we currently face.

Fresenius Medical Care's reliability is once again reflected in our profit distribution to our shareholders this year. Subject to this proposal being approved at the annual general meeting, you will receive a *dividend of €0.78 per share*. We are proud to propose a dividend increase for the 18th consecutive time.

I would like to take this opportunity to thank our 99,895 employees for their outstanding work and commitment. They are the ones who provide best-in-class products and life-saving services for our patients throughout the world, including *286,312 dialysis patients* at our *3,361 proprietary dialysis clinics* alone. We have faced up to the challenges together and made the fiscal year a successful one. I am proud that we can count on the commitment of such *well-qualified employees* to ensure the well-being of our patients – day after day, all over the world.

I would also like to thank you, our shareholders. We have great plans for the future and have established *ambitious targets*. We will achieve these by *expanding our range of services purposefully and carefully while also strengthening our core business* to allow us to continue to shape the dialysis market. For the current fiscal year, I expect revenue to grow at approximately 5 to 7%. Including savings from the global efficiency program and further investments in care coordination, net income is likely to increase up to 5% in 2015. For 2016, we expect accelerated growth with a 9 to 12% revenue increase and a rise in net income of approximately 15 to 20%. As you see, we have every reason to look to the future with *optimism*. Fresenius Medical Care is *on track* to meet its long-term targets for 2020 with revenue set to grow at an annual rate of approximately 10% and net income in the high single-digit range. We have set the course for this with our strategic decisions and would be delighted if you joined us on our journey.

Yours sincerely

RICE POWELL
Chairman of Fresenius Medical Care

RICE POWELL

Chairman

Rice Powell (59) is chief executive officer and chairman of the management board effective January 1, 2013. Prior to that, he was vice chairman of the management board and member of the management board responsible for the region North America from 2010 to 2012. He joined Fresenius Medical Care in 1997 and was appointed to the company's management board and Co-CEO of Fresenius Medical Care North America in January 2004. He has over 36 years of experience in the health care industry. From 1978 to 1996, he held various positions, among others at Baxter International Inc. and Biogen Inc. in the U.S.

MICHAEL BROSNAN

Finance

Michael Brosnan (59) was appointed chief financial officer on January 1, 2010. Previously, he served as chief financial officer of Fresenius Medical Care North America for seven years. He joined the company in 1998 as vice president of Finance and Administration for Spectra Renal Management, the company's laboratory services organization. Subsequently, he assumed several executive functions at Fresenius Medical Care North America. Prior to joining the company, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG.

ROBERTO FUSTÉ

Asia-Pacific

Roberto Fusté (62) is chief executive officer for Asia-Pacific. After completing his studies in Economic Sciences at the University of Valencia, Spain, he founded the company Nephrocontrol S.A. in 1983. After Nephrocontrol was acquired by the Fresenius group in 1991, he held several senior positions within the company in the Latin America and Asia-Pacific regions, among others. He was appointed to the management board of Fresenius Medical Care in 1999.

RONALD KUERBITZ

North America

Ronald Kuerbitz (55) is chief executive officer for North America effective January 1, 2013. He joined Fresenius Medical Care in 1997. Before being appointed to the company's management board he served as executive vice president for Market Development and Administration for Fresenius Medical Care North America. He has more than 20 years of experience in the health care field, having held positions in law, compliance, business development, government affairs and operations. He is a graduate of Albion College and received his juris doctor degree from the Yale Law School.

DR. OLAF SCHERMEIER

Research and Development

Dr. Olaf Schermeier (42) was appointed chief executive officer for Global Research and Development on March 1, 2013. Previously, he served as president of global R&D for Draeger Medical, Lübeck, Germany. Dr. Schermeier has many years of experience in various areas of the health care industry, among others at Charité-clinic and Biotronik, Germany. He holds a doctorate degree (PhD) in Computer Science from the Technical University of Berlin, Germany and graduated from the University of Hannover, Germany in Electrical Engineering.

KENT WANZEK

Production

Kent Wanzek (55) was appointed chief executive officer for Global Manufacturing Operations on January 1, 2010. From 2004 onwards, he was in charge of North American operations for the Renal Therapies Group at Fresenius Medical Care North America. Prior to joining the company in 2003, he held several senior executive positions at Philips Medical Systems, Perkin Elmer, and Baxter Healthcare Corporation, among others.

DOMINIK WEHNER

Europe, Middle East and Africa, and labor relations director Germany

Dominik Wehner (46) was appointed chief executive officer for Europe, Middle East and Africa (EMEA) on April 1, 2014. He has also been appointed labor relations director for Germany. He began his career at Fresenius Medical Care in 1994 as junior sales manager. Before being appointed to the company's management board he served as executive vice president responsible for the regions Eastern Europe, Middle East and Africa as well as Renal Pharma Europe, Middle East, Africa and Latin America (EMEALA) and P.O.I. (People, Organizational Change and Implementation) EMEALA. He also serves on the Vifor Fresenius Medical Care Renal Pharma Ltd. board of directors.

Former members of the management board: Prof. Emanuele Gatti (59) responsible for Europe, Middle East, Africa and Latin America, and global chief strategist (until March 31, 2014); Dr. Rainer Runte (55) responsible for global Law, Compliance, Intellectual Property, Corporate Business Development, and labor relations director Germany (until March 31, 2014)

RICE POWELL
Chairman

DR. OLAF SCHERMEIER
Research and Development

ROBERTO FUSTÉ
Asia-Pacific

KENT WANZEK
Production

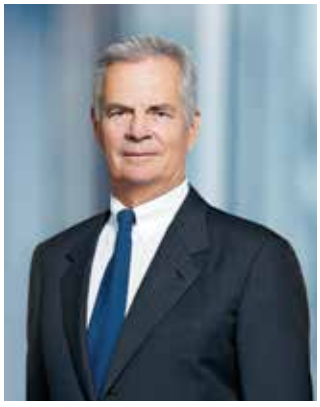
MICHAEL BROSNAN
Finance

RONALD KUERBITZ
North America

DOMINIK WEHNER
Europe, Middle East and Africa,
and labor relations director Germany

REPORT OF THE SUPERVISORY BOARD

The supervisory board of Fresenius Medical Care AG & Co. KGaA dealt in the financial year 2014 with possibilities to expand business activities to include adjacent business areas and the associated acquisitions above all in North America, with the expansion of the present business and with questions of research and development and further financing of the company. The further improvement of efficiency of production and service and the success of the cost-saving measures were discussed with the management board of the general partner Fresenius Medical Care Management AG (hereinafter "the Management Board").



Details

The supervisory board, in the expired financial year 2014, again dealt extensively with the situation and the perspectives of the company and various special issues as well as performing the duties imposed on it by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. The supervisory board regularly advised the Management Board on the management of the company and supervised the management within its responsibility as the supervisory board of the partnership limited by shares. The management informed the supervisory board in written and oral reports regularly, within a short time and comprehensively about all significant questions of business policy and the company planning and strategy, the progress of transactions, on acquisitions, the profitability and liquidity, the situation of the company and the group and the risk situation and risk management. All business issues significant for the company were discussed by the supervisory board on the basis of reports of the Management Board in the committees and in full session comprehensively. The strategic direction of the company was also discussed with the Management Board. In accordance with the procedure in previous years, the supervisory board again reviewed the economic development of acquisitions of the previous years and compared them with the planning and prognoses at the time of each acquisition. The supervisory board passed resolutions in the terms of its responsibilities under statute and under the Articles of Association.

Meetings

In the financial year 2014, five meetings – most of which extended to more than one day – of the supervisory board and a number of telephone conferences took place. No supervisory board member attended less than half of the meetings. Between the meetings, written reports were provided. The chairman of the supervisory board also maintained close contact with the Management Board and in particular with the chairman of the Management Board apart from at meetings.

Focus of the Discussions in the Supervisory Board

The supervisory board in the expired financial year 2014 dealt mainly with the strategic considerations and measures to expand the area of business, above all in North America. In addition to the dialysis treatment itself, Fresenius Medical Care's core business comprises further medical services combined under the title care coordination. These include, for example, vascular care, coordination of inpatient and outpatient services, intensive-care treatments by specialist physicians, vascular surgery services, planning of health care services, emergency medicine and laboratory and pharmacy business. Several acquisitions in the area of care coordination and emergency medicine as well as cardio-vascular therapies in the U.S. (namely, the acquisitions of Medspring Urgent Care Centers, Sound Inpatient Physicians, Cogent Healthcare, National Cardiovascular Partners) are intended to produce further growth adjacent to the core business areas.

Financing issues were again the focus of the discussions. The expansion of the credit agreement, the extension of the receivables sales program, the placing of bonds and the issue of an equity neutral convertible bond further strengthened and improved the financing basis. Thereby, the company also took advantage of the favorable interest environment.

The business development, the competitive situation and the planning of the management board in the various regions were also at the centre of the discussions. The supervisory board was informed about the success of the measures to improve the cost situation.

The supervisory board informed itself about the quality assurance systems and the qualitative results of the various production facilities and together with the Management Board discussed the anticipated quantitative development in the existing facilities and their expansion. The supervisory board also discussed and considered with the Management Board the litigation in connection with alleged inadequate warnings on two dialysis concentrates (NaturaLyte and Granuflo).

The Audit and Corporate Governance Committee

Prof. Dr. Bernd Fahrholz, Mr. William P. Johnston, Dr. Gerd Krick und Dr. Walter L. Weisman were members of the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee, under the chairmanship of Dr. Walter L. Weisman (independent financial expert according to Sec. 100 ss. 5 German Stock Corporation Act) held a total of five meetings and a number of telephone conferences in the year under report. It dealt with the annual and consolidated financial statements, the proposal for the application of profit and the Form 20-F report for the American Securities and Exchange Commission (SEC). The Audit and Corporate Governance Committee also discussed each quarterly report with the Management Board. It also satisfied itself as to the independence of the auditor of the annual and consolidated financial statements, instructed him to undertake the audit, concluded the fee agreement with him and discussed and determined with him the focuses of the audit. The Audit and Corporate Governance Committee also considered the compliance of the company, in particular assertions that in countries outside the USA and Germany violations of the U.S. Foreign Corrupt Practices Act ("FCPA") or other anti-corruption legislation occurred. The Audit and Corporate Governance Committee followed the investigations thereby indicated which also covered the internal control processes. It is anticipated that the Audit and Corporate Governance Committee will continue to deal with the progress of this investigation in the current financial year since at the end of the year under report no final results were available.

Representatives of the auditor participated in all meetings of the Audit and Corporate Governance Committee and in a number of telephone conferences and reported thereby on their auditing and the audit review of the quarterly financial statements and, in the absence of members of the Management Board, on the cooperation with them. The representatives of the auditor also reported on the significant results of their audit and were also available for additional information.

The accountancy process, the effectiveness of the internal control system, of the risk management system and of the internal audit system, and the audit were discussed several times in the Audit and Corporate Governance Committee. KPMG AG Wirtschaftsprüfungsgesellschaft reviewed, in the course of the audit, the internal control and risk management system in relation to the accountancy process and the establishment of the early risk recognition system and raised no objections thereto. The Management Board provided periodic reports on larger individual risks. The Management Board also informed the committee regularly i. e. at all ordinary meetings of the Audit and Corporate Government Committee and sometimes in telephone conferences on the compliance situation of the company. In addition, the head of internal audit reported periodically to the committee.

In 2014, the Audit and Corporate Governance Committee again dealt with the internal control system of the company in accordance with the Sarbanes-Oxley Act ("SOX 404"). The company received on 24 February 2015 an unqualified audit certificate of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the implementation of the regulations of SOX 404 in the financial year 2014.

The legal and business relations of the company to Fresenius SE & Co. KGaA and/or its affiliates were again subject matter of the reviews of the Audit and Corporate Governance Committee. It was possible to confirm in each case that the relationships corresponded to those "at arms' length".

The results of the discussions and resolutions of the Audit and Corporate Governance Committee were reported by its chairman to the supervisory board in each case.

Joint Committee

The Joint Committee, the approval of which is required for certain important transactions and certain transactions between the company and Fresenius

SE & Co. KGaA and/or its affiliates, did not meet in 2014 since no measures requiring its approval arose.

For the general partner, its supervisory board members Dr. Ulf M. Schneider and Dr. Gerd Krick are delegated to the Joint Committee of the company and for Fresenius Medical Care AG & Co KGaA, Dr. Walter L. Weisman and Mr. William P. Johnston are elected to the Joint Committee.

Nomination Committee

The Nomination Committee of the company, the members of which in the year under report were Dr. Gerd Krick (chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk, recommends to the supervisory board of the company suitable candidates for its election proposals for members of the supervisory board to the general meeting. In the year under report, the Nomination Committee did not meet as there was no requirement for it to do so.

Corporate Governance

The supervisory board again reviewed the efficiency of its work and also dealt with the exchange of information between the Management Board and the supervisory board (including regular information from the Management Board on new developments in Corporate Governance and Compliance) and between the supervisory board and the Audit and Corporate Governance Committee. No objections arose in the course thereof.

The supervisory board members Rolf A. Classon, William P. Johnston, Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Walter L. Weisman are also members of the supervisory board of the general partner, Fresenius Medical Care Management AG. The supervisory board members Dr. Krick and Dr. Schenk are also members of the supervisory board of Fresenius Management SE (Dr. Krick as chairman and Dr. Schenk as deputy chairman) which acts as general partner in Fresenius SE & Co. KGaA which holds approx. 31.1% of the shares of the company and all shares in its general partner, Fresenius Medical Care Management AG. Dr. Krick is also a member (chairman) of the supervisory board of Fresenius SE & Co. KGaA.

Consultancy or other service relationships between supervisory board members and the company apply in the year under report only to Dr. Dieter Schenk who is also partner in the law firm Noerr LLP which, together with other companies of the international law firm Noerr, provided legal advice to the company and its affiliates. In the year under report, Fresenius Medical Care paid approx. €1.1 M (plus VAT) to the law firm Noerr or in December 2014 gave instructions for such payment (2013: approx. €1.0 M). This is less than 1% of the legal and consultancy costs paid by Fresenius Medical Care worldwide. Concerning the amount paid or processed for payment in the year 2014, it does not include payments which have been executed in the year under report, but had been instructed for payment in 2013 and had therefore been reported for fiscal year 2013 already. The supervisory board (and the supervisory board of the general partner) approved the instructions and the payments after presentation of detailed information thereon and after the recommendation of the Audit and Corporate Governance Committee by resolution accordingly, in each case with Dr. Schenk abstaining. Payments were only effected after the approval of the supervisory board in each case.

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

At its meeting on 2 December 2014, the supervisory board discussed and resolved on the conformity declaration of the company under § 161 Stock Corporation Act on the German Corporate Governance Code. The version of the conformity declaration of December 2014 as it appears at present permanently accessible on the Internet site of the company applies.

The exceptions from the recommendations of the Code refer firstly to the (absence of) reference to or setting of an age limit for members of the Management Board and the lack of setting concrete targets for the composition of the supervisory board of Fresenius Medical Care and their implementation in election recommendations. Since the composition of the Management Board and of the supervisory board is to be guided by the interests of the company, the qualification of each individual is in principle and with priority decisive. The supervisory board will in discussing its proposals to the relevant election committees take account of the international activity of the company, potential conflicts of interest, the number of independent supervisory board members in the meaning of No. 5.4.2 of the Code and diversity. This also includes the aim to establish an appropriate female representation on a long-term basis. In order, however, not to limit generally the selection of suitable candidates in the interest of the company, the supervisory board confines itself to a general declaration of intent and in particular refrains from setting an age limit for members of the management board.

Likewise, in the service contracts of the members of the Management Board no cap on severance payments is included. That would not be reconcilable with the concept of concluding service contracts for

the duration of the appointment and would not be consistent with a balanced consideration of each individual case.

Furthermore, in the service contracts of the members of the Management Board, no maximum figures for specific remuneration parts is included for the reasons stated in the conformity declaration. While the amounts of short-term performance-related remuneration are limited, the service agreements of the members of the Management Board provide the possibility to limit stock options and phantom stocks as remuneration elements with long-term incentive effect but no maximum limit by amount. That would contradict the basic principle that the members of the management board should participate reasonably in the economic chances and risks of the business. It is for that reason that no maximum amounts are stated for the overall remuneration.

For that reason, the tables used for the presentation of the remuneration of the members of the Management Board do not correspond entirely with the relevant recommendations of the Code. However, Fresenius Medical Care presents the system and the amounts of the management board remuneration comprehensively and transparently. Benefits and inflows granted in the year under report are presented in tables which follow the structure and mostly the specifications of the precedent tables.

The Corporate Governance Report of the general partner and of the supervisory board together with the declaration on the management according to Sec. 289a Commercial Code starting on page 110 of the annual report. The declaration on the management for the year under report was discussed by the supervisory board and approved at its meeting of 11 March 2015.

Annual and consolidated financial statements

The annual financial statements of Fresenius Medical Care AG & Co. KGaA and the annual management report were prepared in accordance with the regulations of the German Commercial Code, the consolidated financial statements and consolidated management report under Sec. 315a German Commercial Code in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The accountancy, the annual financial statements and the annual management report of Fresenius Medical Care AG & Co. KGaA and the consolidated financial statements and consolidated annual management report of Fresenius Medical Care AG & Co. KGaA, in each case for the financial year 2014, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin which was elected as auditor by resolution of the annual general meeting of 15 May 2014 and instructed by the Audit and Corporate Governance Committee of the supervisory board. The said documents each carry an unqualified certificate. The audit reports of the auditor were laid before the Audit and Corporate Governance Committee and before the supervisory board. The Audit and Corporate Governance Committee, taking account of the audit reports of the auditor of the annual and consolidated financial statements and the discussions with him, reviewed the annual and consolidated financial statements and annual management reports and reported to the supervisory board thereon.

The supervisory board also reviewed the annual financial statements, the annual management report and the proposal for the application of profit and the consolidated financial statements and consolidated annual management report in each case for the financial year 2014. The documents were provided to it in good time. The supervisory board declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor of the annual and consolidated financial statements who signed the audit reports also participated in the discussions of the supervisory board of the annual and consolidated financial statements, reported on the significant results of the audit and were available for additional information. No objections are to be raised by the supervisory board to the annual financial statements and the annual management report of the company or to the consolidated financial statements and the consolidated annual management report even after the final results of its own review.

At its meeting on 24 February 2015, the supervisory board discussed the draft of the report according to Form 20-F for filing with the Securities and Exchange Commission (SEC), which contains, inter alia, the consolidated financial statements and the consolidated annual management report in accordance with the "U.S. Generally Accepted Accounting Principles", (U.S. GAAP) with the US dollar as the reporting currency. The annual financial statements and annual management report of Fresenius Medical Care AG & Co. KGaA as well as the consolidated financial statements and consolidated annual management report for 2014, each of them presented by the general partner, Fresenius Medical Care Management AG, were approved by the supervisory board at its meeting on 11 March 2015. The supervisory board also approved the general partner's proposal for the application of profit which provides for a dividend of €0.78 for each share.

Dependency report

The general partner, Fresenius Medical Care Management AG, prepared a report on the relationships to affiliates in accordance with § 312 Stock Corporation Act for the financial year 2014. The report contains the final declaration of the general partner that the company, in accordance with the circumstances known to the general partner at the time at which the transaction was undertaken or the measures taken or omitted, received reasonable consideration for each transaction and was not disadvantaged by the conduct of the measures or their omission.

The supervisory board and the Audit and Corporate Governance Committee received the report in good time and reviewed it. The auditor participated in the relevant discussions, reported on the main results of his audit and was available for additional information. The supervisory board and the Audit and Corporate Governance Committee share the view of the auditor who added the following certificate to that report on 24 February 2015:

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

According to the final result of the review by the supervisory board also, no objections to the declaration of the general partner at the foot of the report on the relationships to affiliates are to be raised.

Composition of the Management Board

Prof. Emanuele Gatti, management board member for the region of Europe, the Middle East, Africa and Latin America and responsible for the worldwide strategy development, left the Management Board with effect on 31 March 2014. He is since that time Executive Advisor for Health Strategies and Health Policy of the company and represents it in various external committees. In addition and in connection with his scientific work – since 1 April 2014 as Professor for Translation of Biomedical Innovations at the Danube University Krems – Prof. Gatti will continue to work for Fresenius Medical Care on the development of regenerative therapies and the further development of dialysis.

As successor to Prof. Gatti for the region of Europe, the Middle East and Africa, the supervisory board of Fresenius Medical Care Management AG appointed Mr. Dominik Wehner who has been with the group since 1994.

Dr. Rainer Runte, management board member for Law, Compliance, Intellectual Property, Corporate Business Development and Labour Director for Germany left the company by mutual agreement as of 31 March 2014 after informing the supervisory board that for personal reasons he did not wish to extend his contract which was due to expire at the end of 2014. Dr. Runte had been with the company for 24 years and since 2002 as a member of the Management Board of Fresenius Medical Care AG (Legal predecessor of Fresenius Medical Care AG & Co. KGaA), and since 2006 as a member of the Management Board of Fresenius Medical Care Management AG. The responsibilities for the areas of Global Law, Compliance and Human Resources as well as Latin America were assigned to the Chairman of the Management Board while the responsibility for the area Global Intellectual Property and Patents lies with the management function Global Research and Development. Furthermore, the areas of Global Law and Compliance are under the responsibility of a Chief Compliance Officer and a General Counsel, neither of whom is a member of the management board. The new Labour Director for Germany is Mr. Dominik Wehner.

The supervisory board thanks Prof. Gatti and Dr. Runte for their long years of successful work in building up the business, their outstanding commitment and their excellent economic performance.

We wish Mr. Wehner success on the Management Board.

The supervisory board thanks the members of the Management Board as well as all employees for their commitment and for the successful work performed in 2014.

Bad Homburg v. d. H., 11 March 2015
The supervisory board

DR. GERD KRICK
Chairman

Fresenius Medical Care's share price performed very well in 2014; at the end of the year, it was around 20% higher than it was at the start. In the same period, the DAX gained 3%. We are confident that we can boost Fresenius Medical Care's shareholder value in the long term with our strategic approach.

SHARP RISE IN FRESENIUS MEDICAL CARE'S SHARE PRICE

Fresenius Medical Care shares were among the top performers on the DAX last year, despite getting off to a muted start: The debate on possible reductions in the reimbursement rates for state-insured dialysis patients in the U.S. curbed the performance of the share price. February's earnings outlook for 2014 met with a negative response from investors. As the year progressed, our corporate strategy and the long-term targets of our "growth strategy 2020", which we informed investors about at the capital markets day in New York at the beginning of April, had a positive effect. Details of our strategy can be found in the "Operations and strategy" chapter starting on page 37. Fresenius Medical Care's risk profile was rated increasingly favorably over the course of the year. The announcement of the reimbursement rates for state-insured dialysis patients in the U.S. for the next few years was a contributing factor here. Although these still do not adequately cover rising treatment costs and therefore have a negative impact on business, the decisions made in the reimbursement system provide us with a high degree of security for our long-term planning. Our financial figures, which continued to improve throughout the year, were also well received on the capital market.

Overall, Fresenius Medical Care's share price rose by 20% in 2014. At the end of the year it stood at nearly €62, putting it in third place among DAX-listed stocks. Fresenius Medical Care shares recorded their high for the year on December 30, 2014 (€61.85) and their low on May 20, 2014 (€47.15). Further information on share price and index performance can be found in table 1.1 and charts 1.2, 1.3 and 1.4.

The long-term comparison clearly demonstrates the strength and stability of Fresenius Medical Care shares: Over the past ten years, the company's share price has more than trebled. Investors seeking long-term growth, who invested €10,000 in Fresenius Medical Care shares ten years ago and reinvested the dividends, would have had €30,354 in their accounts as of December 31, 2014, equivalent to an average annual return of around 12%. Over the same period, the DAX and the Dow Jones index in the U.S., for example, posted significantly lower average annual growth rates of 9 and 5%, respectively.

Clear increase in market capitalization

Fresenius Medical Care's market capitalization amounted to €18.77 BN as of December 31, 2014, around €3.2 BN higher than the prior-year figure of €15.59 BN. At 0.80 M per trading day, the trading volume of the shares on the Xetra trading platform was virtually unchanged from the previous year (0.81 M).

T. 1.1 **STOCK INDICES/SHARES**

	Country/ region	*31.12.2014*	*31.12.2013*	*Change*	*High*	*Low*
DAX	*GER*	9,806	9,552	2.7%	10,087	8,572
Dow Jones	*U.S.*	17,823	16,577	7.5%	18,054	15,373
Nikkei	*JP*	17,451	16,291	7.1%	17,936	13,910
CAC	*FR*	4,273	4,296	–0.5%	4,595	3,919
FTSE	*GB*	6,566	6,749	–2.7%	6,878	6,183
DJ EURO STOXX 50	*EUR*	320	314	1.7%	336	288
DJ EURO STOXX Healthcare	*EUR*	692	655	5.7%	743	615
Fresenius Medical Care share *in €*	*GER*	61.85	51.73	19.6%	61.85	47.15
Fresenius Medical Care ADR *in $*	*U.S.*	37.14	35.58	4.4%	37.63	32.06

Source: FactSet data, own calculations

In addition to Xetra, other electronic trading platforms have gained in prominence in recent years. These now account for approximately 70% of trading activity in our shares, compared to Xetra with around 30%.

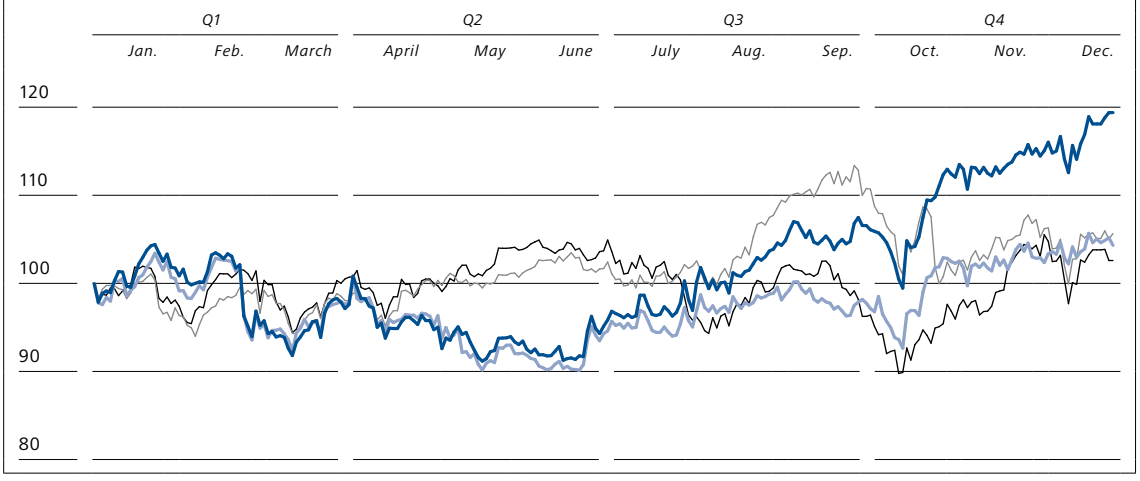
Stable position in DAX rankings

The rankings published by Deutsche Börse are a key factor in the composition of the DAX. They are compiled every month based on the trading volume and market capitalization in terms of the free float. At year-end 2014, our weighting in the DAX was 1.62% (2013: 1.37%). This largely reflects the rise in our share price. At the end of the year, we were ranked 20th in terms of market capitalization (2013: 21st) and 26th in terms of trading volume (2013: 25th).

Fresenius Medical Care's shares are included in a number of other important international share indices, such as the Dow Jones, MSCI and the FTSE. Our shares were listed in the Dow Jones Sustainability Europe Index for the sixth consecutive year, and in the Dow Jones Sustainability World Index for the second year running – both indices take into account ecological and social as well as economic criteria.

C. 1.2 **INDEX AND SHARE PRICE PERFORMANCE, INDEXED DECEMBER 31, 2013 – DECEMBER 31, 2014**

in %

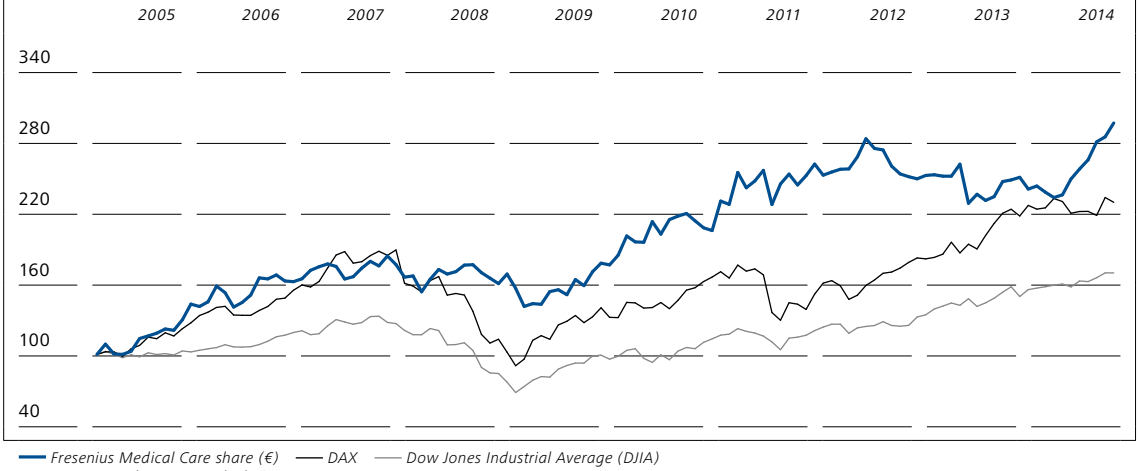


Fresenius Medical Care share (€) *Fresenius Medical Care ADR ($)* *DAX* *DJ Euro Stoxx Healthcare*

Source: FactSet data, own calculations

C. 1.3 **INDEX AND SHARE PRICE PERFORMANCE ON A TEN-YEAR COMPARISON, INDEXED DECEMBER 31, 2004 – DECEMBER 31, 2014**

in %



Fresenius Medical Care share (€) *DAX* *Dow Jones Industrial Average (DJIA)*

Source: FactSet data, own calculations

ADR

In 2014, the price of Fresenius Medical Care shares listed on the New York Stock Exchange in the form of American depositary receipts (ADR) increased by 4%. Two ADRs are equivalent to one Fresenius Medical Care share. The price movement of the ADR is tied to that of our share, mainly taking into account the development of the euro/U.S. dollar exchange rate. Relative to the shares, the trading volume of the ADR stood at around 17% last year.

DIVIDEND CONTINUITY

At the annual general meeting on May 19, 2015, we will propose a dividend to shareholders of €0.78 per share.

Based on the proposed dividend and our closing share price at the end of 2014, the dividend yield for our shares should be around 1.3% (2013: 1.5%). This means the dividend would have risen by around 9% each year on average since 1997.

Assuming the proposed dividend is accepted, the total payout for 2014 would amount to approximately €237 M. Applying the exchange rate at the end of the year under review, the total dividend works out at around $287 M. Based on our net income of $1.05 BN, this represents a payout ratio of about 27%.

SHAREHOLDER STRUCTURE STILL VERY BALANCED

Based on our latest shareholder structure analysis at the end of the 2014 financial year, we were able to match around 85% (previous year: 96%) of the 303.6 M shares outstanding with their owners. As of December 31, 2014, the number of Fresenius Medical Care shares held by our largest shareholder, Fresenius SE & Co. KGaA, remained unchanged at around 94.4 M. This corresponds to 31.1% interest in our share capital. In that analysis, we identified a further ten institutional investors with an interest in our share capital of more than 1%.

According to the analysis, 548 institutional investors (previous year: 831) own Fresenius Medical Care shares, with the top 20 investors alone holding approximately 43% of identified shares in the free float (previous year: 47%). Seven of the top 20 investors are based in Great Britain, while six are in the U.S., four in Germany, two in France and one in Norway.

In terms of regional distribution, 30% of all shares identified in the free float were held by institutional investors in North America. Another 55.7% of the shares were held in Europe excluding Germany, with Great Britain accounting for the majority (29.6% of free float). Institutional investors in Germany held around 12.1% of the shares in our company.

C. 1.4

SHARE PRICE PERFORMANCE, ABSOLUTE
DECEMBER 31, 2013 – DECEMBER 31, 2014

in €

Fresenius Medical Care share
Source: FactSet data, own calculations

Our shareholder structure is well balanced in terms of regional breakdown as well as the share of private and institutional investors. For 2014, we again see the regional focus of our investor relations activities as being on North America and Europe, as well as selected countries in Asia and the Middle East.

VOTING RIGHTS NOTIFICATIONS IN 2014

As of the end of 2014, Fresenius Medical Care had not received any notification that a shareholder (except Fresenius SE & Co. KGaA) holds a stake of more than 5% in the company. All 14 voting rights notifications received in the course of the year as per section 25(1) and (1a) as well as section 21(1) of the German Securities Trading Act (WpHG) are published on our website, www.freseniusmedicalcare.com, under "Investors".

SHARES MAINLY RATED POSITIVELY

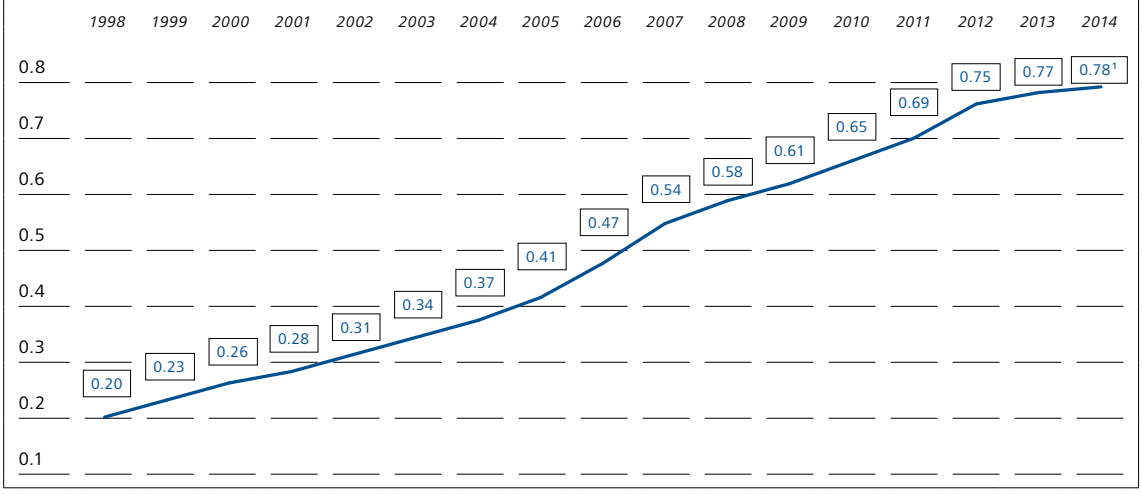
Financial analysts continued to show great interest in our company. Around 31 equity analysts, known as sell-side analysts, actively tracked our shares and covered our company. As of the end of 2014, 17 analysts rated our shares as "buy", eleven analysts voted for "hold" and three analysts issued a "sell" recommendation.

SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

Our investor relations work in 2014 again focused on delivering comprehensive, transparent and timely information simultaneously to all capital market participants. This included disclosing information on the strategy and management principles of Fresenius

C. 1.5 **DEVELOPMENT OF THE DIVIDEND**

in €



Fresenius Medical Care share

¹ *Proposal to be approved by the annual general meeting on May 19, 2015.*

T. 1.6 **NUMBER OF IDENTIFIED SHARES AS PER SHAREHOLDER STRUCTURE ANALYSIS**

Figures rounded in M

	Number of shares	*in %*	*in % of free float*
Number of shares outstanding as of December 31, 2014	303.6	100.0	–
Identified shares	258.1	85.0	–
Unidentified shares	45.4	15.0	21.7
Shares in free float	209.2	68.9	–
▸ IDENTIFIED SHARES BASED ON FREE FLOAT	**163.8**	**–**	**78.3**

Medical Care, its operational and financial business developments and the company's outlook to a wide audience comprising not only shareholders, other capital market participants and analysts, but also employees, journalists and the general public. Our aim is to make a significant contribution to increasing the value of Fresenius Medical Care in the long term by means of effective financial communication.

In the year under review, we presented Fresenius Medical Care in more than 750 one-on-ones with analysts and investors and answered questions about our business performance and the company's future. In addition, we showcased our company at 13 roadshows and 24 investment conferences around the globe. We also informed investors and analysts at the capital markets day in New York on the current status of the global efficiency program launched in 2013 as well as the company's business operations, strategies and growth opportunities up to 2020. Further information on our strategy can be found in the "Operations and strategy" chapter starting on page 37.

T. 1.7 GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES

Figures rounded in M

	Dec. 2014		*Jan. 2014*	
	Number of shares	*in %*	*Number of shares*	*in %*
North America	45.46	30.02	62.55	37.0
Germany	18.29	12.07	15.67	9.3
Great Britain (including Ireland)	44.84	29.60	56.78	33.6
France	17.33	11.44	11.94	7.1
Norway	5.44	3.59	5.57	3.3
Rest of Europe	16.81	11.10	12.26	7.2
Rest of the world	3.30	2.18	4.32	2.5
▸ SHARES ATTRIBUTABLE TO REGIONS	**151.46**	**100.0**	**169.09**	**100.0**
Private investors	12.30	–	24.12	–
▸ IDENTIFIED SHARES BASED ON FREE FLOAT	**163.76**	**–**	**193.21**	**–**

T. 1.8 BASIC SHARE DATA

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

2014 was a successful fiscal year for Fresenius Medical Care's Investor Relations department, not only due to the positive performance of the share price: As the year progressed, the company's outstanding work won several plaudits. For example, a survey carried out by the U.S. magazine "Institutional Investor" ranked Fresenius Medical Care first in the "healthcare" category in Europe for the seventh year in succession.

On our website www.freseniusmedicalcare.com, we also provide the following information:

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

T. 1.9 KEY FIGURES FOR FRESENIUS MEDICAL CARE'S SHARE

		2014	2013	2012	2011	2010
Number of shares[1]	*in M shares*	303.56	301.45	302.74	300.16	298.28
Share prices (Xetra trading)						
Year high	*in €*	61.85	55.60	59.51	55.13	45.79
Year low	*in €*	47.15	47.00	50.80	41.11	36.10
Year end price	*in €*	61.85	51.73	52.31	52.50	43.23
Average daily trading volume	*in shares*	816,486	828,269	668,588	831,757	826,089
Share prices (ADR NYS)						
Year high	*in $*	37.63	36.07	38.93	39.96	32.01
Year low	*in $*	32.06	31.02	32.13	27.88	23.71
Year end price	*in $*	37.14	35.58	34.30	33.99	28.85
Average daily trading volume	*in shares*	134,825	179,875	–	–	–
Market capitalization						
Year end	*in € M*	18,765	15,594	15,986	15,930	13,143
Year end	*in $ M*	22,707	21,488	21,092	20,621	17,270
Exchange rate	*$ to €*	1.2101	1.3745	1.3194	1.2945	1.3141
Index weight						
DAX	*in %*	1.62	1.37	1.64	2.16	1.36
Dividend						
per share	*in €*	0.78[2]	0.77	0.75	0.69	0.65
Dividend yield[3]	*in %*	1.3	1.5	1.4	1.3	1.5
Total payout	*in € M*	237[2]	232	230	210	197
Basic earnings per ordinary share (EPS)						
Number of shares[4]	*in M shares*	302.34	301.88	301.14	299.01	296.81
Basic earnings per ordinary share (EPS)	*in $*	3.46	3.65	3.89	3.54	3.25

[1] *As of December 31 of the respective year.*
[2] *Subject to the approval of the annual general meeting on May 19, 2015.*
[3] *Based on end of the respective year.*
[4] *Weighted average number of outstanding shares.*

Our fiscal year

CHAPTER 2

Our fiscal year

Fresenius Medical Care is the world's leading provider of dialysis products and services. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure.

LEADING PROVIDER OF DIALYSIS PRODUCTS AND SERVICES

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. Alongside the use of innovative treatment concepts and the latest technologies, our attention is increasingly focused on a holistic and coordinated treatment approach. Therefore, we provide further medical services in addition to the actual dialysis treatment. In the year under review, we expanded our network for medical services mainly through acquisitions and combined them under the term "care coordination". As a result, there are some changes in our financial reporting. In the future we will combine our dialysis services and care coordination revenues as health care services. Nevertheless, the main part of our sales is still generated by dialysis products and dialysis services.

We now care for over 286,000 dialysis patients in 3,361 proprietary dialysis clinics in more than 45 countries worldwide. We are continuously developing this network of clinics, which is the largest and most international in the world, to accommodate the ever growing number of dialysis patients. At the same time, we operate 40 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), Changshu (China), L'Arbresle (France) and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany) and Concord, California (U.S.). We also maintain further manufacturing facilities worldwide which generally cover local demand for dialysis products. Further information on our production activities can be found in the "Procurement and production" chapter starting on page 70; a list of our major subsidiaries can be found starting on page 243.

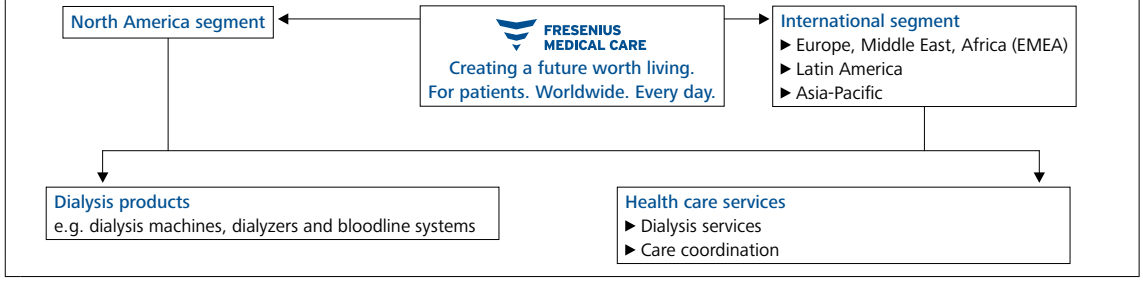
Fresenius Medical Care is organized regionally and divided into the segments North America, EMEA (Europe, Middle East, Africa), Latin America and Asia-Pacific. Our business segments are grouped into North America and International; the latter in turn comprises the EMEA, Latin America and Asia-Pacific regions see chart 2.1.

Fresenius Medical Care's company headquarters are in Bad Homburg, Germany. The headquarters of North America, our most important region in terms of revenue, are in Waltham, Massachusetts (U.S.). An overview of Fresenius Medical Care's main locations can be found in chart 2.2 starting on page 38.

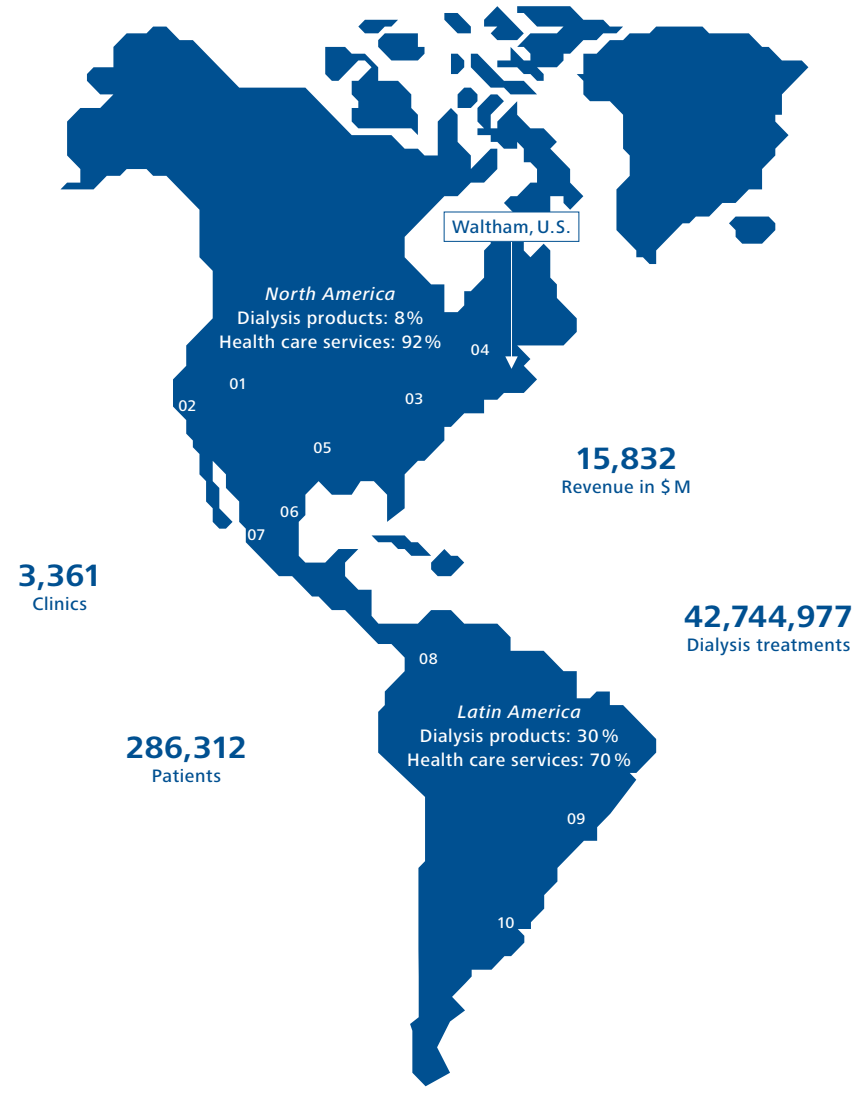
Management and control

Since February 2006, Fresenius Medical Care has had the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the company's management and supervisory structure are set out in the "Corporate governance report" starting on page 110. The members of the management board are presented starting on page 21; information on the positions of the management board and the supervisory board can be found starting on page 239.

C. 2.1 ORGANIZATIONAL STRUCTURE



C. 2.2 **MAJOR LOCATIONS**



America

Waltham, U.S.
Regional headquarters North America

01 Ogden, U.S.
Dialyzers

02 Concord, U.S.
Dialysis machines

03 Toledo, U.S.
Hemodialysis concentrates

04 Montreal, CA
Hemodialysis concentrates

05 Irving, U.S.
Hemodialysis concentrates

06 Reynosa, MX
Bloodline systems

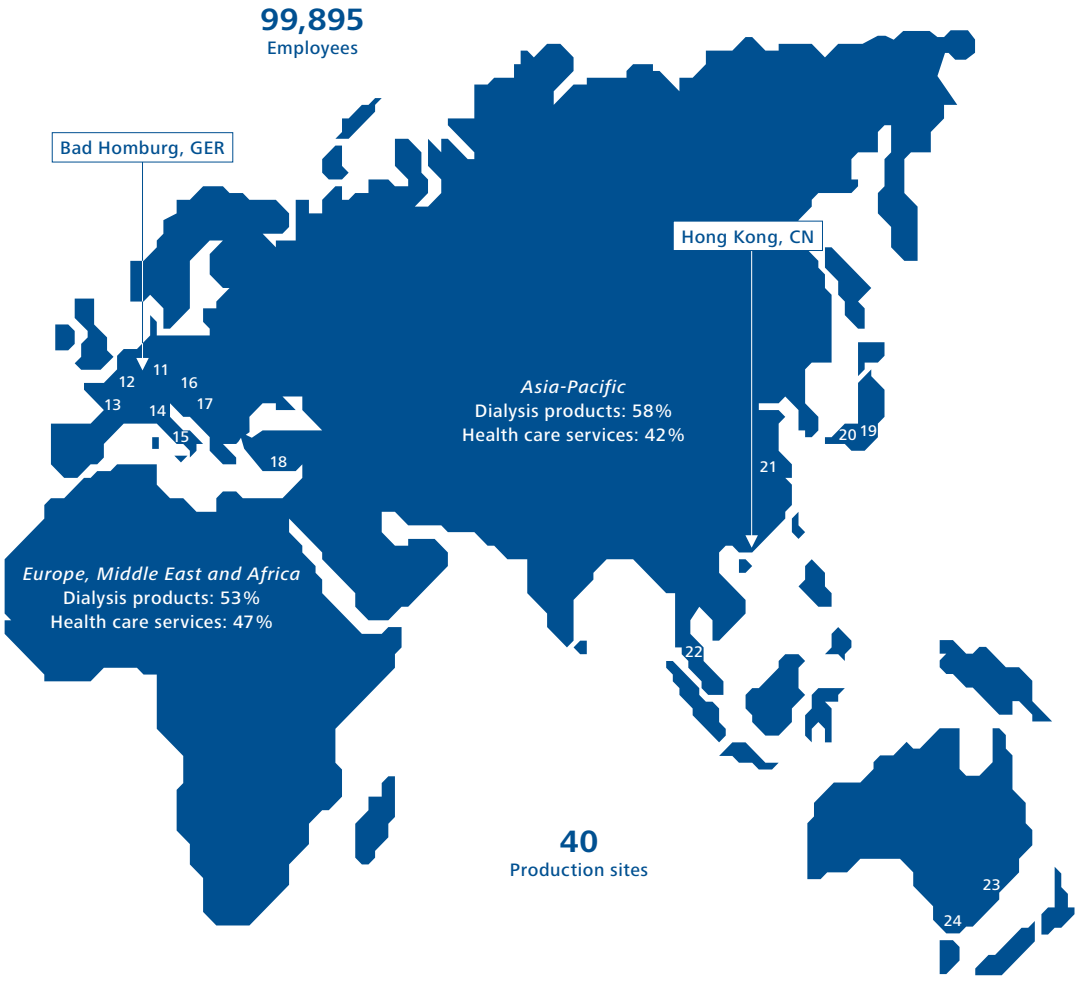
07 Guadalajara, MX
Dialysis solutions

08 Santafé de Bogotà, CO
Dialysis solutions & hemodialysis concentrates

09 Jaguariúna, BR
Dialysis solutions & hemodialysis concentrates

10 Pilar, AR
Hemodialysis concentrates

▽ *Headquarters*



Europe

Bad Homburg, GER
Company headquarters and regional headquarters for Europe, Middle East, Africa and Latin America

11 Schweinfurt, GER
Dialysis machines

12 St. Wendel, GER
Dialyzers & dialysis solutions

13 L'Arbresle, FR
Dialyzers & hemodialysis concentrates

14 Palazzo Pignano, IT
Bloodline systems

15 Canosa, IT
Dialysis solutions

16 Krems, AT
Adsorbers

17 Vršac, SRB
Dialyzers, hemodialysis concentrates & bloodline systems

18 Antalya, TR
Bloodline systems

Asia-Pacific

Hong Kong, CN
Regional headquarters Asia-Pacific

19 Inukai, JP
Fiber bundles

20 Buzen, JP
Dialyzers & dialysis solutions

21 Changshu, CN
Bloodline systems, dialyzers & hemodialysis concentrates

22 Ipoh, MY
Water treatment systems

23 Smithfield, AU
Hemodialysis concentrates

24 Scoresby, AU
Dialysis chairs

Reporting on the basis of U.S. GAAP

Fresenius Medical Care reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. Furthermore, the company prepares reports in accordance with International Financial Reporting Standards (IFRS).

Our products and services

At the end of 2014, 2.665 M patients regularly underwent dialysis worldwide. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. It removes toxins and surplus water – which healthy individuals discard through urination – from the body, as the patient's kidneys can no longer fulfill this task. We distinguish between two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient by means of a dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business encompasses both therapy methods.

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

Hemodialysis – treatment in specialized clinics

Most dialysis patients undergo hemodialysis (HD) in specialized clinics. HD is by far the most common type of renal replacement therapy, accounting for around 89% of all cases worldwide. It requires the use of special products, primarily hemodialysis machines and dialyzers; these are connected to the device and act as "artificial kidneys", filtering toxic substances and water from the patient's blood. Fresenius Medical Care is the world's leading manufacturer of these and other dialysis products for use in both our own and third-party clinics. Further information can be found in the "Dialysis market" section starting on page 47 and in the glossary starting on page 247.

Home dialysis – a niche market

The two types of home dialysis are peritoneal dialysis (PD) – see glossary starting on page 247 – and home hemodialysis. In the year under review, about 11% of all dialysis patients worldwide underwent PD. Home hemodialysis continues to be a niche market – at the end of 2014, only around 0.6% of all dialysis patients received this treatment. We provided products to approximately 52,000 PD patients and more than 4,100 home hemodialysis patients by the end of the reporting year; as a result, around 18% of all PD patients and approximately 26% of all home hemodialysis patients use our dialysis products.

Acute dialysis – in case of a sudden loss of renal function

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

Dialysis drugs – expanding the product range

Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism. This chiefly includes agents to stimulate red blood cell production (e.g. erythropoietin, EPO), iron compounds, phosphate binders, vitamin D preparations and calcimimetics; see the glossary starting on page 247.

As well as using dialysis drugs in our own dialysis clinics, we sell them to third parties. We mainly obtain EPO and vitamin D from specialized providers. In addition, we produce phosphate binders and iron compounds in-house and in a joint venture with the Swiss company Galenica. In 2014, Fresenius Medical Care North America launched the phosphate binder Velphoro (PA21) in the U.S. Velphoro was also approved for use in the EU in 2014. Dialysis drugs enable us to expand our product portfolio horizontally beyond providing dialysis products and services; they therefore fit in perfectly with our strategic focus.

Additional medical services – care coordination

Alongside our core business with dialysis products and the treatment of dialysis patients, Fresenius Medical Care maintains a network of additional medical services. These include services relating to pharmacy services, vascular, cardiovascular and endovascular surgery services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, non-dialysis health plan services and urgent care services. In 2014, we continued to expand these services, which we have combined under the heading "care coordination", among others with a majority stake in Sound Inpatients Physicians, Inc. and the acquisition of Cogent Healthcare. Both companies maintain a network of hospitalists in the U.S. We also invested further in vascular surgery in the U.S. by

taking over National Cardiovascular Partners (NCP). In addition, we acquired the company MedSpring Urgent Care Centers with centers for emergency outpatient care. We plan to expand this network in the future. Further information can be found in the "Growth strategy 2020" section on page 43.

Major markets and competitive position

The largest provider of dialysis services

Fresenius Medical Care is the world's leading provider of dialysis services with a market share of about 11% based on the number of treated patients. As well as providing services to the most dialysis patients, we also operate more dialysis clinics than any other company: In 2014, we had 3,361 (2013: 3,250) clinics worldwide. We treated 61% of our patients in North America, 19% in Europe, 11% in Latin America and 9% in the Asia-Pacific region.

Market leader in dialysis products

Our dialysis products accounted for around 34% of the global market in 2014 (2013: 34%), which means that we are still the market leader in this area as well. The market share of our key products – dialyzers and dialysis machines – was even higher at around 44% (2013: 43%) and around 50% (2013: 55%) respectively.

Detailed information on the major markets and the position of Fresenius Medical Care can be found in the "Dialysis market" section starting on page 47.

Legal and economic conditions

Reimbursement schemes for dialysis treatments vary from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 45 countries with different economic conditions. This international experience enables us to support the efforts of national health care systems to create suitable remuneration structures, adapt our business to local conditions and operate on a profitable basis. Further information can be found in the "Dialysis market" section starting on page 47.

As a life-saving treatment, dialysis is subject to the highest safety and quality requirements. This applies to the production of our dialysis products as well as the implementation of dialysis treatment at our own clinics. These underlying requirements are stipulated in numerous national and international legal provisions, standards and norms, which are the basis for our corporate activities. In addition to the legally prescribed standards, we have developed in-house guidelines that go beyond the statutory provisions in many areas. For more information, see the "Our services business" chapter starting on page 77 and the "Procurement and production" chapter starting on page 70.

Demographic factors in particular contribute to the further growth of dialysis markets. They include aging populations and a growing number of people with diabetes and high blood pressure – diseases that often lead to chronic kidney failure. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

For Fresenius Medical Care, acting sustainably and responsibly is essential to allow us to continue investing in our employees, our research and development, production and in enhancing our divisions now and in the future. We measure our success on the basis of clearly defined performance indicators and targets. Our financial targets for 2015 can be found in the "Outlook" chapter starting on page 105.

Our financial stability enables us to benefit from attractive corporate financing and a degree of flexibility that we aim to maintain in the future. For the next few years, we intend to continue pursuing our aim of consolidating our position in a financially responsible manner.

Strategy for a sustainable increase in enterprise value

We gear our actions towards our vision of creating a future worth living for patients worldwide, every day. Fresenius Medical Care's corporate strategy is our blueprint for turning this vision into a reality. Our aim is to maintain our position as the world's leading provider of top-quality dialysis treatments and products and to use it as a basis for sustainable, profitable growth. In doing so, we want to continuously increase the enterprise value of Fresenius Medical Care and create added value for patients, health care systems and investors worldwide.

As always, the groundbreaking principle of our corporate strategy is to fully capture the potential available to us as a vertically integrated company. This means systematically using the advantages that arise from covering the complete value chain of dialysis.

Our strategy is based on an in-depth analysis of the major trends affecting Fresenius Medical Care:

- Demographic change
  Average life expectancy is rising, resulting in a growing share of older people in the population. However, our kidney function deteriorates with age. In combination with harmful influences such as longstanding high blood pressure or diabetes, low kidney function can lead to chronic kidney failure. Demographic development is therefore a major factor in the growing number of dialysis patients, which is expected to rise from more than 2.6 M worldwide in 2014 to 3.8 M in 2020.
- Increase in lifestyle diseases
  Diseases such as high blood pressure and diabetes are becoming increasingly common due to factors such as lack of exercise, an unhealthy diet and obesity. In the long term, the kidneys are also affected by the damage that these diseases can cause in the human body.
- Improved access to medical care
  In many countries, thanks to growing levels of prosperity as well as ongoing efforts to establish and expand balanced and sustainable health care systems, a large number of patients now have access to suitable dialysis treatments for the first time. We expect this trend to continue, and the resultant demand for high-quality products and treatments to increase.
- Changes in the health care industry
  The health care industry is constantly changing, mainly because of the developments mentioned above. We firmly believe that demand for holistic care of kidney patients will continue to rise, and that the focus will shift in future from offering individual dialysis products or services to combining all areas of application related to dialysis and coordinating them more effectively.

Therefore, Fresenius Medical Care's corporate strategy in the coming years will pursue the following four strategic objectives:

- Growing continuously and expanding our global presence
- Tapping into new business areas
- Enhancing products and treatments
- Expanding operational excellence and flexibility

Based on these four pillars, we have devised specific measures that will form the main thrust of our corporate activities in the future.

Growing continuously and expanding our global presence

We are committed to actively shaping the development of the industry while benefiting from the global growth of the market. We achieve this, for example, by enabling more and more people to access life-saving dialysis treatment and developing innovative products and therapies that improve our patients' quality of life. We help to shape the development of the industry by cooperating strategically with various health institutions, for example.

To strengthen our market position, we have developed various approaches ranging from organic growth to continuously assessing suitable acquisitions. Another requirement for lasting, profitable growth is aligning our business activities to attractive future markets. One opportunity for tapping into new markets is through public-private partnerships in the dialysis business. The public sector benefits from a high-quality dialysis infrastructure, which enables it to care for more patients more effectively and less expensively.

Tapping into new business areas

Fresenius Medical Care's main focus is on providing holistic care for dialysis patients as well as dialysis-related treatments. In addition to our products, dialysis treatment itself and a wide range of dialysis drugs, we are increasingly offering additional services for patient care. These include laboratory services as well as services relating to vascular access – an essential aspect of treatment for dialysis patients. In 2014, we combined these medical services that go beyond dialysis treatment under the heading "care coordination", which we plan to expand further in the future. This integrated health care concept allows us to tap into new business areas and thus meet the growing demand for holistic care for our patients. Furthermore, it enables us to integrate the individual treatment steps with the aim of further improving the quality of care for our patients and easing the strain on health care systems.

Enhancing products and treatments

Developing innovative products and continuously improving our dialysis treatments form an inherent part of our strategy of sustainable growth. We operate a global network of research and development locations. This has the advantage that it enables us to become familiar with local requirements and respond to them quickly. At the same time, chronic kidney failure is increasingly becoming a global problem, and demand for improved, high-quality yet cost-efficient products is growing worldwide. This gives rise to a growing number of synergies in the area of product development, which we intend to leverage even more in future. For further information, see the "Research and development" chapter starting on page 66.

The quality and safety of our products and services are given top priority at Fresenius Medical Care. We consider them to be synonymous with our patients' quality of life. Right from the product and treatment development stage, the patient comes first. Trust in the quality of our products and services makes us a reliable partner for patients, physicians and care staff alike. We will continue to focus on the quality of our products and services in the future.

Expanding operational excellence and flexibility

Further priorities for us are sustainably enhancing Fresenius Medical Care's profitability and managing the company even more efficiently. In the future, we will continue to optimize and modernize our administrative structures and processes and make greater use of synergies, for example in our Global Manufacturing Operations and Global Research and Development divisions. In this way, we aim to meet the rising demand and create the conditions to be able to respond more flexibly to changes in the market.

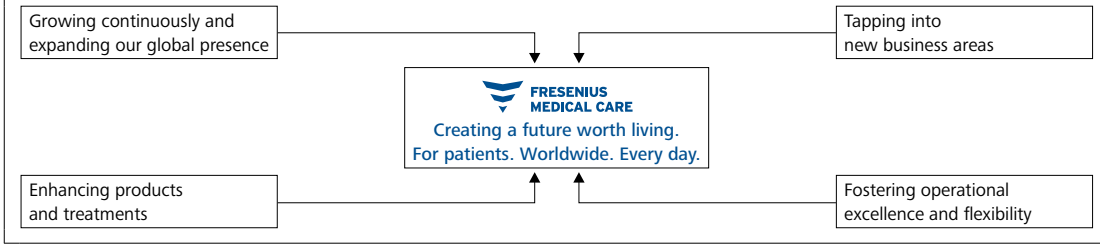
However, at the same, we will also use our regional structure in the future to help us be a strong, reliable local partner and respond quickly to specific customer needs or changes in our markets or in the regulatory environment as well as further improve access to new markets.

In addition, we launched a global efficiency program in 2013 with the aim of further increasing the efficiency of the entire organization and thus boosting competitiveness and investment capacity in the years ahead. Consequently, we expect long-term efficiency gains over the next few years, up to $300 M before tax by 2017.

Growth strategy 2020 – expanding our business

Based on this strategic focus, we set new long-term targets in April 2014 with our "growth strategy 2020". The aim is to increase Fresenius Medical Care's revenue to $28 BN by 2020. This corresponds to an average annual growth rate of around 10%. In addition to the ongoing strong performance of our existing core business with dialysis products and treatment for dialysis patients, we expect revenue growth to be driven by additional medical services that go beyond dialysis treatment. We will continue to expand these services, which we have combined under the heading "care coordination", in the future. Their share of total revenue is expected to rise from 7% in 2014 to around 18% in 2020. Revenue growth should stem from both organic growth and acquisitions. We have earmarked an investment volume of up to $3 BN for this by 2020.

C. 2.3 **CORPORATE STRATEGY**



Financial strategy

Besides optimizing our financing costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The company achieves this flexibility by using a wide range of financing instruments and ensuring a high level of diversification in terms of the investors and banks we work with. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated credit agreement with revolving credit facilities and loans in U.S. dollars and euros.

In our long-term financial planning, we focus primarily on the debt/EBITDA ratio. Fresenius Medical Care holds a strong market position in the growing dialysis sector, which is considered to be non-cyclical; it is characterized by relatively stable cash flows. For further information on our financial strategy, see the "Financial situation" section starting on page 61.

Key performance indicators

The management board of Fresenius Medical Care manages the company on the basis of strategic and operating requirements as well as various financial indicators. The key management indicators used in the individual segments are identical. The aim is to ensure long-term corporate success. These key performance indicators are an essential component of forecast reporting. In addition, we collect and examine a large number of financial and non-financial performance indicators, some of which we include in forecast reporting.

An overview of Fresenius Medical Care's key performance indicators can be found in table 2.4 on page 45.

Other performance indicators

In addition to the key performance indicators listed in table 2.4 on page 45, we also use operating indicators based on the following return calculations:

- ROIC (return on invested capital) expresses how efficiently a company allocates the capital under its control or how well it employs its capital with regard to a specific investment project. Fresenius Medical Care's ROIC in 2014 was 6.8%, following 7.7% in the previous year.
- ROOA (return on operating assets) expresses how efficiently a company manages its total employed capital by calculating profit in relation to total capital. At 9.7% in 2014, ROOA slightly decreased compared to the previous year (2013: 10.5%).
- ROE (return on equity) provides an insight into a company's earning power. To calculate it, corporate net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) is placed in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA). At 11.1% in 2014, ROE (after tax) slightly decreased compared to the previous year.
- When calculating our cost of capital, we use the WACC (weighted average cost of capital) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. Fresenius Medical Care's WACC in 2014 was 6.4%, following 6.7% in the previous year. Comparing the company's WACC with its ROIC of 6.8% reveals that in 2014, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

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

Further information on acquisitions can be found in the sections "Capital expenditures and acquisitions" starting on page 53 and "Financial situation" starting on page 61.

Details on the development of these indicators as well as other financial figures can also be found in the "Results of operations, financial situation, assets and liabilities" chapter starting on page 57.

T. 2.4 **KEY PERFORMANCE INDICATORS**

	Definition	***2014***	*2013*
Revenue	Proceeds from provision of services and sale, letting or leasing	$15,832 M	$14,610 M
Operating income (EBIT)	Indicator for assessing earning power	$2,254 M	$2,256 M
Operating income margin (EBIT margin)	Ratio of operating income to revenue; indicator for assessing profitability	14.2%	15.4%
Net income growth	Earnings after taxes and net income attributable to non-controlling interests; indicator for assessing earnings power	–6%	–6%
Basic earnings per share growth	Net income divided by the weighted average number of shares outstanding during the year	–5%	–6%
Capital expenditures	Ratio relating to the capital employed in the company in the form of replacement and expansion investments	$920 M	$728 M
Net cash provided by operating activities *in % of revenue*	Net inflow of cash and cash equivalents generated from business operations in relation to revenue; indicator of solvency and internal financing potential (funds available for replacement and expansion investments)	11.8%	13.9%
Free cash flow *in % of revenue*	Freely available cash flow after capital expenditures in relation to revenue; indicator of the funds available for acquisitions, dividends and loan repayments	5.9%	8.9%
Debt/EBITDA ratio	Debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for other non-cash expenditure and largest acquisitions; indicator of how many years it takes to repay debts from own funds	3.1	2.8

The expected global economic upturn failed to materialize in 2014. Economic development was slower than forecast, particularly in emerging countries and in Europe. The dialysis market is growing worldwide. At the end of 2014, more than 2.6 M dialysis patients were being treated.

OVERALL ECONOMIC ENVIRONMENT

At 3.4%, the rate of increase in global gross domestic product (GDP) for 2014 was slightly above that of the previous year (3.2%). The global economy failed to meet growth forecasts in 2014, especially in the first half of the year. However, it picked up again as the year progressed, particularly from the third quarter onwards. The U.S. and other advanced economies posted moderate economic growth, whereas the trend in emerging countries was generally subdued. In the euro zone, the economy stagnated, partly due to the conflict in Ukraine.

Mixed economic development in our segments

North America segment: In the U.S., the economic situation stabilized. The improved situation on the job market and the associated rise in wages boosted private consumption. In addition, the expansive monetary policy gradually started to take effect. In 2014, the growth rate in the U.S. was 2.2%, as in the previous year.

International segment: Economic development in the countries in our International segment varied widely. In the euro zone, the previous year's recovery was followed by stagnation, not least due to global political tensions. The pace of growth slowed down in emerging countries: Although momentum increased in China and India in the first half of the year, this development was cancelled out by the slower pace in other countries, such as Brazil, Russia and Argentina. Growth in the Latin America region was more restrained than in the previous year. Table 2.5 shows the change in the gross domestic product of selected countries compared with the previous year.

Fresenius Medical Care largely non-dependent on economic cycles

The dialysis market is a growth market. Demand for life-preserving products and services for kidney patients is rising continuously. To a certain extent, this is due to demographic factors such as the aging population. Fresenius Medical Care's business is impacted more by government reimbursement rates and systems than by economic cycles. See also the "Dialysis market" chapter starting on page 47.

T. 2.5 **REAL GROSS DOMESTIC PRODUCT**

Change compared to the previous year in %

	Gross domestic product	
	2014	*2013*
U.S.	2.2	2.2
Germany	1.5	0.1
Euro zone	0.8	–0.4
China	7.4	7.7
India	5.9	4.7
Asia	6.6	6.6
Latin America	1.1	2.5
▸ **WORLDWIDE**	**3.4**	**3.2**

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2014", December 17, 2014

Exchange rate development characterized by weaker euro

Exchange rates were subject to strong fluctuations in 2014. Since we generate the majority of our sales in Europe and the U.S. and maintain our financial accounting in U.S. dollar, the performance of the U.S. dollar and the euro is of particular importance to us. At annual average the euro remained unchanged in relation to the U.S. dollar in 2014 in comparison to the prior year, while it depreciated during the second half of the year. We reduce our transaction risks, i.e. risks due to foreign currency items or exchange rate fluctuations, through our global network of production facilities, which is geared towards demand in our dialysis products business: Often, our production facilities are based in the markets that they serve. We therefore incur costs in the same currency in which we generate our revenue. In our largest division, the services business, the risk of exchange rate fluctuations is relatively low because we provide our services locally and therefore in the respective currency. In total, exchange rates had a negative impact on revenue in 2014 and resulted in no significant impact on other key income items in comparison to the prior year.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section starting on page 54 and in the "Outlook" chapter starting on page 105.

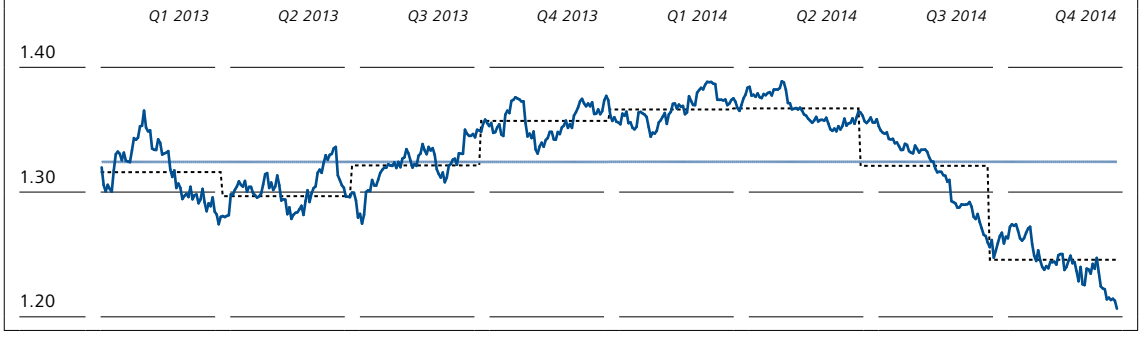
DIALYSIS MARKET

The dialysis market is growing worldwide. With our decades of experience, we can provide patients with high-quality dialysis products and services from a single source. We are therefore ideally placed to further expand our business and consolidate our position as market leader.

Collection and analysis of market data

Reliable information on the development of the dialysis market and its general conditions is an important prerequisite for the success of our business. To obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market & Competitor Survey (MCS). We use it to collect and analyze relevant dialysis market and competitor data and then leverage it within the company. This information serves as a basis for strategic decisions made by management, research and development and marketing, as well as for our external reporting, such as the annual report. Unless otherwise stated, the data in this chapter is based on the MCS survey. By regularly adapting it, we account for new trends such as changes in the use of certain treatments as well as in the structure of our competitive environment caused for example by the entry of new providers.

C. 2.6 **EXCHANGE RATE DEVELOPMENT U.S. DOLLAR/EURO**



$/€ *Annual average* *Quarterly average*

Source: Reuters data, own calculations

In recent years, the gap between patient numbers and patient number growth rates reported by the two leading U.S. data sources has widened. This goes hand in hand with a significant time lag in reporting this data. The company is currently analyzing this situation to determine if its methods for accumulating current patient number estimates and projections should be refined. This could lead to a restatement of both reported patient numbers as well as growth rates in North America in the future.

Industry-specific environment

Patient numbers are rising worldwide

Chronic kidney failure is a global disease: At the end of 2014, approximately 3.371 M patients were being treated.

At a regional level, the incidence of chronic kidney failure varies. Prevalence, i.e. the relative number of people being treated for end-stage renal disease in a particular country, also differs significantly from one country to another. The prevalence rate,

T. 2.7 PATIENTS WITH CHRONIC KIDNEY FAILURE IN 2014

in M

Patients with chronic kidney failure	**3.371**	**100%**
Of which patients with transplants	0.706	21%
Of which dialysis patients	**2.665**	**79%**
Hemodialysis (HD)	2.376	70%
Peritoneal dialysis (PD)	0.289	9%

Source: Company data and estimates

T. 2.8 DIALYSIS PATIENTS: REGIONAL DEVELOPMENT

	2014	*Change*
North America	596,000	~ 4%
Europe/Middle East/Africa	666,000	~ 4%
Asia-Pacific	1,138,000	~ 8%
Latin America	265,000	~ 5%
▸ **WORLDWIDE**	**2,665,000**	**~ 6%**

Source: Company data and estimates

T. 2.9 REGIONAL BREAKDOWN OF IN-CENTER DIALYSIS AND HOME DIALYSIS

	In-center dialysis	*Home dialysis*
North America	81%	19%
Europe/Middle East/Africa	93%	7%
Asia-Pacific	90%	10%
Latin America	88%	12%
▸ **WORLDWIDE**	**89%**	**11%**

Source: Company data and estimates

T. 2.10 MARKET POSITION RELATING TO MAJOR PRODUCT GROUPS IN 2014

	1st place	*2nd place*
Dialyzers	Fresenius Medical Care	Baxter
Dialysis machines	Fresenius Medical Care	Nikkiso
Concentrates for hemodialysis	Fresenius Medical Care	Baxter
Bloodline systems	Fresenius Medical Care	Baxter
Products for peritoneal dialysis	Baxter	Fresenius Medical Care

Source: Company data and estimates

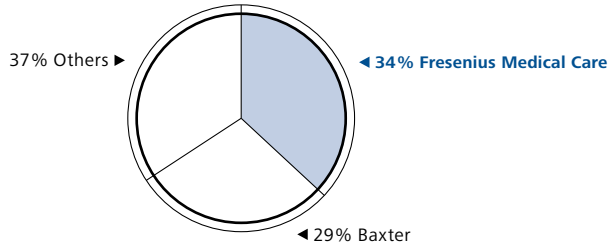
measured in patients per million population (pmp), can be well below 100, especially in developing countries. In countries in the European Union, the prevalence rate averages just over 1,100 pmp. Countries such as Japan and the U.S. have very high figures, in some cases well over 2,000 pmp. Taiwan even has a rate of over 3,000 pmp.

There are various reasons for the significant divergence in prevalence rates:

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

C. 2.11 **DIALYSIS PRODUCTS IN 2014**

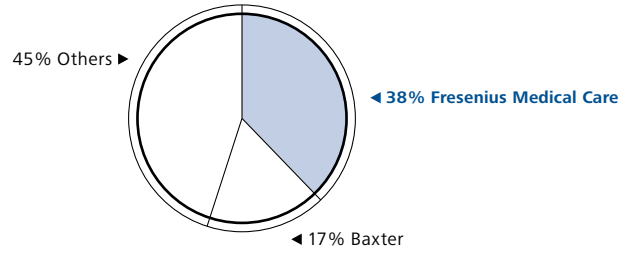
Market share, based on revenue



Source: Company data and estimates

C. 2.12 **HEMODIALYSIS PRODUCTS IN 2014**

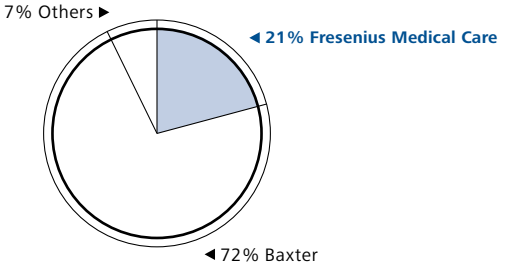
Market share, based on revenue



Source: Company data and estimates

C. 2.13 **PERITONEAL DIALYSIS PRODUCTS IN 2014**

Market share, based on revenue



Source: Company data and estimates

The number of dialysis patients in 2014 rose by around 6%. In the U.S., Japan, and Western and Central Europe the number of patients grew again below-average in 2014. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average – an indication that access to dialysis treatment in these countries is still limited but is gradually improving. In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors also contribute to a rise in global prevalence, for example the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the general aging of the global population due to medical advances.

Comparison of treatment methods

Of the 2.665 M patients who were undergoing dialysis treatment at the end of 2014, 2.376 M – about 89% – were being treated with hemodialysis and around 289,000 (11%) with peritoneal dialysis; see the glossary starting on page 247. In a global comparison of treatment methods, hemodialysis is clearly the most common.

Dialysis patients can be treated either in a dialysis center or in their own home. Treatment options available for home therapy are home hemodialysis (relatively uncommon so far) and peritoneal dialysis. The ratio of patients treated in dialysis centers to patients on home dialysis varies from region to region.

The third option for treating patients with end-stage renal disease is kidney transplantation. Approximately 706,000 patients were living with a transplanted kidney at the end of 2014. However, for many years, the number of donated organs worldwide has been significantly lower than the number of patients on transplant waiting lists. Despite extensive efforts by regional initiatives to increase awareness of kidney donation and the willingness to donate, the share of patients receiving kidney transplantation compared with other treatment methods has remained relatively unchanged over the past ten years.

Our customers are mostly health insurers and companies

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. The largest private customer, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care, is the U.S. company DaVita. In the last fiscal year, we generated around 1% of our revenue with DaVita.

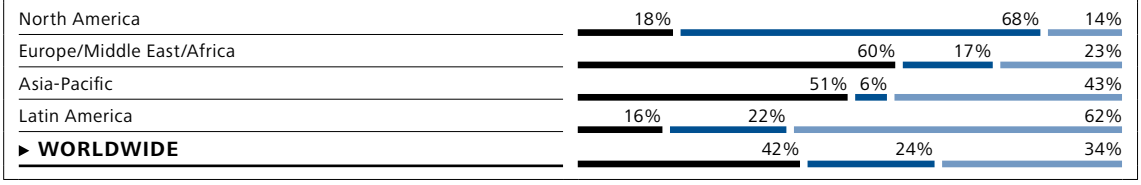
Health care and reimbursement systems vary from country to country

As renal replacement therapy is a life-saving medical service, patients do not usually have to pay for dialysis themselves. Instead, the costs are borne by the responsible health care system. The reimbursement systems for dialysis treatment – in other words, the schemes used by health care systems to pay for dialysis services – differ from country to country and often vary even within countries. The factors determining reimbursement include regional conditions, the kind of treatment provided, regulatory issues, and the type of dialysis service provider (public or private).

The health care debate in some countries is currently focused on establishing reimbursement structures based on treatment quality (Pay for Performance). Thereby, more responsibility is transferred to the medical service provider, subject to transparency and quality criteria. Such reimbursement models are aimed at achieving high treatment quality combined with lower overall costs for the health care system.

C. 2.14 **DIALYSIS CLINIC OPERATORS IN 2014**

Share of patients treated



Source: Company data and estimates

One example of a reimbursement model based on qualitative criteria is the reimbursement system for dialysis in the U.S., our biggest sales market. It applies to dialysis treatment for patients in the U.S. who are predominantly covered by national health insurance (Medicare patients). All dialysis products, dialysis treatment and additional services, such as the administration of certain intravenous drugs and diagnostic laboratory tests, are reimbursed collectively in a lump sum. This bundled reimbursement rate is adapted to patients' characteristics such as age and weight. The U.S. reimbursement system also takes into account quality parameters such as the regulation of the hemoglobin content of the blood (anemia management) and the effectiveness of dialysis treatment. Thanks to our vertical business model, we are very well placed to work with reimbursement systems that use qualitative criteria, as well as being equipped for any future adjustments.

In the U.S., the reimbursement rates are finalized by the responsible authority, the Centers of Medicare and Medicaid Services (CMS). The basic reimbursement rate for 2014 has only changed slightly year-on-year and will remain at the same level in 2015. More information can be found in the "Outlook" chapter starting on page 105 and in the "Results of operations" section starting on page 57.

Fresenius Medical Care in a global comparison

We estimate that the volume of the global dialysis market rose by 1% to around $77 BN in 2014. The currency-adjusted growth rate amounted to 4% during the last year. We expect the following approximate breakdown for this market volume: dialysis products with around $14 BN and dialysis services (including dialysis drugs) with approximately $63 BN.

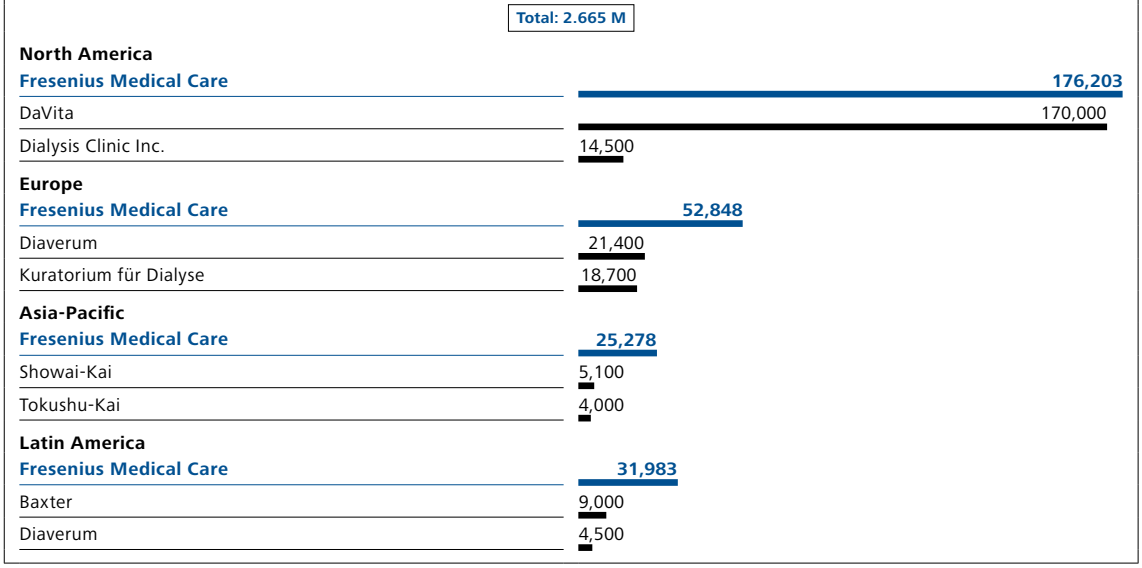
Two major providers on the dialysis products market

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis; see also the glossary starting on page 247. In terms of revenue, the two largest manufacturers of dialysis products together accounted for approximately 63% of the worldwide market in 2014. With a market share of 34%, Fresenius Medical Care was the market leader in this segment, followed by Baxter with 29%. The remaining, mainly Japanese, dialysis product providers all held market shares in the single-digit percentage range.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of more than 260 M units in 2014. Around 115 M were made by Fresenius Medical Care, meaning that we comfortably held the largest

C. 2.15 **DIALYSIS SERVICES BY REGION IN 2014**

Number of patients treated



Source: Company data and estimates

market share in this segment. We set a new unit sales record in the U.S., our largest single market, with more than 44 M dialyzers sold in 2014. Hemodialysis machines constitute another key segment of our product business. Here, too, we are the clear market leader: Of the more than 85,000 dialysis machines sold worldwide in 2014, some 50% were produced by Fresenius Medical Care. The U.S. is our biggest sales market for dialysis machines: In the year under review, we manufactured more than 93% of dialysis machines sold there. Our 2008 machine series is the leading dialysis system in the U.S. with more than 122,000 units in use.

In the area of peritoneal dialysis, we account for 21% of the global market in terms of revenue, see also chart 2.13 on page 49. In the U.S., we hold a market share of 43%. Further information on our position in the home dialysis market, which comprises home hemodialysis and peritoneal dialysis, can be found in the "Home dialysis – a niche market" section on page 40.

Dialysis services – most patients treated in dialysis centers

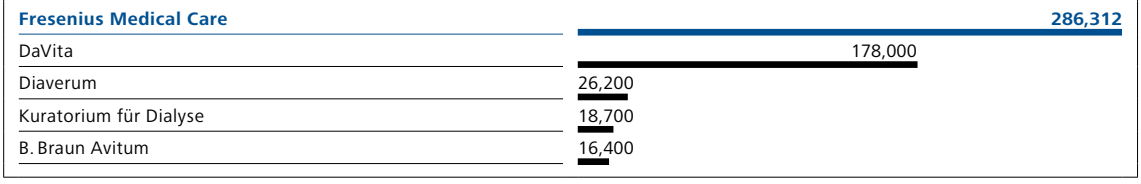
Renal patients generally receive dialysis treatment in clinics or dialysis centers, which they visit three times a week for several hours. They are treated either during the day or overnight while they sleep. Further treatment options include home dialysis, which patients mostly carry out themselves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

In 2014, most dialysis patients were cared for in one of around 36,700 dialysis centers worldwide, resulting in an average of some 70 patients per center. The organization of the centers also differs significantly depending on whether the health care system in the relevant country is mainly state-run or privately operated.

Fresenius Medical Care can operate its own therapy centers in countries where the health care system allows private-sector companies to provide medical services and an appropriate reimbursement system is in place. For some years now, health care systems in a large number of countries have been under pressure to improve the quality of treatment while keeping health care costs as low as possible. Some countries have therefore started to contemplate whether and how specialized private companies can help them in this. Other countries are only just setting up their health care systems and are looking to interact with health care companies that have a good reputation due to their high-quality service portfolio with the aim of developing modern treatment standards. In both cases, Fresenius Medical Care, as an experienced vertically integrated provider, is the right partner: With our high-quality and innovative products and services, we are ideally positioned to continue expanding our position on the dialysis market.

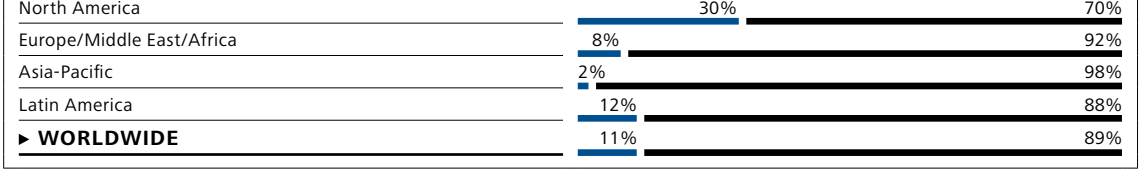
C. 2.16 **TOP 5 DIALYSIS PROVIDERS WORLDWIDE IN 2014**

Number of patients treated



Source: Company data and estimates

C. 2.17 **FRESENIUS MEDICAL CARE: PATIENTS TREATED IN 2014**



Fresenius Medical Care *Other providers*
Source: Company data and estimates

In this respect, the Chinese market will also become increasingly important for our business: The country's government is making efforts to develop a modern health care system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers. These prerequisites have not yet been fulfilled for the dialysis sector. With this in mind, we will continue to drive our growth in China through cooperation with local clinics and via management contracts for the time being. So far, we provide 107 clinics (previous year: 100 clinics) with dialysis machines and disposable products.

In the U.S., Fresenius Medical Care and DaVita together serve over 70% of all dialysis patients; this means that there is already a relatively high concentration of dialysis clinics. In the year under review, Fresenius Medical Care maintained its market position and treated more than 171,000 patients, approximately 37% of all dialysis patients in the U.S. (2013: around 167,000 patients, approximately 37%).

Outside the U.S., the dialysis services segment is still considerably more fragmented: With more than 1,200 dialysis clinics and around 115,000 patients in more than 45 countries, Fresenius Medical Care operates by far the largest and most international network of clinics.

Overall, Fresenius Medical Care further consolidated its position as clear market leader in the dialysis services business in the period under review: Over the past year, we treated 286,312 dialysis patients (2013: 270,122) in 3,361 clinics (2013: 3,250).

Dialysis drugs supplement our range

Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism – both of which are consequences of chronic kidney failure. Almost two thirds of the total market for dialysis drugs, is generated with erythropoesis-stimulating agents for treating anemia. We source them from the American company Amgen and its partners, for example. Phosphate binders used to control bone metabolism, on the other hand, are produced in-house, both for use in our own dialysis centers as well as for distribution to third parties. We produce iron compounds for the treatment of anemia as part of a joint venture with Galenica – Vifor Fresenius Medical Care Renal Pharma Ltd. We also use them in our own clinics and distribute them to third parties.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Management board changes

Professor Emanuele Gatti, management board member responsible for the Europe, Middle East, Africa and Latin America region (EMEALA), stepped down from the management board of Fresenius Medical Care on March 31, 2014. On April 1, 2014, Dominik Wehner was appointed new management board member for the Europe, Middle East and Africa region as well as labor relations director for Germany. Dominik Wehner has worked at Fresenius Medical Care since 1994. Prior to his appointment to the management board, he was responsible for the Eastern Europe, Middle East and Africa regions. In his capacity as chairman of the management board, Rice Powell has taken on responsibility for Latin America. Dr. Rainer Runte, management board member responsible for law and compliance, also left the company on March 31, 2014. As chairman of the management board, Rice Powell has taken on responsibility for law and compliance.

Capital expenditures and acquisitions

In implementing our investment strategy, we again focused on growing our clinic network, product business and production capacity in 2014. In addition, we expanded the range of services combined under the heading "care coordination" through acquisitions. This was also reflected in our acquisitions budget of around $1.3 BN in 2014.

Part of this budget was allocated to the acquisition of a majority stake in Sound Inpatients Physicians, Inc., and the purchase of Cogent Healthcare. Both of these are networks of hospitalists in the U.S. Cogent's services are directly comparable with those of Sound. As a result of these acquisitions, our enlarged network now comprises more than 1,750 physicians in over 180 hospitals and 35 states in the U.S. Allowing for transaction and integration costs, these acquisitions are set to make a positive contribution to net income in the course of 2016.

We have invested further in vascular surgery in the U.S. by acquiring National Cardiovascular Partners (NCP), a leading provider of outpatient cardiovascular treatment in the U.S. The company works with over 200 specialists and runs 21 cardiac-catheter laboratories in six states in the U.S.

Further information on our capital expenditures and acquisitions can be found in the "Financial situation" section starting on page 61 and in the "Liquidity and capital resources" section starting on page 158.

Financing

In September 2014, we successfully issued an equity-neutral convertible bond with a volume of €400 M. The proceeds were used for general corporate purposes. In addition, we placed two senior unsecured bonds with a total volume of $900 M in October 2014. The net proceeds were used to repay a short-term loan under the 2012 credit agreement and further current liabilities as well as for acquisitions and general business purposes.

In addition, we extended the scope of our syndicated credit agreement by the equivalent of $850 M to the equivalent of around $4.4 BN in November. The credit agreement covers revolving credit lines as well as loans in U.S. dollars and euros. The conditions were also improved and the term extended by two years until October 30, 2019. The extended credit line is earmarked for refinancing existing liabilities as well as for financing general business purposes and working capital. Fresenius Medical Care also extended the term of its accounts receivable facility with a volume of $800 M until November 24, 2017.

Further information on the bonds can be found in the "Financial situation" section starting on page 61 and in the "Liquidity and capital resources" section starting on page 158.

Business environment

The company's business environment remained largely unchanged in many markets in 2014, as did the relevant legal frameworks for our business. However, we are obliged to continue operating in an environment that does not sufficiently account for rising treatment costs in its reimbursement rates. In our largest sales market, the U.S., business continued to be negatively impacted by the automatic budget cuts (sequestration) of 2% in the first quarter and the associated reductions in reimbursement rates for dialysis treatment of state-insured patients.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

As expected, last year was a challenging one for Fresenius Medical Care: The situation in our core business area of dialysis did not improve significantly again in 2014. Even so, we managed to largely meet our targets.

At the beginning of the year under review, we expected to generate revenue of around $15.20 BN in 2014. This target did not include additional revenue of around $0.5 BN as a result of acquisitions made in the course of the year. In actual fact, we increased revenue by 8% to $15.83 BN. All regions – North America, Europe/Middle East/Africa, Asia-Pacific and Latin America – contributed to this.

At the beginning of the year, we set a target range for net income of $1.0 BN to $1.05 BN. This did not take into account cost savings from the global efficiency program initiated in 2013. At the beginning of 2014, cost savings were estimated at $60 M before tax for the year under review. In real terms, we generated net income of $1.05 BN in 2014. Cost savings from our global efficiency program amounted to $65 M before tax and $40 M after tax. Net income adjusted for these savings came to $1.01 BN, and was therefore within our target range. Further information can be found in the "Results of operations" section starting on page 57.

The steady growth of the dividend is reflected in our dividend proposal: Subject to approval by the annual general meeting on May 19, 2015, the dividend per share will increase by 1% to €0.78 (2013: €0.77). More information on the dividend proposal can be found in the "Dividend continuity" section on page 31.

We earmarked around $900 M for capital expenditures and around $400 M for acquisitions in 2014. We raised the forecast for capital expenditures to around $1.3 BN as the year progressed. In actual fact, $920 M was used for capital expenditures (net) – corresponding to 6.0% of revenue – and $1.77 BN for acquisitions less divestitures. For further information, see the "Financial situation" section starting on page 61.

Net cash provided by operating activities, driven by earnings development and sound management of net working capital, was high in 2014 at $1.86 BN. Relative to revenue, this amounted to 11.8%, comfortably exceeding the target of more than 10%.

According to our forecast, the leverage ratio (defined as the ratio of the total financial debt to earnings before interest, taxes, depreciation and amortization = debt/EBITDA) should have been around 3.0 by the end of 2014. The actual leverage ratio as at the reporting date was 3.1, slightly above our forecast figure.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 90,690 at the end of 2013 to 99,895 at the end of 2014, reaching our forecast figure of around 97,000. We initially expected 92,000 employees at the beginning of 2014, before adjusting this figure as the year progressed, mainly as a result of additional acquisitions in North America. Acquisitions and the company's organic growth contributed to the increase in the number of employees compared with the previous year.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to $122 M, not quite meeting our target of around $140 M. This discrepancy was mainly due to project delays. Our research and development activities are focused on further developing existing product groups. Details can be found in the "Research and development" chapter starting on page 66.

The dialysis market developed as we anticipated: The number of patients worldwide grew by around 6%. As expected, there were no significant changes compared to the previous year concerning the allocation of dialysis patients to different treatment methods. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2014. For further information, see the "Dialysis market" section starting on page 47.

T. 2.18 **TARGETS AND RESULTS FOR 2014**

	Results 2014	*Adjusted results 2014, excluding global efficiency program and acquisitions*	*Targets 2014*
Revenue	$15.8 BN	$15.3 BN	~$15.2 BN
Operating income (EBIT)	$2.3 BN	$2.2 BN	~$2.2 BN
Operating income margin (EBIT margin)	14.2%	14.2%	~14.5%
Net income[1]	$1.05 BN	$1.01 BN	$1.0 BN to $1.05 BN
Net income growth[1]	−6%	−9%	Decrease of 5% to 10%
Basic earnings per share growth[1]	−5%	−9%	In line with the expected development of net income
Capital expenditures	$920 M		~$900 M
Acquisitions and investments	$1.8 BN		~$1.3 BN
Net cash provided by operating activities	$1.9 BN		>$1.5 BN
Net cash provided by (used in) operating activities *in % of revenue*	11.8%		>10%
Free cash flow *in % of revenue*	5.9%		>4%
Debt/EBITDA ratio	3.1		~3.0
Employees[2]	99,895		~97,000
Dividend	€0.78[3] per share (+1%)		Earnings-driven dividend policy
Research and development expenses	$122 M		~$140 M

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Full-time equivalents.*
[3] *Proposal to be approved by the annual general meeting on May 19, 2015.*

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

As expected, 2014 was a challenging year for Fresenius Medical Care. Once again, the general conditions in our core business of dialysis did not change significantly in 2014: We have to operate in markets where rising treatment costs are not remunerated adequately. This particularly applies in the U.S., Fresenius Medical Care's most important market in terms of business volume. The reimbursement situation is also one of the main reasons why net income fell by 6% to $1.05 BN, even though revenue rose by 8% to $15.83 BN in the same period. Nevertheless, we mostly achieved our targets for 2014 despite the difficult situation.

To boost our profitability in the years ahead, we continued to pursue our global efficiency program in 2014, saving $65 M on costs before tax. Implementation costs are already factored into this figure. We expect savings to rise to $300 M before tax by 2017.

In the future, we aim to focus even more on offering our patients holistic treatment by expanding the medical services we provide beyond dialysis treatment. We combined these strategic measures to enhance our business under the heading "care coordination" in the last fiscal year, and bolstered them significantly through acquisitions. A part of the total volume of around $1.8 BN that we spent on acquisitions in 2014, accounted for care coordination initiatives. In addition, we continued our investment activities at an undiminished pace. We invested around $900 M in 2014, mainly in expanding our production capacity and extending our network of dialysis clinics.

Our strategic decisions and activities in 2014 have set the course for the future. Fresenius Medical Care stands on strong foundations. We aim to build on these in the next few years.

Further information on our business performance can be found in the "Events significant for business development" section starting on page 53.

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

The financial year 2014 progressed in line with our expectations: We achieved sound results despite challenging market conditions.

RESULTS OF OPERATIONS

Revenue

In the year under review, Fresenius Medical Care increased its revenue by 8% to $15.83 BN, corresponding to a 10% growth rate in constant currency terms. The organic revenue growth amounted to 5%, while acquisitions accounted for 5% of revenue growth. Health care services revenue rose by 10% (+12% on a constant currency basis) to $12.25 BN. Dialysis product revenue was up 3% to $3.58 BN. On a constant currency basis, the increase was 4%. At the end of 2014, we operated 3,361 dialysis clinics, 3% more than at the end of 2013. We treated 286,312 dialysis patients by the end of 2014, an increase of 6%. The number of treatments rose by 6% to around 42.74 M in the reporting year.

Revenue in North America, still our most important business region with a share of 66%, was $10.50 BN in 2014, 9% above the $9.61 BN generated in the previous year. The organic revenue growth amounted to 5%, while acquisitions accounted for 4% of revenue growth. Health care services revenue increased by 10% to $9.66 BN in 2014 (2013: $8.77 BN). Dialysis product revenue increased by 1% to $845 M (2013: $834 M).

Revenue in the International segment, which includes all regions outside North America, improved by 6% (+11% on a constant currency basis) to $5.27 BN in 2014. Acquisitions had the positive effect to increase revenue by 5%, while organic growth was 6%. Health care services revenue in the International segment grew by 10% over the previous year to $2.59 BN. In constant currency terms, this represents an increase of 18%. Dialysis product revenue rose by 2% to $2.67 BN in 2014, corresponding to 4% organic growth in constant currency terms.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Here, revenue rose by 2% to $3.07 BN in the past financial year. On a constant currency basis, revenue was up 4%. The region's share of total revenue was 20% (2013: 21%). By the end of 2014, we were treating 52,848 patients in 635 dialysis facilities, over 1,300 patients or 3% more than twelve months before. In 2014, we generated revenue of $1.44 BN from health care services in this region, up 2% over the preceding year. In constant currency terms, this represents a 5% increase. Dialysis product revenue totaled $1.63 BN, up 1% year-on-year. In constant currency terms, we posted revenue growth of 2%.

T. 2.19 **REVENUE BY SEGMENT**

in $M

	2014	2013	Change	Exchange rate effects	Organic growth	Acquisitions
North America						
Dialysis products	845	834	1%	0%	1%	0%
Health care services	9,655	8,772	10%	0%	5%	5%
Thereof dialysis services	8,616	8,244	5%			
Thereof care coordination	1,039	528	97%			
▸ **TOTAL**	**10,500**	**9,606**	**9%**	**0%**	**5%**	**4%**
International						
Dialysis products	2,670	2,612	2%	−2%	4%	0%
Health care services	2,595	2,358	10%	−8%	8%	10%
▸ **TOTAL**	**5,265**	**4,970**	**6%**	**−5%**	**6%**	**5%**
Worldwide						
Dialysis products[1]	3,582	3,480	3%	−1%	4%	0%
Health care services	12,250	11,130	10%	−2%	6%	6%
▸ **TOTAL**	**15,832**	**14,610**	**8%**	**−2%**	**5%**	**5%**

[1] *Including revenue generated by corporate functions in the amount of $67 M for 2014 and $34 M for 2013.*

Revenue in the Latin America region fell by 1% to $836 M; based on constant currencies, there was an increase of 16%. The share of total revenue fell from 6% to 5% as against the previous year. At $588 M, health care services revenue was at the previous year's level of $589 M. In constant currency terms, revenue rose by 21%. We generated revenue of $248 M from dialysis products, down 2% on the previous year. Based on constant currencies, there was an increase of 6%. By the end of 2014, almost 32,000 patients were receiving dialysis treatment in the 247 clinics in this business region.

T. 2.20 **REVENUE BY REGION**

in $M

	2014	2013	Change	Percentage of total revenue
North America	10,500	9,606	9%	66%
Europe/Middle East/Africa	3,072	3,023	2%	20%
Latin America	836	843	–1%	5%
Asia-Pacific	1,357	1,104	23%	9%
Corporate	67	34	100%	0%
▸ **TOTAL**	**15,832**	**14,610**	**8%**	**100%**

T. 2.21 **PATIENTS**

	2014	2013	Change
North America	176,203	171,440	3%
Europe/Middle East/Africa	52,848	51,541	3%
Latin America	31,983	29,272	9%
Asia-Pacific	25,278	17,869	41%
▸ **TOTAL**	**286,312**	**270,122**	**6%**

T. 2.22 **TREATMENTS**

in M

	2014	2013	Change
North America	26.61	25.66	4%
Europe/Middle East/Africa	8.05	7.73	4%
Latin America	4.81	4.42	9%
Asia-Pacific	3.27	2.65	23%
▸ **TOTAL**	**42.74**	**40.46**	**6%**

T. 2.23 **CLINICS**

	2014	2013	Change
North America	2,162	2,133	1%
Europe/Middle East/Africa	635	632	0%
Latin America	247	231	7%
Asia-Pacific	317	254	25%
▸ **TOTAL**	**3,361**	**3,250**	**3%**

The Asia-Pacific region recorded an increase in revenue of 23% to $1.36 BN. This corresponds to 26% revenue growth based on constant currencies. The share of total revenue of this region rose from 7% in 2013 to 9% in 2014. Health care services revenue rose by 57% (+64% on a constant currency basis) to $568 M. Dialysis product revenue rose by 6% (+8% on a constant currency basis) to $789 M. By the end of 2014, we were treating around 25,000 patients in 317 dialysis facilities.

Earnings

Gross profit

Gross profit in 2014 amounted to $5.00 BN, up 5% compared to 2013. The gross profit margin declined from 32.4% to 31.6%. The decrease in the margin is largely due to the lower gross profit margin in North America.

Selling, general and administrative expenses rose by 11% to $2.64 BN (2013: $2.39 BN) and from 16.4% to 16.7% as a percentage of revenue.

Depreciation and amortization totaled $699 M in 2014 compared with $648 M in 2013.

Research and development expenses were $122 M, roughly on a par with the previous year's figure of $126 M.

Operating income (EBIT)

Earnings before interest and taxes (EBIT) were almost unchanged from the previous year at $2.26 BN in 2014.

In North America, operating income improved by 1% to $1.64 BN in 2014. The operating income margin decreased from 16.9% in 2013 to 15.6% in 2014.

In the International segment, operating income was up 8% to $970 M in 2014 compared with $897 M in 2013. The operating income margin rose from 18.1% in 2013 to 18.4% in 2014.

Corporate costs increased in the course of 2014, as expected, particularly due to the higher legal and consultancy expenses. The total corporate operating expenses amounted to $358 M in 2014, after $264 M in 2013.

T. 2.24 **OPERATING INCOME (EBIT)**

in $M

	2014	2013	Change
North America	1,643	1,623	1%
International	970	897	8%
Corporate	(358)	(264)	36%
▸ **TOTAL**	**2,255**	**2,256**	**0%**

T. 2.25 **CONDENSED STATEMENT OF INCOME**

in $M

	2014	2013	Change
Revenue	15,832	14,610	8%
Cost of revenue	10,836	9,872	10%
▸ **GROSS PROFIT**	**4,996**	**4,738**	**5%**
In % of revenue	31.6	32.4	–
▸ **OPERATING INCOME (EBIT)**	**2,255**	**2,256**	**0%**
Interest expense, net	411	409	1%
▸ **EARNINGS BEFORE TAXES**	**1,844**	**1,847**	**0%**
▸ **NET INCOME**[1]	**1,045**	**1,110**	**–6%**

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

Net interest

Net interest expenses in 2014 amounted to $411 M, after $409 M in 2013. This development mainly stemmed from the increase in average debt level as well as one-time-costs related to the amended 2012 credit agreement, which was expanded. This was partly offset by a higher percentage of debt with lower interest rates.

Detailed information can be found in the "Financial situation" section starting on page 61 and in the "Liquidity and capital resources" section starting on page 158.

Tax rate

Income tax expense in the year under review amounted to $584 M, compared with $592 M in 2013. This corresponds to an effective tax rate of 31.7%, after 32.0% in 2013. The adjusted tax rate for 2014 was 33.4%.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA fell by 6% to $1.05 BN in the financial year 2014.

Earnings per share

Basic earnings per share (EPS) fell by 5% in 2014 to $3.46, compared with $3.65 in 2013. The average weighted number of shares outstanding in 2014 was around 302.3 M (2013: 303.8 M). Details on how earnings per share are derived can be found in the "Notes to consolidated financial statements" starting on page 178.

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2014. All outlays, such as the consumption by value of purchased goods and services as well as depreciation and amortization, have been deducted from the company's performance. The value added of Fresenius Medical Care in 2014 was $8.16 BN, up 9% from $7.50 BN in 2013. The bulk of this, 71% or $5.82 BN, was paid to employees, while 7% or $584 M went to the public sector. Lenders partook of around $495 M or 6%. The shareholders and noncontrolling interests received around 7% or $529 M. $731 M from the value added remained in the company for reinforcement of business.

Status of incoming orders

Just under three-quarters of Fresenius Medical Care's business model involves regular services that are not determined by project-related incoming orders. Product business, which chiefly consists of single-use products, is mainly characterized by consistent long-term demand rather than product-related orders. For these reasons, reporting of the order volume is not an informative indicator for the earnings development of Fresenius Medical Care.

T. 2.26 **VALUE ADDED STATEMENT**

in $M

	2014		2013	
Creation				
Company output	15,877	100%	14,668	100%
Outlays	(7,016)	−44%	(6,525)	−44%
Gross value added	8,861	56%	8,143	56%
Depreciation and amortization	(699)	−4%	(648)	−4%
▸ **NET VALUE ADDED**	**8,162**	**52%**	**7,495**	**52%**
Utilization[1]				
Employees	5,823	71%	5,199	69%
Public sector	584	7%	592	8%
Lenders	495	6%	448	6%
Shareholders and noncontrolling interests	529	7%	454	6%
Company	731	9%	802	11%
▸ **NET VALUE ADDED**	**8,162**	**100%**	**7,495**	**100%**

[1] *Assuming the distribution of 2014 profits is approved by the annual general meeting on May 19, 2015.*

FINANCIAL SITUATION

In the last financial year, we adapted our investment and financing strategy to the strategic expansion of our business. Consequently, in addition to the strengthening of our dialysis services business, investing activities were focused on expanding medical care beyond dialysis treatment. We still regard our refinancing options as being very stable and flexible.

Principles and objectives of financial management

Besides optimizing our financial costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The company ensures this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated amended 2012 credit agreement with revolving credit facilities and loans in U.S. dollars and euros. In addition, in recent years, we have placed unsecured senior notes in euros and U.S. dollars. Furthermore, Fresenius Medical Care has sufficient financing flexibility in the form of credit facilities and an accounts receivable facility. These instruments enable us to borrow funds at short notice as required.

With only partially drawn credit facilities and our accounts receivable facility, which was extended in November 2014, we have sufficient financial resources. Our target for committed and unutilized credit facilities remains between $300 M and $500 M. Our main 2015 financing needs are the principal repayments under the syndicated credit agreement and the dividend payment estimated at $287 M.

In our long-term financial planning, we focus primarily on the leverage ratio, defined as the debt/EBITDA ratio. This sets our total financial debt in relation with our earnings before interest, taxes, depreciation and amortization (EBITDA). Fresenius Medical Care holds a strong position in the growing dialysis sector, which is considered in general noncyclical. This industry is characterized by relatively stable cash flows. Our market position is further supported by a high creditworthiness of most of our customers. A substantial portion of our accounts

T. 2.27 **MAJOR FINANCING INSTRUMENTS**

	Amount in M	*Coupon*	*Maturity*
Credit agreement, revolving credit facility *in $*	$1,000	–	October 30, 2019
Credit agreement, revolving credit facility *in €*	€400	–	October 30, 2019
Credit agreement, term loan A *in $*[1]	$2,500	–	October 30, 2019
Credit agreement, term loan A *in €*[1]	€300	–	October 30, 2019
Senior notes 2010–2016	€250	5.50%	July 15, 2016
Senior notes 2011–2016	€100	3-month Euribor +3.50%	October 15, 2016
Senior notes 2007–2017	$500	6.875%	July 15, 2017
Senior notes 2011–2018	$400	6.50%	September 15, 2018
Senior notes 2011–2018	€400	6.50%	September 15, 2018
Senior notes 2012–2019	€250	5.25%	July 31, 2019
Senior notes 2012–2019	$800	5.625%	July 31, 2019
Equity-neutral convertible bonds 2014–2020[2]	€400	1.125%	January 31, 2020
Senior notes 2014–2020	$500	4.125%	October 15, 2020
Senior notes 2011–2021	$650	5.75%	February 15, 2021
Senior notes 2011–2021	€300	5.25%	February 15, 2021
Senior notes 2012–2022	$700	5.875%	January 31, 2022
Senior notes 2014–2024	$400	4.75%	October 15, 2024
Accounts receivable facility	$800	–	November 24, 2017

[1] *Initial amount before amortization.*

[2] *Concurrently with the bond issuance, Fresenius Medical Care has purchased call options (cash-settled) on its shares to off-set in full the economic exposure from a potential exercise of the conversion rights embedded in the bonds. Therefore, the instrument will not result in the issuance of new shares upon conversion. A dilution of Fresenius Medical Care's share capital through issuance of new shares in connection with this transaction is ruled out.*

receivable are generated by governmental health care institutions. While payment and collection practices vary not only between countries but also between individual authorities, governmental payors usually represent a lower to moderate credit risk. This allows us a more consistent and higher level of debt than may be the case in other industries. At the end of 2014, the debt/EBITDA ratio was 3.1. Further information on this can be found in the "Strategy, objectives and corporate management" section starting on page 41 and in the "Outlook" chapter starting on page 105.

For detailed information on financing, please see the "Liquidity and capital resources" section starting on page 158.

Credit rating

Standard & Poor's Ratings Services confirmed Fresenius Medical Care's corporate credit rating of "BB+" and gave a "positive" outlook. The rating from Moody's remains "Ba1" with a "stable" outlook. The ratings agency Fitch confirmed the corporate credit rating of "BB+" and gave a "positive" outlook.

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

Fresenius Medical Care is not involved in any off-balance-sheet transactions that would be likely to materially affect the company's financial situation, profit and loss position, liquidity, investments, assets or capitalization.

Liquidity analysis

Our main sources of liquidity are our net cash provided by operating activities and loans granted by third parties, as well as the use of other financing instruments as required. We need these resources primarily to finance working capital, to fund acquisitions, to build, expand and equip our own dialysis centers and production facilities, and to repay debt and to pay dividends. For detailed information on liquidity, please see the "Liquidity and capital resources" section starting on page 158.

18th consecutive dividend increase

Management board and supervisory board will propose the 18th consecutive dividend increase to the annual general meeting: The recommended dividend per share is to increase from €0.77 for 2013 to €0.78 for 2014. The total dividend payout expected will amount to approximately €237 M (2013: €232 M). For further information on the dividend, please refer to the "Dividend continuity" section on page 31.

Capital expenditures and acquisitions

In 2014, Fresenius Medical Care spent $2.69 BN on capital expenditures, acquisitions and the purchase of intangible assets. $1,996 M of this was spent on the North America segment, $407 M on the International segment and $287 M for corporate functions.

Total net investment in property, plant and equipment was $920 M, up from $728 M in 2013. A large portion of capital expenditures – $489 M – concerned equipping existing and new clinics. In addition, $286 M was invested in the maintenance and expansion of production capacity, primarily in Germany, North America, Colombia and Serbia. $157 M was spent on equipping sales companies, including the capitalization of dialysis machines provided to customers – mainly in the International segment. A lesser amount of $12 M accrued due to divestments. Capital expenditures on property, plant and equipment amounted to some 6% of overall revenue, at the same level as in the previous year.

T. 2.28 **CREDIT RATING**

	Corporate credit rating			***Outlook***	***Senior debt***	
					secured	*unsecured*
	2014	*2013*	*2012*	***2014***	***2014***	***2014***
Standard & Poor's[1]	BB+	BB+	BB+	Positive	BBB–	BB+
Moody's	Ba1	Ba1	Ba1	Stable	Baa3	Ba2
Fitch	BB+	BB+	BB+	Positive	BBB–	BB+

[1] *In January 2015, Standard & Poor's raised the corporate credit rating to BBB– and issued a stable outlook.*

50% of net investments were used for expansion activities, while 50% were spent on maintaining existing production sites and dialysis clinics.

In geographical terms, 44% of our net investments were made in North America, followed by corporate functions with 31%, Europe with 17%, Asia-Pacific with 4% and Latin America with 4%.

In 2014, $1,779 M was spent on acquisitions, primarily for expanding care coordination activities and acquiring clinics. $1,602 M of this sum was for the North America segment, $175 M for the International segment and $2 M for corporate functions. For further details on acquisitions, please see the "Liquidity and capital resources" section starting on page 158.

Cash flow analysis

Our consolidated statement of cash flows gives an insight into how our company has generated and used cash and cash equivalents (cash flow). In conjunction with the other main components of the consolidated financial statements, the consolidated statement of cash flows provides information that helps to assess the changes to our net assets and our financial structure (including liquidity and solvency).

The cash flow from operating activities is used to assess whether a business can generate the funds required to finance replacement and expansion investments. The indicator "net cash provided by (used in) operating activities in percent of revenue" shows what percentage of revenue is available in the form of funds.

Net cash provided by operating activities is impacted by the profitability of our business and the development of our working capital, primarily inventories and receivables.

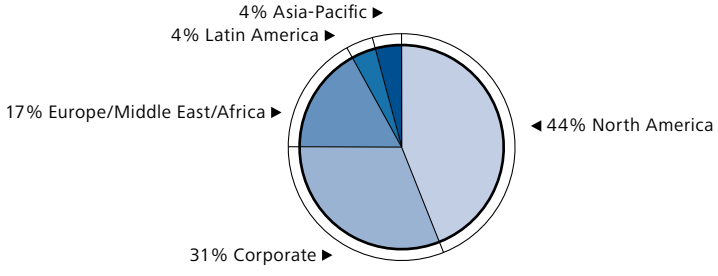
The days sales outstanding, in other words the number of days that pass before customers settle outstanding invoices of Fresenius Medical Care, decreased in the year under review. The days sales outstanding in the North America segment were reduced

T. 2.29 **NET INVESTMENTS AND ACQUISITIONS**

in $M

	2014	*Of which property, plant and equipment*	*Of which acquisitions/intangible assets and other investments*	*Of which divestitures*	*2013*
North America	1,996	403	1,602	9	771
International	407	232	175	0	268
Corporate	287	285	2	0	167
▶ **TOTAL**	**2,690**	**920**	**1,779**	**9**	**1,206**

C. 2.30 **NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGIONS**



by a further three days in 2014. The high days sales outstanding in the International segment compared with the North America segment mainly reflect the average payment delays by government and private entities.

Public health institutions in numerous countries outside the U.S. require a significant length of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints.

In 2014, net cash provided by operating activities was down on the previous year at $1.86 BN. Cash flows were used for investing activities (expenditures and acquisitions). A detailed description of additional factors is presented in the "Liquidity and capital resources" section starting on page 158.

In the year under review, we achieved a free cash flow of $0.94 BN compared to $1.31 BN in 2013. Taking account of payments for acquisitions (net of divestitures) of $1.77 BN (2013: $478 M), we achieved a free cash flow after acquisitions and divestitures of $-829 M compared to $829 M in the previous year.

For further information, please see the "Capital expenditures and acquisitions" section starting on page 53.

ASSETS AND LIABILITIES

We recorded an increase in total assets and improved our asset situation once again in the year under review. The key balance sheet indicators reflect our sustainable growth and successful performance.

T. 2.31 **DAYS SALES OUTSTANDING**

in days, December 31

	2014	2013	Change
North America	50	53	–3
International	114	110	4
▸ **TOTAL**	**72**	**73**	**–1**

T. 2.32 **ABBREVIATED STATEMENT OF CASH FLOW** [1]

in $M

	2014	2013	Change
Cash and cash equivalents at the beginning of the year	683	688	–1%
Net cash provided by operating activities	1,861	2,035	–9%
Net cash provided by investing activities	(2,690)	(1,206)	123%
Net cash provided by financing activities	805	(808)	–
Effect of exchange rate changes on cash and cash equivalents	(25)	(26)	–
Cash and cash equivalents at the end of the year	634	683	–7%
Free cash flow	941	1,307	–28%

[1] *A detailed representation can be found in the "Consolidated statements of cash flows" section starting on page 174.*

C. 2.33 **NET CASH PROVIDED BY OPERATING ACTIVITIES**

in $M

Balance sheet structure analysis

The group's total assets increased by 10% year-on-year to $25.45 BN. The growth rate on a constant currency basis was 15%.

Non-current assets increased by 11% (+15% on a constant currency basis) to $18.72 BN at the end of 2014. This corresponds to approximately 74% of the group's total assets. The increase in non-current assets in absolute terms is mainly attributable to acquisitions and capital expenditures.

Non-current assets include goodwill of $13.08 BN (previous year: $11.66 BN), primarily from the foundation of Fresenius Medical Care in 1996, the acquisition of Renal Care Group, Inc., in 2006 and the acquisition of Liberty Dialysis Holdings, Inc., in 2012 as well as acquisitions in the fiscal year. Property, plant and equipment increased by 6% to $3.29 BN in the year under review, largely as a result of capital expenditures. Further information on this can be found in the "Capital expenditures and acquisitions" section starting on page 53.

Current assets increased by 7% (+13% on a constant currency basis) to $6.72 BN at the end of 2014. The main reason for this development was the 11% increase in other assets. The increase is attributable to a rise in tax refund claims and available for sale financial assets. In addition, receivables increased by 6% (+13% on a constant currency basis). This development was primarily attributable to the group's business growth. For further information, see the "Financial situation" section starting on page 61.

On the liabilities side of the balance sheet, equity increased by 6% to $10.03 BN at the end of 2014. This was primarily a result of earnings, the purchase of noncontrolling interests and the exercise of stock options. The equity base was reduced by foreign-currency translation adjustments, mainly due to the appreciation of the U.S. dollar against the euro, actuarial losses in the valuation of benefit obligations, payment of the dividend for 2013 and the fair value measurement of noncontrolling interests subject to put provisions. The equity ratio fell by two percentage points year-on-year to 39%.

Liabilities increased by 13% (+16% on a constant currency basis) to $15.42 BN. Financial liabilities amounted to $9.53 BN after $8.42 BN in 2013. Of this figure, $0.45 BN related to current financial liabilities (2013: $0.67 BN). Non-current financial liabilities amounted to $9.08 BN in 2014 after $7.75 BN in 2013. As in the previous year, 72% of financial liabilities were U.S. dollar-denominated.

More information can be found in the "Liquidity and capital resources" section starting on page 158 and in the "Consolidated balance sheets" starting on page 172.

T. 2.34 **BALANCE SHEET STRUCTURE**

in $ M

	2014	As % of total assets	2013	As % of total assets
Assets				
Non-current assets	18,722	74%	16,833	73%
Current assets	6,725	26%	6,287	27%
Thereof accounts receivable	3,397	13%	3,190	14%
Thereof inventories	1,116	4%	1,097	5%
Thereof other assets	2,212	9%	2,000	8%
▸ **TOTAL ASSETS**	**25,447**	**100%**	**23,120**	**100%**
Equity and liabilities				
Equity	10,028	39%	9,485	41%
Liabilities	15,419	61%	13,635	59%
Thereof non-current liabilities[1]	11,942	47%	10,081	44%
Thereof current liabilities	3,477	14%	3,554	15%
▸ **TOTAL EQUITY AND LIABILITIES**	**25,447**	**100%**	**23,120**	**100%**

[1] *Including noncontrolling interests subject to put provisions.*

RESEARCH AND DEVELOPMENT

Developing new products and improving our dialysis treatments form an integral part of our growth strategy. Our global research and development (R&D) activities enable us to develop products efficiently and to systematically promote the exchange of knowledge and technology between the regions.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

We are present in more than 120 countries around the world with our products. The market conditions in some of these countries vary considerably. Fresenius Medical Care successfully takes these differences into account with its differentiated product range. Our familiarity with the particular features of our markets helps us to build trust and rapport with our patients. Our R&D activities also benefit from this: As we develop our products locally, we can address regional requirements quickly.

The demand for improved, high-quality yet cost-efficient treatment methods is raising, worldwide. To enable us to respond even better to this situation in the future, we have reorganized our research and development in the last two years. Overall, we have identified six core areas as the future focal points of our R&D activities, see chart 2.35.

1. Market leadership

The treatment of chronic kidney disease is a medical success story that Fresenius Medical Care has contributed to significantly over the past decades; we are now the world's leading provider of dialysis products and services. To maintain this position in the future, our R&D teams face the major task of continuously researching new technical possibilities and further enhancing therapies.

2. Vertical integration

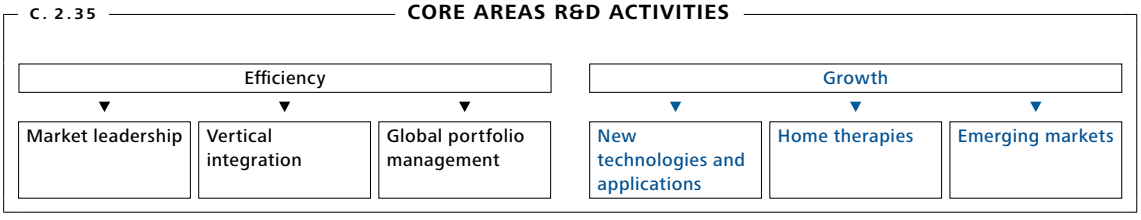
As we are a vertically integrated company, our employees in the R&D department also benefit from direct access to the opinions and experience of patients and experts at our own dialysis centers. This helps them to enhance our products in such a way as to optimize and further automate processes in the clinics, and to simplify operations. This again enables us to further improve patient safety.

Health care systems face major financial challenges in the long term. This is even more reason for Fresenius Medical Care to abide by a principle that is also specified in our internal research guidelines: Innovations not only have to be of high quality, but they must also be affordable so that patients can benefit from them. Based on our experience in operating our own dialysis clinics, we do not consider these to be incompatible demands.

3. Global portfolio management

Different markets have different requirements. Our modular system in the area of product development enables us to standardize the basic functions and individual components of our therapy systems internationally. At the same time, it allows us to respond to local requirements with suitably adapted products. In future, we aim to further expand this uniform platform architecture with the aim of reducing development times, achieving economies of scale in purchasing and bundling our development resources.

C. 2.35 — **CORE AREAS R&D ACTIVITIES**



As a provider of medical products, we are subject to a host of requirements imposed by various state regulatory bodies. To comply with these, our portfolio management also includes standardizing our process and control structures as well as supporting various quality initiatives within the company.

4. New technologies and applications

Dialysis has only been available as a standard treatment for chronic kidney failure for about 50 years. However, the complex interactions and concomitant effects that occur with kidney failure are being increasingly explored. At the same time, the technological possibilities for treating patients are also improving. Our aim is to quickly turn new findings into market-ready products, enabling us to offer patients gentler, safer and more individual treatment.

In 2014, we again pressed ahead with enhancing our products and introduced several major innovations in our markets. The main new products for home dialysis are sleep.safe harmony and Liberty PDx for automated peritoneal dialysis, which is usually performed at night. Both products are now easier to use and also feature a wide range of expanded therapy options. This makes it possible to cater for patients' individual needs in home dialysis, too, as well as providing safer and more flexible treatment. In addition, the devices are equipped with modern communication technology to ensure an uninterrupted exchange of information with the treating clinic.

In the area of hemodialysis, we launched a new version of our proven Crit-Line system for monitoring the blood volume, which communicates directly with the dialysis machine. This allows the Crit-Line device to automatically regulate fluid removal from the patient in line with the physician's prescription. As scientific studies consistently show that fluid status is a key criterion for patients' long-term prognosis, we expect this automatic regulation to provide widespread improvement in terms of this treatment parameter without increasing the workload of nursing staff.

For several years, clinical research has provided new insights into the role of sodium concentration in the plasma of dialysis patients, partly influenced by the level of sodium in the dialysate. Previously, a patient's so-called sodium balance during dialysis treatment depended on a number of factors, some of which were beyond the control of the prescribing physician. In the year under review, Fresenius Medical Care launched a system to automatically balance sodium levels for the 5008 series dialysis machines, allowing the machine to control the sodium balance itself.

5. Home therapies

More people than ever suffer from chronic kidney failure. The resultant higher cost burden for health care systems and limited availability of trained personnel for dialysis centers boosts demand for home therapy systems. Home dialysis and its associated technologies and products are therefore another key focal point of our R&D activities.

In addition to the sleep.safe harmony and Liberty PDx devices mentioned above, which we unveiled in 2014, we continued developing a portable dialysis machine and bundled our activities in this area. The focus of our work here was on the Portable Artificial Kidney (PAK), which we expect to launch in the U.S. in 2015. The main advantages of the PAK compared with conventional dialysis machines are its small size and transportability along with a significant reduction in the amount of water required from 120 liters on average to between six and ten liters per treatment. This means that the PAK is extremely resource-efficient, flexible and can be used almost anywhere, giving home dialysis patients maximum independence and mobility.

6. Emerging markets

Our growth strategy includes gearing our business operations towards attractive future markets. In addition, we want to provide more and more people with access to life-saving dialysis treatment. For example, we plan to offer basic therapy systems in future that are especially tailored to the Chinese market. We aim to press ahead with our R&D activities in this area especially in our new "China Design Center" in Shanghai; the conditions for establishing this were put in place in 2014. Teams of employees from R&D, Production and Purchasing will work together in this center on an interdisciplinary basis to develop market-ready products for the local dialysis market in an efficient way.

RESULTS OF OUR CLINICAL RESEARCH

In addition to developing new products and procedures and continuously enhancing existing ones, we are also active in areas of clinical research that are relevant to our work, such as chronic kidney failure in the broadest sense and technologically related blood purification procedures.

In 2014, we again undertook clinical studies to examine the automatic regulation of the electrolyte balance; they were instrumental in the development of the system described above for automatically balancing sodium levels for dialysis machines.

Another current focus of our clinical studies is peritoneal dialysis (PD) and especially overhydration, which affects many PD patients. We carried out a study to show that active fluid management increases the survival rate, reduces the number and duration of hospital stays and improves maintenance of residual renal function. In the area of hemodialysis, our Body Composition Monitor (BCM) analysis system is already an integral part of therapy, enabling us to determine each patient's individual fluid status and body composition. The study makes it clear that the BCM can also help to improve fluid management in PD patients, thus increasing their life expectancy.

COOPERATION IN RESEARCH EXTENDED

We work with universities and research institutes around the world that operate in our specialist field. One example is Danube University Krems in Austria, where we have funded research into extracorporeal blood purification processes with sorbents for more than 20 years. This long-standing partnership with an excellent team of specialists was ultimately one of the reasons why we decided to invest further in our Krems facility.

We also maintain close contact with research institutes in the U.S., where our cooperation partners include renowned universities as well as the Renal Research Institute (RRI) in New York. This subsidiary of Fresenius Medical Care North America is a leading institution in the field of clinical research into chronic kidney failure. Together, we are working on some fundamental issues related to dialysis treatment. These include the complex causes of kidney disease as well as issues such as fluid management in dialysis patients.

In our collaboration with national and international universities and other scientific institutions, we use various financing models. Some of our research alliances are also publicly funded.

RISE IN R & D EXPENDITURE

In the year under review, Fresenius Medical Care spent a total of around $122 M on research and development (2013: $126 M). Around a quarter of our R & D expenditure was spent on advance development, in which the foundations for future product innovations are laid.

At the end of 2014, our patent portfolio comprised some 6,133 property rights in approximately 960 patent families, i.e. groups of patents linked to an invention. Our development work in the year under review produced around 70 additional patent families. Fresenius Medical Care is continuously working on innovative, multifunctional blood cassettes for use in extracorporeal treatment methods. The innovations could significantly improve the handling, patient safety and therapeutic capability of the blood cassettes. A broad portfolio of patents will provide us with a wide range of treatment options in future in this area, which is also the subject of research by competitors.

In 2014, 599 highly qualified employees worked for Fresenius Medical Care in R & D worldwide (2013: 552). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams.

Around 370 and therefore most of our employees in R&D are based in Europe. Most activities are carried out at our German facilities in Schweinfurt and Bad Homburg. Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). The company maintains centers of excellence in the U.S. for device development in Concord and Lake Forest, California, as well as for the development of dialyzers and other disposable products in Ogden, Utah. Development activities in Hong Kong and Changshu (China) are focused on the growing demand for cost-effective dialysis systems. Cooperation and technology exchange between the various sites are coordinated by the global R&D organization.

As part of our innovation culture, we also strive to carry out research and development responsibly. For more information on this, see the "Responsibility" chapter starting on page 86.

T. 2.36 **EXPENDITURES FOR R&D**

in $ M

	2014	2013	2012	2011	2010
▸ TOTAL	122	126	112	111	97

T. 2.37 **NUMBER OF PATENTS**

	2014	2013	2012	2011	2010
▸ TOTAL	6,133	5,560	4,850	4,415	3,601

T. 2.38 **NUMBER OF EMPLOYEES IN R&D**

Full-time equivalents

	2014	2013	2012	2011	2010
▸ TOTAL	599	552	530	530	503

PROCUREMENT AND PRODUCTION

As the industry leader in dialysis, we can call on considerable internal resources in production. These include manufacturing capacity in all regions as well as expertise in complex production technologies and processes. Furthermore, we have extensive skills in quality management, procurement and logistics for sophisticated medical products.

CENTRAL GLOBAL MANUFACTURING OPERATIONS DIVISION: EFFICIENCY IN THE VALUE CHAIN

The Global Manufacturing Operations (GMO) division manages all of Fresenius Medical Care's activities in purchasing of raw materials and semi-finished goods, production including quality management, and distribution in North America. This centralized approach enables us to

- continuously enhance the efficiency of our processes,
- optimize cost structures,
- improve returns on our capital invested in manufacturing,
- respond more flexibly,
- fulfill our commitment to meeting high quality and safety standards.

In this way, we are able to make a lasting contribution to the success of our operating activities.

With a focus on quality, costs and availability, GMO has introduced a state-of-the-art infrastructure with corresponding efficient processes and systems in the last few years, as well as bundling and optimizing existing structures.

At the end of 2014, GMO had 14,767 employees (2013: 13,706) at 40 production sites in around 25 countries. In the sections below, we describe the functions and activities of the GMO division across our value chain.

STRATEGIC PURCHASING: GLOBAL RESPONSIBILITY, CONSISTENT QUALITY

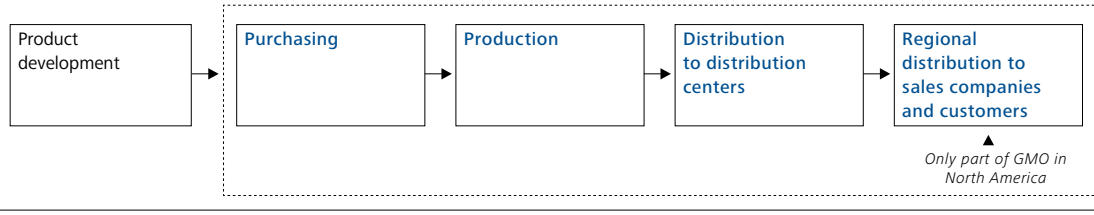
Our strategic purchasing is geared towards ensuring the availability, safety and quality of the materials used in production. The goal is to further expand Fresenius Medical Care's competitive and globally balanced supplier network. Our purchasing employees in the various regions work closely together to select the right business partners for the flexible supply of raw materials.

The purchasing volume of materials and bought-in services in the GMO division in 2014 totalling around $1.4 BN was up slightly on the previous year's figure of $1.3 BN. This was mainly due to increased demand for dialysis products and the resultant rise in the production volume. Relative to revenue, material expenses within GMO amounted to 9%, and were therefore largely unchanged compared to the previous year.

Our procurement strategy focuses on supporting the company's strategy for sustainable growth in the best possible way. We achieve this by procuring high-quality materials and components through long-term mutual relationships with our suppliers.

To enable us to identify opportunities to increase efficiency even more reliably and make more effective use of them, we have further expanded our global activities and international coordination processes in purchasing. In the year under review, we

C. 2.39 GLOBAL MANUFACTURING OPERATIONS (GMO)



focused on structuring a global purchasing organization and enhancing our global IT systems. In the next few years, we will also focus on purchasing-related processes and systems, for example expanding our international reporting and controlling systems or harmonizing and standardizing system support for purchasing-related quality processes.

As was the case last year, greater diversification of our supplier portfolio is a key priority in the field of risk management. The aim here is to avoid supply bottlenecks and minimize price fluctuations.

By further standardizing our procurement processes, centralizing them and making them more transparent, we can continuously boost our efficiency in purchasing while ensuring a constant supply of material and maintaining our quality level. In the year under review, we took another major step towards globally harmonized procurement processes by incorporating North America, the only region not yet included, in our strategic purchasing system.

OUR PRODUCTION SITES: DIVISION OF TASKS IN THE GROWING GLOBAL NETWORK

Our production strategy is aimed at manufacturing top-quality products in the right place at the right time at the best possible price. We are able to implement this strategy successfully thanks to a network of large production sites that allows us to make technically sophisticated products and sell them worldwide as well as production sites that primarily supply products regionally.

For example, we produce dialysis machines at two sites: in Schweinfurt (Germany) and in Concord (U.S.). We manufacture most of our other products directly in the regions in which they are needed. Our dialyzer production facilities include Ogden (U.S.), St. Wendel (Germany), L'Arbresle (France) and Buzen (Japan). Concentrates for hemodialysis are manufactured in Germany, Great Britain, Spain, the U.S., Argentina and Australia, among others. Most of the solutions used for peritoneal dialysis are supplied by our production sites in St. Wendel and Ogden. Local markets are served by our production facilities in Brazil, Columbia and Mexico, for example.

Our largest locations in terms of production volume are in the U.S. and Germany. Chart 2.2 starting on page 38 presents an overview of our main production sites.

Some of our production facilities have long-standing experience in manufacturing certain products. As our centers of excellence, they use their expertise in core technologies and materials to advise our local production sites on harmonizing their processes. With this approach, we encourage the exchange of particularly successful procedures and methods between the different regions and locations.

At the same time, we are continuously assessing new opportunities for different regions to supply each other with products and components. Our aim in doing so is to further increase efficiency in our production network and ensure that we can continue to meet the growing demand in the future. Thanks to harmonized processes as well as standardized materials and product components, the whole company benefits from the production capacities in the various regions.

Production facilities expanded

We expanded and modernized many of our production sites in 2014. For example, in St. Wendel we commissioned a new polysulfone spinning system. Polysulfone fibers are a key component of our dialyzers. To meet the growing demand in this area, we plan to invest around €70 M in the next three years in the expansion of our plant in L'Arbresle, France. A total of seven production lines for polysulfone fibers are to be installed in a new wing by 2018. We have also started building a new production site in Columbia. It will completely replace the old one at the end of 2015 to become our largest facility in Latin America.

Our production facility in Vršac, Serbia, went into operation in December 2014. Here, we aim to double our production capacity for specific disposable products such as bloodline systems in Serbia, enabling us to cover the expected growing demand in Europe and Latin America in the years ahead.

Highest quality standards

At Fresenius Medical Care, we believe that the quality and reliability of our products and therapies must be as high as possible to ensure the best medical care for our patients and customers. To help us fulfill this aspiration and the numerous regulatory requirements, our processes in the business regions are incorporated into comprehensive quality management systems. These ensure that all of our products and procedures comply with quality and safety standards from development, market approval, manufacture and their use in clinics, right up to training customers and dealing with complaints. Our quality management systems used in production combine internal regulations, processes and procedures with the demands of generally recognized external standards and guidelines. Our

plants apply recognized quality management tools such as Lean Six Sigma – see the glossary starting on page 247 – for optimizing production and testing processes as well as general workflows.

Fresenius Medical Care has established comparable processes in production in all regions to ensure adherence to in-house quality standards and legal requirements. In addition, some of our production sites are certified according to several regional quality standards. To further harmonize our processes and link them throughout the company, we continued to run projects with the aim of further integrating and standardizing the quality management system in the year under review. In doing so, we systematically compare the methods established in different regions and then implement the best possible solution, fulfilling the highest possible quality standards in all areas.

In the year under review, we developed a system that records, assesses and processes corrective and preventive measures in the GMO division in a standardized form. We want to introduce this system at all production facilities in the first half of 2015. The aim is to further improve communication processes across all sites, thus further minimizing the risk of supply bottlenecks.

DISTRIBUTION TO THE REGIONS

In North America, GMO manages the entire value chain – from purchasing raw materials to delivering finished products to our customers. In the other regions, GMO's responsibility only goes as far as delivering finished goods to our central distribution centers; the regions themselves are responsible for the further stages of the supply chain.

Our regional supply chain management teams work closely with GMO and Sales and Marketing to be able to align production capacities and inventory management even more closely with medium-term demand patterns. In addition, we are continuously expanding our planning system for demand assessment and inventory management with respect to our most important disposable products. A special distribution logic ensures that production orders for the same products and manufacturing methods are efficiently spread among the relevant production sites.

We are continuously enhancing our products based on our longstanding experience and extensive technical expertise. Our aim is to constantly optimize the success of dialysis treatment, minimize risk factors for cardiovascular diseases, make the daily routine easier for dialysis patients, and improve their quality of life. Our main considerations in developing and manufacturing our dialysis products are their quality and safety.

PRODUCTS FOR HEMODIALYSIS

Hemodialysis (HD) is by far the most common type of therapy for chronic kidney failure. In dialysis centers, the patient's blood is filtered outside the body in what is called a dialyzer. In this process, toxins and excess water are removed from the blood, while blood cells and important proteins are retained. Blood circulation is monitored and controlled by a dialysis machine during treatment. Fresenius Medical Care offers a comprehensive range of products for HD, including machines and modular machine components, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, data processing and analysis systems, and dialysis chairs.

Dialysis machines

Computer-controlled dialysis machines perform key tasks in hemodialysis: They pump the blood from the body through a bloodline system into the dialyzer. A dialysis fluid absorbs the toxins filtered out of the blood and excess water and transports them out of the body. The dialysis fluid is fed into the dialyzer via a separate cycle. The device can also add an anticoagulation drug to the blood. In addition, the machine is equipped with various automatic monitoring and control functions that are intended to ensure safe and efficient dialysis treatment. The special design of our hemodialysis machines allows treatment to be tailored to patients' individual needs and makes it easier for us to constantly enhance our devices and modules.

With its 2008T, 4008S classic and 5008 CorDiax series dialysis machines, Fresenius Medical Care is the clear market leader in this product segment. We sold around 43,000 dialysis machines worldwide in 2014 (2013: 44,000). This means that around one in two systems sold are produced by Fresenius Medical Care.

The 5008 CorDiax and 5008S CorDiax therapy systems feature an extremely intuitive user interface. A touchscreen makes the devices easy and safe for physicians and nursing staff to use. In addition, these dialysis machines allow for HighVolumeHDF – see glossary starting on page 247 – as a standard feature. The CorDiax series enables very easy and safe HDF treatments with a high replacement volume. HighVolumeHDF has numerous benefits with regard to dialysis-related cardiovascular risk factors. It is currently recognized as the most effective form of dialysis treatment, and comes closest to the function of a healthy kidney. The 4008S classic system boasts impressive standard features and delivers very high treatment quality as well as reliability and safety at a low price. This gives even more dialysis patients easier access to high-quality dialysis treatment, for instance in regions with a poor infrastructure.

The 2008T dialysis machine for the North American market combines state-of-the-art treatment technology with the Fresenius Clinical Data Exchange (CDX) system, a software to record and exchange clinical data. This means that nursing staff have direct on-site access to dialysis treatment data and all other clinical data that was previously recorded and stored in different sources. As a result, this integrated treatment system simplifies routines as well as billing.

Dialyzers

The dialyzer assumes key functions of the kidney. The patient's blood flows through a plastic tube approximately 30 centimeters long with up to 20,000 ultrathin fibers. These extremely high-performance fibers are made of Fresenius Polysulfone, a special plastic characterized by exceptional cleansing properties and blood compatibility. This material is the result of our pioneering work in the development and production of dialyzers, and sets new standards in dialysis. The Helixone membrane, also developed and produced by Fresenius Medical Care, is an enhanced form of Polysulfone.

Fresenius Medical Care also leads the field worldwide in the area of dialyzers. We provide a wide range of these devices comprising our FX and FX CorDiax dialyzer series as well as the Optiflux series in North America. In doing so, we meet the specific requirements of various therapy methods and patients' individual needs. Fresenius Medical Care has

also developed dialyzers with a low blood-priming volume specifically for treating children with dialysis. Fresenius Medical Care sold about 115 M dialyzers in 2014 (2013: 106 M). The company therefore accounts for almost half of these products sold worldwide.

From manufacturing membranes to packaging, Fresenius Medical Care carries out the entire production process for dialyzers under one roof. This enables us to ensure high quality standards.

Analysis systems

Overhydration is a widespread problem among dialysis patients and a significant cause of cardiovascular diseases. In addition, it can reduce the effectiveness of medication prescribed for illnesses associated with kidney failure. An optimum fluid balance is therefore a key challenge in treating patients with chronic kidney failure.

The patient's individual fluid status can be measured extremely well with the Fresenius Medical Care Body Composition Monitor analysis system. The results can also be used to track and better understand the correlation between overhydration and blood pressure in individual patients.

The Crit-Line analysis device developed for the North American market also measures changes in the fluid balance of hemodialysis patients during treatment. This makes it possible to identify risk patients who are severely overhydrated but otherwise show no clinical symptoms. Crit-Line is also used to support the treatment of anemia in kidney patients.

PRODUCTS FOR PERITONEAL DIALYSIS

In peritoneal dialysis (PD), the peritoneum is used as a natural filter. It has similar properties to dialyzer membranes: It allows certain substances to permeate its pores, while retaining others. PD is carried out by patients themselves while at home or away, for example at work. Most PD patients still have a certain degree of residual kidney function. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD). Both therapies are supported by our patient management software.

Continuous ambulatory peritoneal dialysis

In continuous ambulatory peritoneal dialysis (CAPD), dialysis solution is fed manually from a bag through a catheter into the patient's abdominal cavity, where it is flushed through the peritoneum. This process is carried out three to five times a day. After four to five hours, the patient drains the dialysis solution – now mixed with metabolic products – into an empty bag and replaces it with fresh solution. This ensures that the blood is continuously and gently cleansed.

Stay.safe is a secure system provided by Fresenius Medical Care for CAPD. It consists of a bag filled with fresh dialysis solution, an empty bag for the used solution, a system of tubes, and DISC, a central control switch specially developed by Fresenius Medical Care. Thanks to PIN technology – an automatic valve system – and DISC, all treatment steps can be performed safely and easily in a defined sequence. This virtually eliminates operating errors and prevents bacteria from entering the catheter. All stay.safe components are made of Biofine, an environmentally friendly plastic developed by Fresenius Medical Care comprising only carbon and hydrogen. Products made of Biofine can either be recycled or disposed of in an environmentally friendly way. The PD-Paed Plus System is a product combination that is specifically approved for babies and small children with a body weight of up to 10 kilogram. It is suitable for treating chronic and acute kidney failure as well as enabling treatment in an incubator.

Automated peritoneal dialysis

Automated peritoneal dialysis (APD) is mostly carried out at night. A special device called a cycler takes over the exchange of dialysis fluid. In the evening, the patient connects up with the cycler, which then automatically replaces the dialysate several times during the night after just a short time in the abdominal cavity. The cycler ensures that the dialysis solution mixed with metabolic products is fed in and drained out. This ensures that the blood is continuously cleansed at night and that virtually no treatment is required during the day.

In September 2014, Fresenius Medical Care launched sleep.safe harmony, a new device for APD that enables tailored treatment geared towards the patient's needs. Fresenius Medical Care also offers modern cyclers for APD such as sleep.safe and the Liberty Cycler specifically for the North American market. All devices are simple and safe to operate thanks to user-friendly software, easy to carry and allow patients to sleep comfortably during overnight treatment.

Patient management software

We offer various patient management programs in our regions that support both CAPD and APD treatment. They include PatientOnLine, IQsystem, Pack-PD, and FITTesse. These programs help medical staff to tailor dialysis treatment to the patient's individual needs.

PRODUCTS FOR FURTHER HOME THERAPIES

Home hemodialysis (home HD) is an alternative to dialysis in a clinic. In this form of therapy, patients perform their own dialysis treatment at home, usually with the assistance of a partner or trained personnel. To do this, patients must be trained at a training center or a clinic.

Fresenius Medical Care's home HD products are extremely safe. In addition, in certain cases, patients can be connected to the dialysis center from home via a data line to ensure even greater safety. Fresenius Medical Care also supports home HD patients with comprehensive, easy-to-understand training and special services.

Our home HD therapy systems, the 2008K@home for the North American market and a home HD variant of the 5008S CorDiax, are specifically geared to the requirements of this form of treatment.

PRODUCTS FOR ACUTE DIALYSIS

Continuous renal replacement therapy is used in intensive-care wards to treat acute kidney failure in critically ill patients.

Fresenius Medical Care has developed multiFiltrate, a therapy system that can be used for a wide variety of continuous treatments. Special therapy options are also available for children's intensive-care wards.

To prevent blood coagulation during dialysis treatment, heparin is generally administered to patients. Fresenius Medical Care was the first company to develop a complete system for continuous renal replacement therapy that uses citrate as an anticoagulant – the multiFiltrate Ci-Ca. In contrast to heparin, citrate only prevents coagulation in the blood circulation outside the body. This especially helps patients with acute bleeding or a susceptibility to bleeding, for example caused by an injury or after an operation.

PRODUCTS FOR OTHER BLOOD CLEANSING PROCEDURES

Extracorporeal blood cleansing is used not only to treat chronic kidney failure, but also to support the liver function on a temporary basis. Excess blood fats or pathogenic antibodies can also be removed in this way.

Liver support therapy

The liver performs numerous vital functions in the body. If it cannot fulfill them adequately due to illness, harmful substances quickly build up in the patient's blood. This can lead to life-threatening symptoms and, in extreme cases, even make a liver transplant necessary. To bridge the gap until the transplant or to prevent one altogether, fast and effective treatment is required.

Fresenius Medical Care's Prometheus therapy system combines hemodialysis treatment with an adsorptive method, thus temporarily relieving the liver.

Therapeutic apheresis

Therapeutic apheresis is a medical process whereby specific pathogenic components are removed from the blood or plasma outside the body. It is mainly used in patients who can no longer be treated successfully with medication.

The therapeutic removal of specific blood fats (lipoproteins) is called lipoprotein apheresis (LDL or lipid apheresis). DALI and MONET are two effective and gentle therapy methods developed by Fresenius Medical Care for LDL apheresis. Treatment usually takes one to two hours. Weekly treatment is sufficient for most patients.

Immunoapheresis is a therapy option for removing antibodies that cause diseases or rejection reactions after transplants. Immunosorba and Globaffin are two different sorbents offered by Fresenius Medical Care for immunoapheresis. During treatment, plasma is separated from the blood and fed through one of the two sorbents. This binds the antibodies so that they accumulate in the sorbent and are removed from the plasma. The cleaned plasma is then returned to the patient.

DIALYSIS DRUGS

As well as having the key function of excreting the end products of metabolism, our kidneys also produce hormones such as vitamin D for healthy bone metabolism and erythropoietin (EPO), which stimulates the formation of red blood cells. In addition, the kidney regulates the body's mineral balance. Although dialysis can largely perform some functions in patients with kidney failure, patients must also take drugs to replace missing hormones and maintain the body's mineral balance.

Minerals such as phosphate – which is important for the bones and the energy balance – and potassium are constantly absorbed from food. However, excessive phosphate levels in the blood can contribute to arteriosclerosis, and excessive potassium content can cause cardiac arrhythmias. In healthy people, these excess minerals are excreted via the kidneys. In dialysis patients, the phosphate and potassium content in the blood can rise to dangerous levels between treatments. Drugs such as phosphate and potassium binders are taken at mealtimes. They bind phosphate or potassium while it is still in the intestine, thus controlling the increase in blood values. Fresenius Medical Care offers several phosphate binders for patients with various needs.

Anemia is a common complication in patients with chronic kidney failure. To treat it, the body must be supplied with sufficient quantities of iron. The iron compounds that Fresenius Medical Care sells in collaboration with Vifor Pharma are among the most widely used on the market.

Our unrivaled experience as a provider of dialysis services makes us a valued partner in the health care system. We care for over 286,000 dialysis patients in a network comprising a total of 3,361 dialysis centers in more than 45 countries. In addition, we have expanded our network for medical services in the current financial year.

COMPREHENSIVE TREATMENT THROUGH CARE COORDINATION

Comprehensive care is a key factor when it comes to achieving the best possible treatment quality for patients with chronic kidney disease. In the year under review, we expanded our network for medical services significantly and combined them under the term "care coordination". This area focuses on care for our patients based on a holistic treatment approach. In addition to dialysis treatment itself, the services we provide include pharmacy services, vascular, cardiovascular and endovascular surgery services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, non-dialysis health plan services and urgent care services. By offering these supplementary services, we aim to provide holistic care for our patients in the future and thus achieve a lasting improvement in our patients' quality of life. In addition to treating dialysis patients, we have stepped up our commitment to identifying kidney disease at an early stage. Early detection and appropriate treatment can help to avoid dialysis altogether for some patients, or at least to delay its onset. If dialysis becomes inevitable, patients are in better health so that the start of dialysis can be gentler and a form of therapy can be chosen, which is individually tailored to the patients' needs.

Our therapy concept is based on the following principles:

- We use our own high-quality products, pharmaceuticals and procedures in our clinics and in caring for home dialysis patients; these are continually refined by our research and development team.
- We provide our patients with comprehensive treatment and medical advice from qualified clinical personnel and physicians.
- We try to create a safe and pleasant atmosphere in our dialysis centers for both patients and employees.
- We systematically improve our performance and efficiency levels by working according to both external and internal quality standards as well as continually analyzing and evaluating treatment data in our own clinics.

In line with these principles, our dialysis clinics are subject to specific standards relating to patient care, hygiene in clinical practice, the architecture of our facilities and the purity of water used in treatment, to name just a few. In many dialysis centers, nutrition specialists and social workers assist our teams of physicians and dialysis specialists. To help patients better understand the issues of living with dialysis, we also provide our own educational material such as films and patient magazines.

In our regions, medical advisory boards and committees support and advise us on improving our treatment standards and services. These are then continuously enhanced in internal expert working groups. One example is the first government-certified Patient Safety Organization (PSO) for kidney disease in North America. All employees at our clinics in the U.S. report critical incidents to the PSO, which then derives recommendations for treating kidney patients.

Services in the North America segment further expanded

In North America, the changes in the U.S. reimbursement system for state-insured patients have particularly affected our dialysis business in recent years – see the "Health care and reimbursement systems vary from country to country" section starting on page 50. Our aim is to provide holistic care for our patients. To achieve this, we have continuously increased the scope of the services we provide and extended our range of medical services. In the U.S., we will make these services a more integral part of our core business to create an even more effective network for patients with kidney disease. In the year under review, we expanded this network with the acquisition of a majority stake in Sound Inpatient Physicians, Inc., a network of hospitalists in the U.S. This enables us, for instance, to ensure better coordination of outpatient and inpatient services to improve treatment quality – see the "Operations and strategy" chapter starting on page 37. In addition, we have developed the Renal Care Coordinator Program, for example, a concept to help us support physicians in caring for patients with chronic kidney disease. In this way, we can improve treatment quality as well as slowing down the progression of the illness.

The International segment: diverse and complex

Our services business in the International segment is characterized by the diversity and complexity of the different health care and remuneration systems. Therefore, uniform quality and management standards are crucial to our patients' quality of life, our employees' satisfaction and our own commercial success. The NephroCare Excellence system with defined quality and business targets, standards and values enables us to operate successfully in Europe and Latin America and offers each of our patients the best possible quality of life even under such heterogeneous conditions.

QUALITY MANAGEMENT IN OUR DIALYSIS CENTERS

Not only at our production sites but also at our dialysis centers, we have installed special quality management systems, which we regularly inspect ourselves as well as having them checked by third parties. In Europe, for example, this is performed by the technical certification organization TÜV. Its experts inspect our clinics in standardized annual audits to control conformance to the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management. In the U.S., our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a public health care authority.

T. 2.40 **QUALITY DATA**

For the fourth quarter of respective years, in %

	Description	*Possible impact if too low*	*U.S.*		*Europe/ Middle East/ Africa*		*Asia-Pacific*[1]	
			2014	*2013*	***2014***	*2013*	***2014***	*2013*
Kt/V > 1.2	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; higher risk of mortality	96	97	95	95	97	96
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body		74	75	76	73	60	59
Hemoglobin = 10–13 g/dl (international)		Indicative of anemia	80	81	77	75	69	68
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance		85	84	76	75	76	75
Albumin ≥ 3.5 g/dl[2]			83	86	92	90	91	91
Phosphate ≤ 5.5 mg/dl		Higher risk of mortality	64	66	79	76	70	70
Patients without catheter (after 90 days)	Measures the number of patients with vascular access	Possibly more days spent in hospital	83	83	83	83	92	92
Days in hospital per patient	The result of complications during dialysis	Restriction to patients' quality of life	9.1	9.4	9.4	9.4	4.3	4.2

[1] *Includes data from the dialysis service provider Jiate in Taiwan and the Philippines.*
[2] *International standard BCR CRM470.*

Figures based on:
– KDOQI guidelines (Kidney Disease Outcomes Quality Initiative) from the U.S.
– EBPG standard (European Best Practice Guidelines) from Europe.
– KDIGO guidelines (Kidney Disease: Improving Global Outcomes), a recent global initiative, which is gaining in significance.

Clinical quality data in line with recognized standards

We measure and assess the treatment quality at our dialysis clinics on the basis of generally recognized quality standards such as industry-specific clinical benchmarks, as well as our own quality targets. In 2014, we again provided our patients all over the world with top-quality treatment, as shown by the current medical quality parameters in table 2.40. Detailed information on the parameters can be found in the glossary starting on page 247.

Quality surveys to ensure continuous improvement

We regularly carry out patient surveys to find out where we can make further improvements and in which areas we should expand our services. In the year under review, we conducted a patient survey in ten European countries and questioned almost 15,000 patients at 280 dialysis centers. The evaluations show that nearly 90% of patients are very satisfied with the dialysis clinics and their employees. Furthermore, over 95% of our patients would recommend the Fresenius Medical Care dialysis clinic where they receive treatment to friends or relatives. The patients feel well looked-after and adequately informed about the treatment steps by our dialysis experts during dialysis treatment.

In North America, the content of patient satisfaction surveys has been specified by the state-run public health care authority CMS (Centers for Medicare and Medicaid Services) since 2012; the surveys themselves are conducted by an independent company to ensure confidentiality of the data and anonymity. Health-related quality of life is another key factor that we regularly measure in patient surveys. We use the results to inform and train both our patients and our clinic staff in a more targeted way with the aim of improving our patients' quality of life in the long term.

SERVICE FOR PATIENTS AND PARTNERS

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

Advice and care programs enhanced

The better informed kidney patients are about their illness and how they themselves can influence the course of the disease, the better the treatment results usually are. This is why Fresenius Medical Care places great value on educating dialysis patients and providing them with intensive medical advice.

The first phase of treatment is often especially difficult for dialysis patients as it drastically changes their daily routine: They need to schedule several hours for treatment a few times a week, the range of food they are allowed to eat is restricted and they are required to take numerous drugs every day while greatly reducing their fluid intake. Many patients find it difficult to muster the necessary discipline for this treatment plan, especially when they know little about their illness. To train new dialysis patients during this critical first therapy phase beyond their visits to our clinic and to boost their confidence, we offer RightStart in North America and the Patient Introduction Package in the EMEALA region. These programs are intended to ease the transition to life on dialysis. They enable us to provide our patients with comprehensive information on the course of their illness and treatment, the importance of a high-quality vascular access, a healthy diet and specific treatment requirements and show how they themselves can help to significantly improve their quality of life. In addition to our services for dialysis patients, we also run programs for patients in the preliminary stages of chronic kidney failure. The Kidney Options Forum events in the International segment and the Treatment Options Program (TOP) in the U.S. give patients the opportunity to talk with experts and find out about the various treatment options for chronic kidney disease.

Patient programs for home therapies expanded

In addition to holistic treatment concepts for our patients in dialysis centers, we offer various home dialysis programs.

In the North American market, we have developed a home dialysis program that not only supplies patients with our products, but also provides supplementary services to boost the success of home therapy. These include ongoing training and support for our patients and their partners from physicians, dieticians, social workers and other members of the dialysis support team, technical assistance and constant access to the dialysis center.

In the EMEALA region, we have developed a holistic treatment concept specifically for peritoneal dialysis under the brand name P^3. It is designed to improve patients' quality of life and supports nursing staff, physicians and patients step by step during therapy. The P^3 program enables us to align the medical parameters of peritoneal dialysis even more closely to patients' needs to ensure that their dialysis treatment at home is as successful as possible.

Dialysis services in emergency situations

To ensure that patients' vital dialysis treatment is not interrupted even in extreme weather conditions such as severe storms or floods, Fresenius Medical Care's professional emergency response teams are called into action in the affected regions. Their task is to protect patients and employees in emergency situations, for example during natural disasters or pandemics, and to give patients the best possible care, even under difficult conditions. In 2014, for example, our crisis teams and volunteers from Fresenius Medical Care were brought in during Winter Storm Pax on the east coast of the U.S., and in the aftermath of the severe weather that brought floods in the Balkans.

In North America, the Fresenius Medical Care Incident Command Center coordinates emergency task forces in critical situations, for example during hurricanes, storm surges or in the tornado season. The Incident Command Center is in close contact with the U.S.-wide Kidney Community Emergency Response Coalition (KCER). This is a network of different organizations and institutions, such as patient and professional nephrology associations, dialysis providers, hospitals, and authorities such as the Food and Drug Administration (FDA) and the CMS. By working with KCER, we can closely coordinate our crisis management as needed with the activities of government emergency organizations, such as the Federal Emergency Management Agency (FEMA), a U.S. national coordination office for disaster relief, and the United States Department of Homeland Security, to which FEMA reports.

EMPLOYEES

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

NUMBER OF EMPLOYEES CONTINUES TO GROW

As at December 31, 2014, Fresenius Medical Care employed a total of 99,895 members of staff (full-time equivalents) in more than 50 countries. Our workforce therefore grew by 10% or more than 9,200 in absolute figures compared to the previous year. This was mainly attributable to our acquisitions, especially in the area of dialysis services and supplementary medical services: In the year under review, acquisitions accounted for 9% of our worldwide increase in employee numbers.

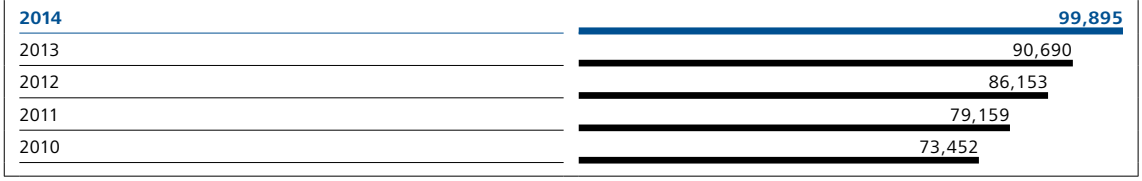
At the end of the year under review, 59% of our employees were based in North America, 22% in the EMEA region (Europe, Middle East, Africa), 10% in Latin America and 9% in the Asia-Pacific region. Our staff count grew fastest in the North America region in the past year with a rise of 5,057 employees, followed by the Asia-Pacific region with an increase of 3,010 employees, due in particular to the expansion of our network of clinics as a result of acquisitions.

Staff costs at Fresenius Medical Care rose to $5.82 BN in 2014 (2013: $5.20 BN). This corresponds to 37% (2013: 36%) of revenue. Average staff costs per employee stood at $58,291 (2013: $57,335).

In Germany, Fresenius Medical Care employed approximately 4,500 people (2013: around 4,400) at the end of the year under review, accounting for around 5% (2013: 5%) of the total workforce. This underscores our high degree of internationalization. The average age of our employees in Germany was 42.4 years, somewhat below the previous year's figure (42.7 years). The average length of employment in the company rose from 11.5 years in 2013 to 12.0 years in 2014. The staff turnover rate was once again low at 3.6% (2013: 3.9%).

C. 2.41 **NUMBER OF EMPLOYEES**

Full-time equivalents



T. 2.42 **EMPLOYEES BY FUNCTIONAL AREA**

Full-time equivalents

	2014	*2013*	*Change*	*Share*
Production and services	80,106	73,069	7,037	80%
Administration	16,760	14,675	2,085	17%
Sales and marketing	2,430	2,394	36	2%
Research and development	599	552	47	1%
▸ **TOTAL**	**99,895**	**90,690**	**9,205**	**100%**

PROMOTING DIVERSITY IN THE COMPANY

Fresenius Medical Care brings together a variety of cultures and talents worldwide. As a global company, we value the diversity our employees provide in the form of personal strengths, characteristics, interests and ideas. We intend to continue promoting diversity in the company in the future to encourage employees in all regions to embrace it as one of the company's strengths.

One key issue in this respect is the percentage of men and women in the company as a whole and in management positions. In 2014, 69% of employees were women (2013: 69%). Fresenius Medical Care also has a relatively high proportion of women in upper management positions at 32% (2013: 33%). When recruiting staff, our focus is on the qualifications of potential employees; gender is not a determining factor. For this reason, we have refrained from introducing fixed quotas.

CREATING AN ATTRACTIVE WORKING ENVIRONMENT

We aim to create an attractive working environment for our employees to enable them to combine their professional and family lives. We support this by flexible working hours, part-time work models, childcare allowances, and health care and sports programs.

Work-life balance

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

T. 2.43 **EMPLOYEES BY REGION**

Full-time equivalents

	2014	*2013*	*Change*	*Share*
▸ **NORTH AMERICA**	**59,401**	**54,344**	**5,057**	**59%**
Health care services	50,093	45,651		
Dialysis products	9,308	8,693		
▸ **EUROPE / MIDDLE EAST / AFRICA**	**21,638**	**21,327**	**311**	**22%**
Health care services	13,279	13,240		
Dialysis products	8,359	8,087		
▸ **LATIN AMERICA**	**9,761**	**8,946**	**815**	**10%**
Health care services	8,274	7,573		
Dialysis products	1,487	1,373		
▸ **ASIA-PACIFIC**	**8,973**	**5,963**	**3,010**	**9%**
Health care services	6,123	3,543		
Dialysis products	2,850	2,420		
▸ **WORLDWIDE**	**99,895**	**90,690**	**9,205**	**100%**
Health care services	77,769	70,007		
Dialysis products	22,004	20,573		
Corporate [1]	122	110		

[1] *The divisions Global Manufacturing Operations and Research and Development are not included.*

Health care management and occupational safety programs

We offer our employees at our different locations a wide range of company health schemes, adapted to their requirements and workloads. These include company sports courses, information and events relating to health and exercise, as well as regular health checks for managers.

STRENGTHENING PERSONNEL DEVELOPMENT

We place great value on enabling our employees to apply their individual skills in our company to the best of their ability and to continue on their career path as a specialist, manager or project leader. Fresenius Medical Care is continuously expanding its training portfolio.

Life-long learning, continuous feedback on personal performance, and professional challenges in line with employees' abilities, including the opportunity to work abroad, are key instruments of our company-wide personnel development program. This enables us to offer talented employees clear career prospects while ensuring effective succession planning.

Programs for managers

Our managers and employees with leadership potential are given the opportunity to take part in specific training programs. Here are two examples:

- Global Executive Challenge (GEC) is a global program for employees in management positions aimed at capturing synergies across regions and encouraging cooperation. The program is designed to challenge participants to put the knowledge they have gained into practice in their day-to-day work, thus strengthening their skills as managers.
- Fresenius Advanced Management Program is a company-specific program for developing employees in upper management positions. We run the program in cooperation with Harvard Business School.

Programs for dialysis specialists

As one of the largest employers of medical personnel worldwide, we place great value on providing our specialist dialysis staff with a wide range of training and further educational opportunities. We provide needs-based training for employees at our clinics, mostly at a regional level. Examples from the U.S. include:

- UltraCare Clinical Advancement Program (UCAP), one of our development programs specifically for dialysis specialists. We have continuously enhanced the program over the past few years. UCAP consists of five modular training levels and is aimed at new and experienced employees in our clinics as well as in the areas of home therapy and acute dialysis. It helps dialysis specialists to develop and expand their knowledge and leadership skills and prepares them for the next step in their career, for example as a clinic manager, health trainer for patients, or mentor to clinic staff. In the year under review, more than 4,700 dialysis specialists were enrolled in the program.
- Mentor Connection is a mentoring program in North America in which senior dialysis specialists coach, assist and advise new colleagues. In this way, we support managers on-site in our clinics and enable them to settle into their new leadership positions quickly.

T. 2.44 **PERCENTAGE OF MEN AND WOMEN IN THE COMPANY**

	2014	*2013*
Total employees *in %*		
Male	31	31
Female	69	69
Employees in upper management positions *in %*		
Male	68	67
Female	32	33

Source: Company data, based on headcount

E-learning further enhanced

A medium that gained further importance for personnel development at Fresenius Medical Care across all functional areas is e-learning – digital training courses via the internet and intranet. Our Fresenius Learning Center is an interactive e-learning platform with features including training courses in virtual classrooms, enabling participants to learn together, wherever they are. We are also continuously developing our e-learning portal, which we use above all in the U.S., into a learning tool with a wide range of subjects. In 2014, we have added over 30 new e-learning programs. We aim to integrate e-learning into personnel development to an ever greater extent in the form of blended learning.

TRAINING YOUNG PEOPLE

In Germany, we also invest in the company's future by offering vocational training for young people. In association with the Fresenius Group, we offer young men and women a wide range of prospects in a variety of trades and work-study courses, from warehouse logistics specialists, electronics technicians for operating equipment, IT specialists and industrial business management assistants to bachelor of arts courses in freight forwarding, transportation and logistics, and bachelor of science courses in business information technology. In the year under review, we offered additional vocational training opportunities in Schweinfurt for industrial electricians in the field of industrial engineering. In 2014, we provided more than 3,650 apprentices with vocational training jointly with the Fresenius Group. In addition, more than 70 students were enrolled in work-study courses last year.

Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the financial year, garnering national and Chamber-level awards from the local Chambers of Industry and Commerce. In previous years, we were able to take on all apprentices and work-study trainees who completed their courses with good grades and intended to stay in our company.

Through our involvement in and with schools, we aim to continue getting young people interested in starting their career at Fresenius Medical Care. To this end, we organize information days, visits to plants, internships and job application training courses. For example, in September 2014 we were involved in the "Training Night" at our group headquarters in Bad Homburg. At this event, students and parents were able to find information about vocational training and work-study courses as well as career prospects at our company.

INCREASING MOTIVATION AND IDENTIFICATION WITH THE COMPANY THROUGH PERFORMANCE-RELATED PAY

Fresenius Medical Care endeavors to pay its employees in line with their performance and allow them to share in the company's success. Our remuneration concept therefore comprises fixed and variable components for most employees.

Profit sharing

We encourage our employees to identify more with Fresenius Medical Care by giving them a stake in our company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group in that particular year. In 2014, each eligible employee received €2,134 for the preceding financial year. Employees receive half of this amount in the form of stocks. The other half is distributed as a cash component.

T. 2.45 **PROFIT SHARING**

	2014	*2013*	*2012*	*2011*	*2010*
Figure *in €*	2,134	2,164	2,036	2,000	1,749
Number of eligible employees	3,213	3,325	3,231	3,068	2,918

Remuneration program with long-term incentive effect

Since 2011, a remuneration program has been in place at Fresenius Medical Care incorporating long-term incentives – a combination of a stock option plan and a phantom stock plan. In this program, the exercising of options is linked directly to the company's success. Over a period of five years, senior managers receive a total of up to 12 M options for bearer shares or phantom stocks. They can exercise these after a period of four years on condition that the adjusted earnings per share (EPS) have increased by at least 8% in each year or as compounded average over the four-year period. If this hurdle is cleared in just one, two or three years, the options are reduced on a pro rata basis. If earnings per share fall short of the mark completely, the options are canceled. Some 800 senior managers worldwide participated in this program in 2014. Further information on the stock option plan and the phantom stock plan can be found in the "Notes to the consolidated financial statements" starting on page 178.

ENHANCING OUR ATTRACTIVENESS AS AN EMPLOYER

As well as retaining talented employees, we face the challenge now more than ever of positioning ourselves on the employment market as an attractive employer to gain qualified new employees.

Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the company: We supervise internships, student research and project studies as well as bachelor theses, and cooperate closely with higher education institutions to enable talented young people to get to know us as an attractive employer early on. One example is our collaboration with the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). As this college offers students an excellent education in the fields of business engineering, plastics technology, mechanical engineering, computer engineering and especially electrical engineering with a focus on medical technology and automation technology, many of its students and graduates are attractive potential employees for Fresenius Medical Care and in particular for our dialysis machine development and production site in Schweinfurt. For this reason, we have signed a cooperation agreement with FHWS including provisions on scholarships and student excursions to the plant, as well as on lectures and semester-long projects within various divisions of our company.

Other than through classic recruitment activities, we get the opportunity to meet young researchers by cooperating with international higher education institutions in the area of research and development or by supporting young scientists, for example as part of their doctoral thesis.

To strengthen our public image as an attractive employer, we further enhanced our employer branding strategy in the year under review. This enables us to address our target groups in an even more focused way, for example in collaboration with higher education institutions, at career fairs or on the internet, and to emphasize the wide range of career opportunities for employees at Fresenius Medical Care.

Sustainable action is a key to our company's success. Responsible corporate governance and trust-based dialog with our stakeholders are firmly embedded in our code of conduct. We also assume responsibility for protecting the environment and are working to improve the carbon footprints of our products and services. In addition, Fresenius Medical Care is committed to social causes worldwide.

SECURING THE COMPANY'S FUTURE WITH SUSTAINABLE ACTION

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success as well as environmental and social progress. In terms of content, we distinguish between the following three areas:

- economic responsibility,
- responsibility for the environment,
- social responsibility.

Fresenius Medical Care's sustainability activities again won plaudits in 2014. Our company has featured in the prestigious Dow Jones Sustainability Europe Index every year since 2009 and in the Dow Jones Sustainability World Index since 2013.

WE ASSUME ECONOMIC RESPONSIBILITY

Our business activities are based on responsible management that is rooted in integrity, sound corporate governance and adherence to compliance principles as well as requiring and encouraging ethically impeccable conduct from all employees and managers. Our code of conduct, which forms the framework for correct conduct towards our stakeholders, shows how seriously we take our corporate responsibility. It is based on our company's core values of quality, honesty and integrity, innovation and progress, as well as respect, teamwork and dignity. It also emphasizes our commitment to operate in accordance with the applicable laws and regulations and our own company policies. Our code of conduct, which we thoroughly revised in the last fiscal year, covers not only the underlying corporate values, but also Fresenius Medical Care's commitment to respecting human rights. Further information on corporate governance, compliance and management board and supervisory board remuneration at Fresenius Medical Care can be found in the "Corporate governance report" starting on page 110.

We engage in dialog with our suppliers

Fresenius Medical Care places great importance on regular, trust-based dialog with its suppliers. Our procurement strategy is geared to purchasing high-quality materials and components through long-term mutual relationships with our suppliers. In the area of strategic purchasing, we also made further progress in 2014 with an initiative that focuses on environmental and social aspects in the procurement process. More specifically, this covers compliance with regulatory requirements, control over environmental and health and safety risks and fair, humane working conditions at our suppliers. For further information, see the "Procurement and production" chapter starting on page 70.

We take responsibility for our employees

Fresenius Medical Care is aware of its responsibility towards its employees. By offering fair working and pay conditions, continuous personnel development and a healthy work-life balance, Fresenius Medical Care aims to become more attractive as an employer. For further information, see the "Employees" chapter starting on page 81.

We are continuously enhancing our occupational safety measures and standards. In the U.S., we have established a formal certified program to review environmental and occupational safety standards, to which all production sites and laboratories are subjected on an annual basis. Audits monitor compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes. At the end of August 2014, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 15th time from the U.S. casualty and property insurer CNA. This award honors the company's commitment to its employees' health, to safety as well as damage and risk prevention.

In the EMEALA region (Europe, Middle East, Africa and Latin America), we bundled our occupa-

tional health measures in a central management system for occupational safety in line with the BS OHSAS 18001 standard in 2013 and incorporated it into our integrated management system. We focused our activities in 2014 on reviewing our processes in the event of work-related accidents and resultant preventive measures at our dialysis clinics.

Research and development geared to ethical standards

Whenever Fresenius Medical Care wants to launch a new medical device or pharmaceutical product, the company is legally required to prove and extensively document the effectiveness and safety of the new device or product based on clinical studies. This means applying it with a group of patients in a clinical environment over a specified period.

Our industry is subject to extensive guidelines and laws intended to ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out studies on companies' behalf have been carefully selected based on their qualifications, and that scientifically accepted methods are applied. They include, for example, the declaration of the World Medical Association, which prescribes basic ethical principles for clinical research, EU directives on pharmaceuticals (such as Directive 2001/20/EC), the EU Medical Device Directive (MDD) and ISO standard 14155, which defines the criteria for clinical investigation and reporting in clinical research. Fresenius Medical Care carries out its clinical research in accordance with these regulations. In addition, we observe national laws and regulations such as the Pharmaceuticals Act (AMG) and the Medical Devices Act (MPG) in Germany, or the U.S. Food and Drug Administration (FDA) regulations. Fresenius Medical Care's own Standard Operating Procedures (SOP) for employees combine these regulations with internal rules to ensure that clinical studies commissioned by us are carried out and documented properly. Before a study can even begin, our application must be approved by ethics committees in the relevant countries.

We only use animal testing to obtain approval for new products and forms of treatment where this is prescribed by law. Such tests are carried out by third-party research institutes in recognized test laboratories, and are always approved by an ethics committee for animal testing. As a matter of principle, our strategy is to avoid animal testing and to use alternative methods wherever possible. Further information can be found in the "Research and development" chapter starting on page 66.

WE ASSUME RESPONSIBILITY FOR THE ENVIRONMENT

Our environmental management enables us to implement environmental requirements and design our operational processes to use resources as efficiently as possible, thus saving on costs. Environmental protection at our company is mainly aimed at complying with environmental regulations, optimizing the use of resources and reducing the associated CO_2 emissions. In addition, our environmental management increasingly supports the business divisions in creating added value for our customers with eco-friendly products and services. Lastly, it ensures that we as a company take our responsibility to the environment seriously.

Environmental management strategy in our regions

Thanks to our decentralized corporate structure, we implement our environmental management at a regional level, as we do with most of our other operating areas. The responsible environmental managers develop strategies to boost environmental protection at our production sites and clinics and promote environmental awareness among our employees. They also coordinate environmental audits carried out by external government agencies, institutions and our own auditors at our production sites and clinics.

Environmental management is part of our integrated management system in the EMEA region (Europe, Middle East and Africa). The German technical inspection association TÜV Süd regularly checks compliance with the ISO 14001 environmental management standard at our company headquarters, in our certified plants and at the certified national clinic organizations. At the end of 2014, nine of our largest European production sites (2013: eight) and our medical product development were certified according to ISO 14001. Furthermore, we have introduced the environmental management system in 13 European countries (2013: also 13).

Our environmental program for the EMEALA region defines five strategic environmental objectives. At its sites and clinics, Fresenius Medical Care aims to

- raise environmental awareness and encourage environmentally responsible behavior,
- enhance knowledge relating to strategic and operational environmental issues,
- increase the company's environmental performance, for example its eco-efficiency,
- improve control of environmental risks,
- ensure that environmental regulations are complied with.

Together with the respective business divisions, our environmental managers have derived a large number of individual environmental objectives from these requirements for the individual stages of the value chain, for example for research and development, our production sites, and our dialysis clinics. One aim is to recycle and incinerate at least 85% of production waste in the EMEA region by 2015. We have also set ourselves the target of further reducing water consumption by 10% on average, electricity consumption by 6% and blood-contaminated waste by 20% per dialysis treatment between 2009 and 2015. We already exceeded our targets for water consumption and waste reduction in 2013. In 2014 we also achieved our goal for the reduction of electricity consumption.

Environmental management at our production sites

At our European production sites, we use performance indicators for the use of energy and raw materials to calculate the environmental performance of our production processes. This enables us to identify additional untapped potential in a production process that has already been largely optimized. We introduced an energy management system according to ISO 50001 in St. Wendel in 2013, and rolled it out to our site in Schweinfurt in 2014. By assessing the energy efficiency of all processes and facilities, we aim to identify further potential savings and derive measures from them.

In addition, we implemented further environmental projects at our production sites worldwide in 2014 to reduce water and electricity consumption and save on packaging material.

Initiatives such as the Seeding Awareness campaign, which we established at our Mexican plant in Guadalajara in 2014, are aimed at making our employees aware of the contribution they can make to environmental protection. Seeding Awareness consists of various actions, such as planting more than 2,000 trees or training our employees on environmental issues.

Ecologically sustainable dialysis products

We are continuously working to make our products and processes more environmentally friendly, for example by using new materials with improved environmental properties or developing new technologies that further reduce the resource consumption of our dialysis machines. The aim is to provide our customers with added value by helping them save on costs or fulfill environmental requirements better.

To this end, we are developing completely new solutions such as the Portable Artificial Kidney (PAK), which we expect to launch in the U.S. in 2015. A key advantage of the PAK compared with a conventional dialysis machine is the significant reduction in the amount of water required for each treatment. This means that the PAK is extremely resource-efficient and flexible, and can be used almost anywhere. For further information, see the "Research and development" chapter starting on page 66.

Environmental management in our dialysis clinics

One of our top priorities is to further reduce the impact of dialysis treatment on the environment while ensuring resource and cost efficiency. We achieve this by using ecologically sustainable dialysis products as well as constructing environmentally friendly dialysis centers.

In the 2014 financial year, we again pursued the aim of expanding our portfolio of environmentally friendly dialysis clinics. For instance, in Terrassa, Spain, we opened our first "green" dialysis center with class A energy performance certification. In addition to a host of environmentally friendly components such as solar cells and a pellet heating system, the clinic also treats its service water on site and uses it to water the building's green roof as well as public parks in Terrassa.

In North America, internal guidelines ensure that the equipment interiors and furnishings in our clinic buildings are as environmentally compatible as possible. We meet or surpass industry standards for the insulation of roofs, walls, doors and windows. When purchasing water treatment systems for dialysis, we also increasingly ensure that these use resources and energy efficiently.

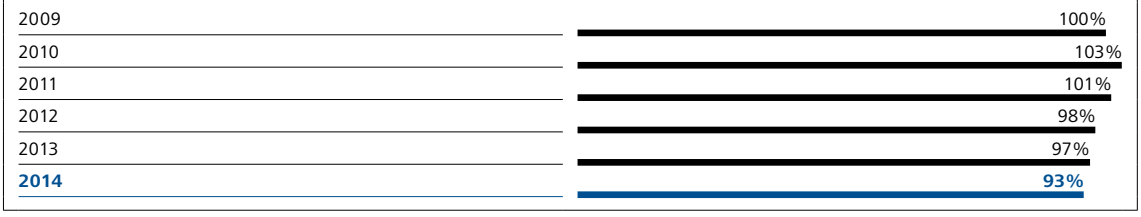
A central element in managing the resource efficiency of our dialysis clinics in the EMEALA region is our clinical software e-con5, which we have been installing in our clinics since 2008 to create a comprehensive environmental management system for the region. Of our dialysis centers, 502 in Europe (2013: 501) and 206 in Latin America (2013: 168) now use e-con5, enabling them to gather and compare environmental performance data and quickly implement potential improvements. The results show that this has enabled us to systematically reduce water and energy consumption as well as the amount of blood-contaminated waste in our dialysis centers in the past few years – see charts 2.46, 2.47 and 2.48. They also show that we exceeded our reduction targets for dialysis clinics based on the EMEALA environmental program already in 2013 and 2014 earlier than the originally set target date of 2015.

In the U.S., we are working on improving the environmental management of our dialysis clinics with an external service company that records and documents energy and water consumption in all our clinics on an ongoing basis. Its tasks also include checking and settling the corresponding energy and water bills and compiling analysis reports on subjects such as greenhouse gas emissions and our carbon footprint.

In addition, we train our employees at our dialysis centers to raise their awareness of how they can contribute to environmental protection on a day-to-day basis. For example, our environmental department in Bogotá (Colombia) initiated a "Green

C. 2.46 **DEVELOPMENT OF AVERAGE ELECTRICITY CONSUMPTION**

Per dialysis treatment



Source: Clinical software e-con5 for the region Europe, Middle East and Africa

C. 2.47 **DEVELOPMENT OF AVERAGE WATER CONSUMPTION**

Per dialysis treatment

Source: Clinical software e-con5 for the region Europe, Middle East and Africa

C. 2.48 **DEVELOPMENT OF AVERAGE BLOOD-CONTAMINATED WASTE**

Per dialysis treatment

Source: Clinical software e-con5 for the region Europe, Middle East and Africa

Day" for all employees with activities covering all aspects of environmental protection. Furthermore, in the context of the "Environmental Leaders" program in Colombia, we train volunteers in clinics, who then go on to support the implementation of environmental projects.

WE ASSUME SOCIAL RESPONSIBILITY

In a global market, Fresenius Medical Care is organized regionally with a high level of local responsibility. This also applies to our company's social commitment. For this reason, as well as globally active organizations and projects, we particularly support regional and local initiatives, which are as diverse as our employees. In this respect, we mainly focus on projects that serve the common good and promote sustainable development according to the principle of helping others to help themselves, thus ensuring a long-term impact.

Commitment to a better quality of life

As a dialysis company, our aim is to continuously improve the quality of life of kidney patients. We pursue this aim above and beyond our core range of products and services by cooperating globally with regional and international associations and institutions that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life.

In the U.S., for instance, we sponsor the Renal Support Network, a charitable association run by and for patients with chronic kidney failure, which aims to provide patients and their families with health information, give them more confidence in their everyday lives and strengthen their initiative.

In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation committed to helping young dialysis patients in the province of Rio de Janeiro. This organization works with authorities and the public to supply medication for children and adolescents and give them access to kidney transplants, and to establish more pediatric dialysis units in hospitals. At the same time, it organizes special programs for young patients, such as exercise, art and music therapy courses, and trains parents in how to deal with their children's disease.

In Colombia, we have set up our own foundation to promote the health and well-being of our patients above and beyond actual dialysis treatment. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. For example, the foundation provides patients with a hot meal after dialysis treatment; for many of them, this is the only meal of the day. It also offers free travel between home and the dialysis center for patients in need. In 2014, a large number of patients also took part in cultural and sporting events organized by the foundation.

In Argentina, one in three dialysis patients leave school with no qualifications and therefore have difficulty reading and writing. The low standard of education also limits patients' quality of life. It makes it harder for them to find a job, and amplifies the typical problems of living with dialysis, such complying with the treatment plan and taking medication regularly. As part of a program that we have been expanding for many years in conjunction with the Ministry of Education of Buenos Aires province, we now offer classes for patients at thirteen of our dialysis centers. This enables them to complete their schooling.

Using our expertise and network for social commitment

Fresenius Medical Care organizes and supports scientific conferences with international nephrology experts as well as training programs for physicians and dialysis specialists worldwide, thereby helping to ensure quality in dialysis. This is especially important in regions where modern health care standards are still being developed. One example of this is our partnership with the Sustainable Kidney Care Foundation. We support the foundation via our subsidiary, the Renal Research Institute. It promotes projects, mainly in Africa, to give patients with acute kidney failure access to dialysis treatment in regions without an existing supply structure.

Our emergency aid in crisis situations

In crisis situations and in the event of international disasters, the company as a whole fulfills its social responsibility. We provide funds, dialysis machines and medical supplies for institutions that need specific aid quickly. Our global crisis teams can provide immediate assistance during hurricanes or other natural disasters. In 2014, for example, our crisis teams and volunteers from Fresenius Medical Care were in action during Winter Storm Pax on the east coast of the U.S., as well as following the severe weather that brought floods in the Balkans. For further information on our crisis teams in the regions, see the chapter "Our services" starting on page 77.

RISK AND OPPORTUNITIES REPORT

Risk and opportunities management is an integral component of management and control within the company. As a company with global operations, Fresenius Medical Care is naturally exposed to risks associated with its business activities. Ultimately, we can only leverage opportunities for our business if we are willing to take certain risks. Many years of expertise and our extensive knowledge of the markets enable us to uncover and assess risks and opportunities for our business.

RISK MANAGEMENT

We see risk management as the ongoing task of determining, analyzing and evaluating the spectrum of actual and potential risks within the company's operations and its environment, and, where possible, taking corrective measures. The risk management system, which is described in more detail in the following, provides us with a basis for these activities. It enables management to identify risks that could jeopardize the growth or continued existence of Fresenius Medical Care, and to take steps to minimize any negative impact. As such, it is an important component of Fresenius Medical Care's management and governance.

RISK MANAGEMENT SYSTEM

Risk management is part of Fresenius Medical Care's integrated management system. The main objective is to identify potential risks as early as possible to assess their impact on the business activities and, where necessary, to take appropriate countermeasures. Opportunities are not covered by the implemented risk management system. The two pillars of our risk management are the corporate controlling function, which is used for the identification and steering of short-term risks and the internal risk monitoring system, which is typically used for the identification and steering of mid- to long-term risks. In the monitoring system, regional risk managers are responsible for identifying, assessing and managing potential as well as existing industry and market-related risks in their region and reporting them to the regional chief financial officers. Twice a year, the regional chief financial officers send their aggregated risk management reports to the central risk management coordinator who consolidates the reports and presents them to the management board. The main focus lays on material risks that could have a total negative impact of €25 M or more in relation to the operating income. The risk management reports contain further information on potential risks. The management board is informed directly and immediately of any newly identified significant risks (for risk reporting see chart 2.49 on page 93). The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the supervisory board. More information is available in the "Report of the supervisory board" starting on page 24 and in the "Declaration on corporate governance" starting on page 110.

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

Part of our risk management system is the Global Internal Audit department which is regularly informed about the results of the risk management system. IT audits a selected number of company departments and subsidiaries worldwide each year. The department works according to internationally accepted standards of the Institute of Internal Auditors (IIA). The scope of internal auditing is widespread and involves, among others, the efficiency of controls over business processes, the reliability of special parts of financial reporting and compliance with accounting regulations and internal policies. The company's locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed by the management board and approved by the Audit and Corporate Governance Committee of the supervisory board. It comprises financial audits of individual balance sheet positions, as well as full audits of all business processes of subsidiaries or business units. All audit reports are presented to the management board. The Global Internal Audit department is also responsible for monitoring the

implementation of measures documented in the reports. The management board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the supervisory board is also informed of the audit results. In 2014, a total of 50 audits were carried out at the company's various worldwide sites.

Nevertheless it is important to note that even a functioning and adequate risk management system like the company's cannot guarantee that all risks are fully identified and controlled.

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

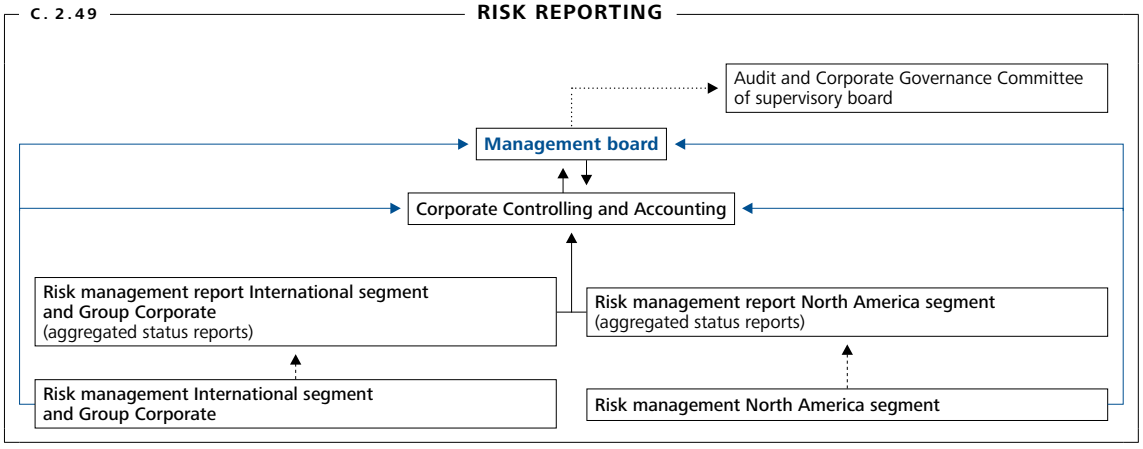
Fresenius Medical Care's internal control system over financial reporting ensures compliance with applicable accounting standards. The goal is to ensure that the group financial statements are issued in accordance with appropriate accounting principles. The company's internal reporting process is generally carried out at four levels and ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these four reporting levels – the local entity, the region, the segment and the entire group – the figures and data are compared regularly on a monthly and quarterly basis with the previous year's values, budget targets, and the latest projections. In addition, the management board and the departments responsible for preparing the annual and consolidated group financial statements discuss in-depth all parameters, assumptions and estimates that substantially affect the group and segment results reported externally. The Audit and Corporate Governance Committee of the supervisory board also reviews current quarterly results and compares them with budgets and projections.

Control mechanisms and compliance

The internal control system contains guidelines and instructions that ensure, for example, that all Fresenius Medical Care transactions are presented accurately, or that significant earnings and expenses are only recorded after management approval (dual control principle).

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions within the accounting and the consolidation process include automated and manual reconciliations, as well as the separation of certain personnel functions to prevent potential conflicts of interest. The fact that all process owners assess the risks of their respective processes in terms of their implications for accounting also ensures that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis and considered in the preparation of the financial statements. Employees responsible for financial reporting are given regular and extensive training to be up to date with changes regarding accounting standards. The consolidation is performed centrally by the department which is responsible for the group accounting. The basis for the consolidation is derived from reporting packages and sub-group consolidated financial statements prepared and

C. 2.49 **RISK REPORTING**



----- *Assessment of general and specific risks and identification of new risks; review and consolidation of risks in the risk management report*
—— *Reporting and review of risk management report*
—— *Ad hoc risk reporting (considerable new risks)*
····· *Reporting of risk management report*

submitted by the local group entities. The preparation of the reporting packages and the sub-group consolidated financial statements is performed according to the requirements and guidelines issued by the department which is responsible for the group accounting.

Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program, which is monitored continuously, in all of its regions with the intention to ensure that its business activities adhere to recognized standards as well as local laws and regulations in all respects. Monitoring compliance is a management task at all the company's decision-making levels. An important element of the compliance program is the code of conduct that considers the locally different legal and ethical standards. It encourages our employees worldwide to conduct themselves in a professional and responsible manner at all times. More information on this can be found in the "Compliance" section starting on page 115.

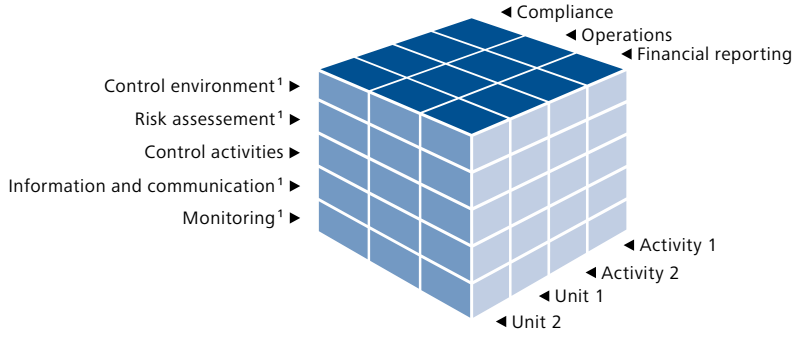
Special control and transparency requirements in the U.S.

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

To assess the effectiveness of our internal control system over financial reporting, we apply the criteria of the COSO model, which has been revised in 2013, see chart 2.50. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission (SEC). In accordance with the COSO model, Fresenius Medical Care's internal control system over financial reporting is divided into the five levels control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these levels is regularly documented, tested and assessed. Within the revised COSO model, the before mentioned levels are explained by 17 principles, which are supported by 85 points of focus. The company aligned its internal controls to fulfill the requirements of the COSO model in all respects.

Our review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting). For our review, we use a special software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review

C. 2.50 **COSO-FRAMEWORK**



[1] *Entity level controls.*

changes and new requirements of the SOX, to discuss possible control deficiencies, and derive further measures. In addition, in its meetings, the Audit and Corporate Governance Committee of the supervisory board is informed regularly of the results of management's assessment.

As of December 31, 2014, management assessed Fresenius Medical Care's internal control system over financial reporting and deemed it effective.

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

RISK AREAS

Of all the risks identified for the company, those that could significantly impact the financial situation, assets and liabilities of Fresenius Medical Care as things stand today are described below. Further risks of which we are not yet aware, or major changes to factors which we currently rate as uncritical could also adversely affect our operating activities. Wherever possible and economically viable, we obtain company-wide insurance cover for insurable risks.

Risks related to the economy as a whole

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

Industry risks

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

Strategic risk and competition risks

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

In addition, we closely monitor the market, especially our competitors' products and newly launched dialysis-related products. These include generics and patented drugs for kidney patients, as these can affect the business with drugs distributed by Fresenius Medical Care. To monitor the market, the company maintains strategic departments in-house whose main tasks are to identify and analyze information on the dialysis market as well as activities that could affect the group's business, and communicate these within the company on a regular basis. This helps us to anticipate changes in market conditions early on.

Lastly, our many years of experience and our leading position in the dialysis industry give us a competitive edge, as do the synergies resulting from teamwork between the various technical, medical and academic institutions within our vertically integrated company.

Risks arising from legal conditions in the health care sector

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

In 2014, the company generated around 31% of its global revenue from providing services that are reimbursed by U.S. federal health insurance programs such as Medicare and Medicaid. To receive the reimbursements, dialysis facilities for patients with end-stage renal disease must fulfill specific conditions. Furthermore, government authorities can change the requirements or conditions for participation in the health care programs and review discount and price calculations. This could affect the amounts already estimated or paid (for instance compensation payments).

Another portion of the company's revenue stems from reimbursement by non-governmental insurers. In the past, these reimbursement rates were generally higher than government program rates in the respective countries. However, non-governmental insurers also check the level of reimbursements that the company receives for its products and services.

Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Health care and reimbursement systems vary from country to country" section starting on page 50 and in the "Capital market and shares" chapter starting on page 29.

Risks associated with operating activities

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

Quality risks in production, for products and processes

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

We also apply the methods of lean management and Six Sigma in our plants, see glossary starting on page 247. These management tools are used to analyze all production processes and coordinate them better to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production processes. Quality management in our production is centrally coordinated by our international business unit Global Manufacturing Operations (GMO) with the aim of identifying and managing quality risks even better. For further information on GMO, see the "Procurement and production" chapter starting on page 70.

Dialysis treatment and the use of the requisite products involve specific risks for patients, which could damage Fresenius Medical Care's reputation if they were to occur. National as well as international standards and laws stipulate binding safety standards for dialysis products. In addition, we have drawn up our own quality guidelines for research and development that in part exceed the legal requirements.

We also document our research and development work in comprehensive scientific studies and publications; we produce detailed product information packs and instructions for users of our products, and conduct risk and error analyses according to the most stringent criteria. In addition, Fresenius Medical Care focuses on developing procedures and devices as part of a continuous product improvement process with the aim of minimizing as far as possible the risk of a patient being harmed due to a technical fault or human error.

Quality risks for our services

The very nature of the medical services we provide to patients at our dialysis clinics presents inherent risks. These include operational risks, for example in the area of hygiene. We counteract these with strict organizational and operational procedures, ongoing personnel training and by gearing our working methods to patients' needs. In Europe, for instance, our health care services quality management system, certified according to ISO 9001, is incorporated in our integrated management system. In the U.S., our quality improvement program successfully complies with the standards outlined in the Kidney Disease Outcomes Quality Initiative (KDOGI) and the Centers for Medicare and Medicaid Services (CMS). We assess both our treatment data and our methods in annual internal audits to enable us to achieve lasting improvements to our processes and treatment results. External institutions such as the German TÜV and CMS in the U.S. also audit our clinic quality management system each year. As a consequence, we are able to quickly identify quality flaws and risks and remedy them in a timely manner.

Quality management in our company also includes environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis centers produces clinical waste. More information on this can be found in the "Responsibility" chapter starting on page 86.

Risks in research and development

The risk of goals not being achieved or being achieved much later than anticipated is inherent in the development of new products and therapies. Comprehensive, cost-intensive preclinical and clinical tests are required before regulatory approval is granted. We systematically monitor, test and improve all products, packaging, applications and technologies. The development cycle for products made by Fresenius Medical Care is substantially shorter than for pharmaceutical products as a rule. It normally takes between two and three years from concept to market launch. Fresenius Medical Care counteracts risks in research and development by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal regulations governing clinical, chemical and pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. For further information, see the "Research and development" chapter starting on page 66.

Patent risks

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

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

Procurement risks

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

Our purchasing strategy is aimed at developing partnerships with existing strategic suppliers through long-term contracts and building relationships with new high-performing partners. At the same time, we aim to ensure that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). This strategy in combination with continuously monitoring market developments enables us to minimize the risk of bottleneck situations considerably, even at times when the availability of materials is limited. All relevant suppliers are subject to regular company-wide performance and risk monitoring. More information on this can be found in the "Strategic purchasing: global responsibility, constant quality" section starting on page 70.

Fresenius Medical Care is also exposed to market-driven fluctuations in the price of raw materials. By continuously conducting market analyses, shaping supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. By intensifying cooperation between our procurement teams in different regions, we are able to benefit from international price advantages and counter risks related to currency fluctuations or dependencies on individual suppliers. More information on this can be found in the "Strategic purchasing: global responsibility, constant quality" section starting on page 70.

Personnel risks

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

Our continued growth in the area of health care services depends in particular on our ability to recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently expanding various measures and initiatives with the aim of further increasing the satisfaction of our clinic personnel, maintaining their high level of motivation and further reducing the fluctuation rate in our clinics. For more information on this, see the "Employees" chapter starting on page 81.

Our personnel management department addresses the general risk of not being able to attract or retain highly qualified personnel. Its job is to find and cultivate new talent with targeted measures. Fresenius Medical Care offers employees a challenging work environment and long-term perspectives for their professional development. Furthermore, our employees can take advantage of performance-based bonus payments and attractive social benefits. Detailed information relating to personnel management can be found in the "Employees" chapter starting on page 81.

Risks due to non-compliance with laws and standards

Our code of conduct specifies general conditions of our conduct within the company as well as towards our patients, external partners and the public and encourages our employees to comply with applicable laws and company standards at all times. Together with our overall compliance program, this code is intended to help us meet our own expectations and those of our stakeholders, and to successfully align our business activities to recognized standards as well as applicable laws and regulations. Further details on our compliance program can be found starting on page 115.

Risk of dependency on major customers

In addition to a number of state-owned and public health insurance funds, Fresenius Medical Care's customers include private health insurers and companies. Our biggest private-sector customer, U.S. dialysis clinics operator DaVita, is also the second largest provider of dialysis services in the world. DaVita accounted for about 1% of Fresenius Medical Care's total revenue in 2014.

Acquisition and investment risks

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) based on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability

of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found starting on page 41.

Financial risks

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

We use interest rate hedging instruments to avert the risk of changes in interest rates from our long-term debt that is subject to floating interest rates. A sensitivity analysis revealed that if relevant reference interest rates for the company, such as Libor, increased by 50 basis points based on the current high level of hedging, respectively on the high percentage of fixed interest liabilities, net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) would fall by around 1%. The interest derivatives will expire between 2016 and 2019.

Our foreign exchange risks primarily result from transactions such as sales and purchases between group companies located in different regions and currency areas. Most of our transaction risks arise from sales of products in the euro zone to other international business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. We use a cash-flow-at-risk (CFaR) model to estimate and quantify transaction risks in foreign currencies. CFaR indicates the amount of a potential loss of the forecast foreign exchange cash flows over the next twelve months with a probability of 95%. As of December 31, 2014, Fresenius Medical Care's CFaR amounted to $32.4 M. More information can be found in the "Quantitative and qualitative disclosures about market risk" section starting on page 136.

Debtor risks

To minimize the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review customers' credit limits. We monitor outstanding receivables of existing customers while assessing the possibility of default. For further details on outstanding receivables, please see the "Quantitative and qualitative disclosures about market risk" section starting on page 163.

Legal risks

Risks associated with litigation are continuously identified, assessed and reported within our company. Fresenius Medical Care is involved in various legal proceedings resulting from our business operations. For details on ongoing proceedings and further information on material legal risks to which Fresenius Medical Care is exposed, please refer to the "Notes to consolidated financial statements" starting on page 178.

Tax risks

Fresenius Medical Care is subject to tax audits, which can lead to subsequent changes in tax assessment notices and assessment notices of withdrawal restrictions. Risks resulting from this are continually identified and evaluated. Further details on ongoing legal proceedings and more information on major tax risks can be found in the "Notes to the consolidated financial statements" starting on page 178.

IT risks

As Fresenius Medical Care continues to grow in size and become more international, the processes within the company are increasingly complex. Accordingly, we are dependent to an ever greater extent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). With the help of our Information Security Management System (ISMS) based on the internationally recognized security standard ISO 27002, we are continuously enhancing IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on an ongoing basis. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored

infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. To minimize organizational risks such as manipulation and unauthorized access, access is protected by passwords that must be changed regularly. With our strategy of operating three separate data centers in all our major geographic locations, we reduce the risk of complete, worldwide system outages even further. Moreover, we observe company guidelines relating to data protection, which also regulate the assignment of access rights. Compliance is monitored by measures including checks based on Section 404 of the Sarbanes-Oxley Act; see also page 94. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks that could arise during the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and continuously monitor whether they are achieved. Further preventive risk management measures particularly counter the effect of environmental factors on our business: Many of our proprietary dialysis clinics have emergency generators to ensure that life-saving dialysis treatments can be continued even in the event of a complete power failure. Furthermore, in the U.S. for example, a Fresenius Medical Care disaster response team steps in around the year in the event of natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section on page 80.

Further information on the risks for Fresenius Medical Care can be found in the consolidated financial statements and in the Form 20-F report on the Internet at www.freseniusmedicalcare.com in the "Investors" section.

OPPORTUNITIES MANAGEMENT SYSTEM

In addition to systematic risk management, we ensure the company's long-term success through holistic opportunity management. The aim here is to identify opportunities as soon as possible, assess them and initiate suitable measures to turn the opportunities into commercial success for Fresenius Medical Care.

Much of our business is organized regionally. This enables us to identify industry-specific trends and requirements as well as the resultant opportunities in the various regions at an early stage and gear our actions to them. To make the most of business opportunities, we also perform comprehensive quantitative and qualitative analyses. This involves evaluating market data and closely examining research projects as well as taking general societal health trends into consideration, see the "Strategy, objectives, and corporate management" section starting on page 41. We monitor general economic, industry-specific, regional and local developments as well as regulatory changes. Close cooperation between our strategy, planning and other departments allows us to recognize global opportunities as early as possible.

We evaluate the ideas for growth initiatives that we develop on this basis in the context of our annual budget planning, and in-between if required. Using a detailed coordination and evaluation process, we manage the investments required to implement the projects. The management board sets the investment budget for the group as well as the focus of investment. Before specific investment projects are realized, an internal committee examines the individual projects and measures, taking into account the return on investment and potential return. Commonly used methods such as the net present value and internal interest rate methods, among others, are used here; payback periods are also included in the assessment. In this way, we try to ensure that we only make those investments and acquisitions that boost shareholder value.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,361 dialysis clinics in more than 45 countries constitute the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we understand that high quality is not only the key to a better quality of life for patients, but that it can also make a significant contribution to reducing the costs of health care. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail in the following section.

Industry-specific opportunities

The dialysis market is a growth market that is generally unaffected by macroeconomic influences. This is partly explained by the fact that an aging population requires increasingly comprehensive medical care. In addition, due to stable demand for dialysis products and services, Fresenius Medical Care is subject to economic fluctuations only to a relatively small extent. More information on this can be found in the "Overall economic environment" section starting on page 46 and the "Outlook" chapter starting on page 105.

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach almost 2.8 M in 2015 and is set to exceed 3.8 M in 2020. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, they include the aging population and the increasing incidence of diabetes and hypertension, two illnesses that frequently precede the onset of end-stage renal disease. In developing and emerging countries, the expanding population and the gradual improvement in access to dialysis as a result of increasing wealth are key factors that further boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

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

- In many countries, the resources for financing, managing and providing health care services are becoming ever scarcer. This situation has worsened as a result of the financial and economic crisis.
- At the same time, health care systems face the challenge of having to provide their population with increasingly comprehensive medical services. This is due to longer life expectancy and the associated increase in concomitant diseases or because fully-functioning health care provision is still being established.
- Dialysis is a complex life-sustaining procedure, which places high demands on a health care system in terms of expertise and efficiency. For these reasons, public health care providers are increasingly looking to work with private providers to develop high-quality, sustainable health care solutions for patients with chronic kidney failure. This constitutes a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by physicians in private practice, hospitals, and non-profit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers (Medizinische Versorgungszentren – MVZ): These are facilities for outpatient care managed by physicians with different areas of expertise who are employed as salaried physicians. At the end of 2014, we were involved in 18 medical care centers (2013: 16). As an experienced partner, we want to continue to support our customers when it comes to setting up new structures in the German health care system and take advantage of the opportunity to strengthen our business in the long term. In Japan,

where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term.

Public-private partnerships

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

Growing demand for integrated health care

Cost pressure and the growing number of patients are causing an increase in global demand for a comprehensive – or integrated – health care concept for patients with chronic kidney failure. This is based on the following principle: All health care services and therapies associated with the treatment of a kidney patient – possibly going even one step further to include the treatment of concomitant diseases – are combined to create an integrated program that is tailored to the patient's individual requirements and the needs of the insurer.

Depending on the contract and which elements a health care system prescribes as part of basic treatment, this can involve, for example, special medical tests, drugs for kidney patients, the insertion and medical supply of the vascular access connecting a patient to the dialysis equipment (vascular access management), or the patient's travel to and from the dialysis center in addition to dialysis itself.

This comprehensive care from a single source is aimed at improving the way in which the different stages of treatment are coordinated and controlled, minimizing complications and thereby avoiding additional stays in hospital, which are a significant burden for patients, as far as possible. As a consequence, it increases the patient's quality of life and the quality of treatment, while reducing the overall costs of the treatment.

Fresenius Medical Care is particularly well placed to offer integrated treatment programs with a high level of quality for chronically ill kidney patients for several reasons: As a manufacturer of leading dialysis products and an operator of the largest international dialysis clinic network worldwide, we have long-standing experience in providing comprehensive care for dialysis patients. Thanks to the high quality and reliability of our products and services, we enjoy a very good reputation in the industry. In addition, we use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvement.

We also benefit from a network in the field of medical services in addition to our core business with dialysis products and the treatment of dialysis patients. These services include vascular care and medication management for patients with kidney disease, as well as our laboratory and pharmacy business. We plan to expand this network further in the future.

Opportunities related to our business operations

Horizontal expansion of our portfolio

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy and the trend towards integrated care, they offer the company further opportunities for growth.

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics is no longer sufficient to treat all patients, home therapies are expected to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. Home dialysis as well as associated technologies and products will therefore continue to be a key focal point of our R&D activities. One major aim here is to significantly reduce water consumption for home hemodialysis in order to give dialysis patients the greatest possible independence and mobility with a resource-efficient and flexible device. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – increasingly also with the aim of best meeting demand for integrated care.

Internal organization and procedures

The way in which Fresenius Medical Care organizes and shapes its business operations presents us with a number of opportunities that will help to improve the company's success in the long term. For example, we use the lean management and Six Sigma management methods to analyze and better coordinate our production processes worldwide in order to further reduce both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for example by saving resources; see the "Procurement and production" chapter starting on page 70.

Acquisitions

By expanding our health care services business through acquisitions as well as procuring expertise and relevant technologies in the area of research and development, we are investing in our future growth. The close collaboration between our strategy and planning departments and the managers responsible for our acquisitions ensures that we are able to identify suitable potential acquisitions worldwide as early as possible. Further information on our acquisitions in the year under review can be found in the "Capital expenditures and acquisitions" section starting on page 53 and in the "Financial situation" section starting on page 61.

Fresenius Medical Care's business model

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

MANAGEMENT ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

The management board bases its assessment of overall risk on Fresenius Medical Care's risk management system, which is regularly checked by third parties and by senior management. The company's overall risk situation is determined by the risks described above. In 2014, there were no major changes in the risk structure compared with the previous year. The management is not currently aware of any risks that threaten the continued existence of Fresenius Medical Care. The effectiveness of this risk management system is monitored and, if necessary, improved as part of a company-wide review of the integrated management system. The management board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. From an organizational point of view, we believe that we have created all the necessary conditions to identify emerging risk situations early and to react appropriately if necessary.

We remain confident that our group's earning power constitutes a sound basis for our business development, enabling us to utilize the opportunities that arise for the company. In view of our leading position on the dialysis market, our innovative strength, our committed staff and our structured processes for identifying risks early and in the area of opportunity management, we firmly believe that we can continue to successful capture any opportunities that arise.

SUBSEQUENT EVENTS

No significant events took place between the closing date of December 31, 2014 and the annual report's editorial deadline of March 11, 2015.

ECONOMIC AND BUSINESS ENVIRONMENT

There were no fundamental changes in the economic and business environment in our field of activity either. Dialysis continues to be a medically indispensable and life-saving treatment for acute or chronic kidney failure for which there is no comparable alternative treatment with the exception of kidney transplantation.

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

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2015.

From today's perspective, we expect to achieve our revenue, earnings and the other performance ratios as planned. At this report's editorial deadline, the current development of our business is basically in line with our expectations.

OUTLOOK

We increased our earnings continuously throughout the 2014 financial year and achieved our revenue and profit targets. Thanks to our strong operating basis, our latest acquisitions in the area of care coordination and our global efficiency program, we will again be able to grow our net income in the current financial year.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We aim to further expand this position in the years ahead. As always, the groundbreaking principle of our corporate strategy is to fully utilize the potential of the vertically integrated company. This means rigorously using the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care considers its main focus to be the holistic care of dialysis patients and dialysis-related treatments. In addition to our products and dialysis treatment itself, we will continue to expand our activities in the area of care coordination and offer supplementary medical services for the treatment of our patients in the future.

We have no plans to make significant changes to our business policy. Further information can be found in the "Operations and strategy" section starting on page 37.

PROSPECTS FOR THE GLOBAL ECONOMY SOMEWHAT BRIGHTER

In 2015, we expect the global economy to perform slightly better compared with the previous year. The USA in particular is set for higher economic growth. Economic output in the euro zone should rise to some extent in the coming year, and we also anticipate stable growth rates in emerging countries. We forecast an increase in global gross domestic product (GDP) of around 3.7% (2014: 3.4%) in 2015.

North America segment: Positive growth forecast for 2015

We expect economic output in the USA to continue improving in 2015. The better situation on the employment market is leading to higher income, thereby boosting private consumption. More favorable financing conditions are likely to help drive an upturn in corporate investment.

International segment: Further regional differences in development expected in 2015

According to forecasts, the euro zone should see a slight economic recovery in 2015. We expect overall economic production in emerging countries to grow only moderately, with growth rates remaining below the high levels recorded in the past, particularly in China and some East Asian nations. Latin America should enjoy faster expansion, with exports benefiting from a small rise in commodity prices.

T. 2.51 **REAL GROSS DOMESTIC PRODUCT**

Expected change from the previous year in %

	2014	*2013*
U.S.	2.2	3.2
Germany	1.5	1.7
Euro zone	0.8	1.2
China	7.4	7.0
India	5.9	6.5
Asia	6.6	6.6
Latin America	1.1	2.1
▸ **WORLDWIDE**	**3.4**	**3.7**

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2014", December 17, 2014

THE DIALYSIS MARKET CONTINUES TO GROW

Fresenius Medical Care expects the number of dialysis patients worldwide to increase by about 6% in 2015. Some significant regional differences will probably remain. We anticipate a 1 to 4% growth in patient numbers in the U.S., Japan, Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue growing in the coming years, see chart 2.53 on page 107.

Demographic factors are one of the main reasons for the continued growth of dialysis markets, including the aging population and the mounting incidence of diabetes and high blood pressure – two diseases that often precede end-stage renal disease. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

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

We do not expect significant changes in treatment methods. Hemodialysis will remain the treatment of choice, accounting for about 89% of all dialysis therapies. Peritoneal dialysis will continue to be the preferred treatment for about 11% of all dialysis patients. The volume of the worldwide dialysis market, which amounted to about $77 BN last year according to preliminary estimates, is expected to increase by around 4%. This is based on the assumption that exchange rates remain stable in the forecasting period. As a result, the overall volume of the dialysis market for 2015 could reach around $80 BN.

GROWTH MARKETS AND FUTURE SALES MARKETS

We consider care coordination to be a growth market for Fresenius Medical Care. We almost doubled our revenue in this area in the past year; as a result, care coordination accounted for 7% of total revenue. We expect to generate revenue of around $1.7 BN with these services in 2015.

Above and beyond this, we have had our own sales organizations in the product business in key growth markets in Eastern Europe, Latin America and Asia for several years and already hold a leading market position. We serve smaller markets via distributors. We intend to continue expanding our regional range of products and local production in the future. Acquisitions can also help us to achieve our aim of strengthening our business.

LEGAL STRUCTURE AND ORGANIZATION

The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) since 2006. Changes to the legal form are not planned in the foreseeable future. We also intend to retain our decentralized organizational structure. In our view, this well-proven structure guarantees maximum flexibility and allows us to adapt to the requirements of individual markets.

T. 2.52 **EXPECTED GROWTH IN PATIENT NUMBERS**

	Growth 2015
North America	~4%
Europe/Middle East/Africa	~4%
Asia-Pacific	~7%
Latin America	~5%
▸ **WORLDWIDE**	**~6%**

Source: Internal estimate

BUSINESS DEVELOPMENT OF FRESENIUS MEDICAL CARE IN 2015

Exchange rates

Fresenius Medical Care's forecasts with regard to business development in 2015 and the growth rates for 2016 are based on the prevailing exchange rates at the start of 2015. As mentioned in the "Economic environment" section starting on page 46, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care.

Revenue

We aim to further increase our revenue in the current financial year by between 5 and 7% compared with 2014.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to grow by up to 5% in 2015 compared to the previous year. This includes cost savings from the global efficiency program and additional expenditure for the expansion of care coordination as part of the growth strategy 2020. It does not include future acquisitions.

Earnings per share

In the 2015 financial year, earnings per share are expected to develop largely in line with net income year-on-year.

Dividend

We intend to maintain our profit-oriented dividend policy on principle. Information on the proposed dividend increase can be found in the "Dividend continuity" section on page 31.

Capital expenditures and acquisitions

In 2015, we intend to spend around $1.0 BN on capital expenditures, with about 50% earmarked for expansion investments.

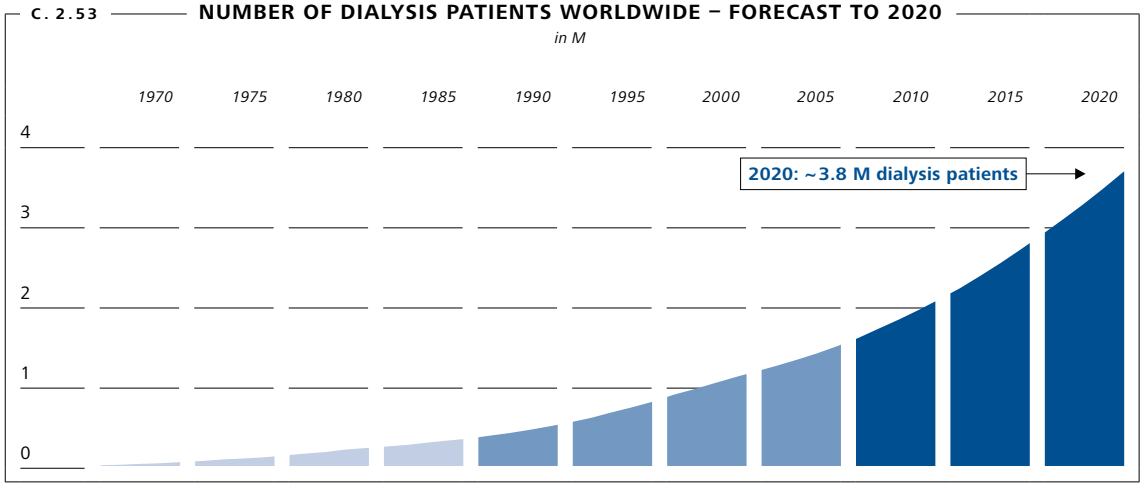
In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will primarily be used to open new dialysis centers and expand our worldwide production capacities as well as for dialysis machines as part of long-term supply contracts. Additionally, capital expenditures will be used to rationalize production processes and to improve system support for internal processes.

Approximately $0.4 BN will be used for acquisitions and equity investments.

Cash flow

Cash flow from operating activities is again expected to account for more than 10% of revenue in 2015, while the free cash flow is set to reach more than 4% of revenue.

C. 2.53 **NUMBER OF DIALYSIS PATIENTS WORLDWIDE – FORECAST TO 2020**



Source: Internal estimates

Debt/EBITDA ratio

Fresenius Medical Care takes the relationship between financial liabilities and earnings before interest, taxes, depreciation and amortization expenses (debt/EBITDA ratio) as its guideline for long-term financial planning. This ratio was 3.1 at the end of 2014 and is expected to be around 3.0 in 2015.

Financing

The company's financing strategy gives top priority to ensuring our financial flexibility. Thanks to partially drawn down credit facilities and our accounts receivable facility, which was extended in November 2014, we have sufficient financial resources. We are continuing to pursue a target of secured and unutilized credit facilities of between $300 M and $500 M. Our main financing needs in 2015 comprise the principal repayments under the syndicated credit agreement and the dividend payment estimated at $287 M. For further information, see the "Financial situation" section starting on page 61.

Employees

Due to the anticipated expansion of our business, we expect the number of employees to grow in all regions in the current year, particularly in the area of dialysis services. By the end of 2015, the number of people working for Fresenius Medical Care is set to increase to more than 105,000 full-time equivalents.

Research and development

We plan to spend approximately $140 M on research and development in the 2015 financial year. The number of employees in this area (currently 599 full-time equivalents) is not expected to change significantly in 2015.

Our targets for the financial year 2015 are summarized in table 2.54.

GROWTH IN THE COMING YEARS

We expect revenue to grow between 9 and 12% in 2016, and the net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA to increase by between 15 and 20%.

With a view to the growth targets issued for the period to 2020, we anticipate average annual revenue growth of around 10% and high single-digit annual growth in net income.

T. 2.54 **TARGETS 2015**

	Results 2014	*Targets 2015*
Revenue	$15.8 BN	Growth 5 – 7%
Operating income (EBIT)	$2.3 BN	Moderate growth
Net income growth[1]	–6%	0 – 5%
Basic earnings per share growth[1]	–5%	In line with expected development of net income
Capital expenditures	$0.9 BN	~$1.0 BN
Acquisitions and investments	$1.8 BN	~$0.4 BN
Net cash provided by (used in) operating activities *in % of revenue*	11.8%	>10%
Free cash flow *in % of revenue*	5.9%	>4%
Debt/EBITDA ratio	3.1	~3.0
Employees[2]	99,895	>105,000
Dividend	€0.78[3] per share (+1%)	Earnings-driven dividend policy
Research and development expenses	$122 M	~$140 M

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Full-time equivalents.*
[3] *Proposal to be approved by the annual general meeting on May 19, 2015.*

GENERAL ASSESSMENT OF EXPECTED DEVELOPMENT

In 2015, we will again be operating in a challenging business environment in which cost increases are not adequately reflected in higher reimbursement rates. This particularly applies to the U.S., Fresenius Medical Care's most important market in terms of business volume. Despite this, due to our strong operating basis and our latest acquisitions in the area of care coordination, we expect to grow our income in the current financial year and beyond. This development will also be driven by our global efficiency program, which already enabled us to achieve sustainable efficiency gains of $65 M before taxes in 2014. By 2017, this figure is set to increase to $300 M a year. As such, we believe we are in a position to achieve our growth targets for the 2015 and 2016 financial years as well as the forecast growth rates for the period to 2020.

The outlook describes the expected development of Fresenius Medical Care in the 2015 financial year. It takes into account all events known at the time the financial statements were prepared that could influence our business development in 2015. As in the past, we take every effort to ensure that we achieve and – where possible – exceed our targets. The forecasts may be adversely affected by unfavorable developments in our risk situation. Further information on the risks to which Fresenius Medical Care is exposed can be found in the "Risk and opportunities report" starting on page 92, the consolidated financial statements, and the Form 20-F report in the Investors section at www.freseniusmedicalcare.com.

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Fresenius Medical Care are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term strategies, solid financial management, strict adherence to legal and ethical business standards, and a transparent communication of the company are its key elements.

The Management Board of the General Partner, Fresenius Medical Care Management AG (hereinafter: the Management Board), and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA (hereinafter: FMC AG & CO. KGAA) here under report pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) and to number 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, hereinafter: the Code) on the Company's corporate governance.

The Declaration on Corporate Governance is publicly available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

DECLARATION ON CORPORATE GOVERNANCE

Group Management and Supervision Structure

The legal form of the Company is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). The corporate bodies provided for by statutory law are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In 2014 as the year under review, there were no significant changes to the Group's management and supervision structure; see chart 2.55.

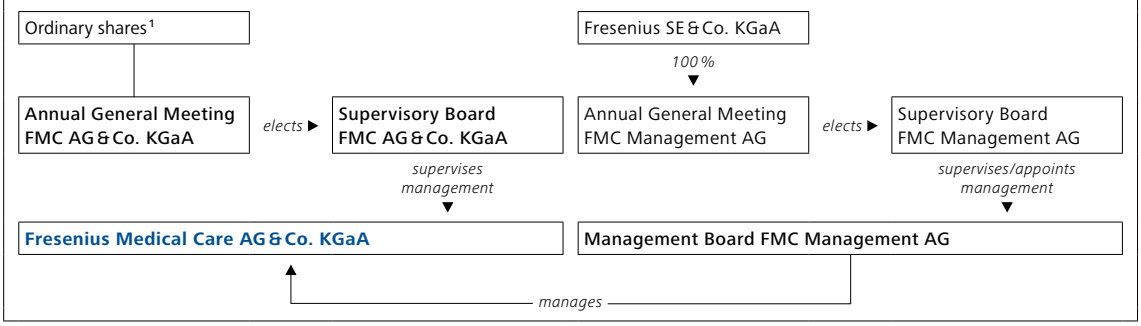
The Articles of Association of FMC AG & CO. KGAA, which also specify in more detail the responsibilities of the bodies of the Company, are available on our website at www.freseniusmedicalcare.com in the "Investors" section.

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

The German Stock Corporation Act prescribes a dual management system for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and a supervisory board. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the case of FMC AG & CO. KGAA, this is Fresenius Medical Care Management AG, whose Management Board is also responsible for conducting the business activities of the KGaA. Within the scope of statutory allocation of competences, the Supervisory Board is responsible for supervising and advising the Management Board and is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation and are strictly separated from one another. In addition to the Company's Supervisory Board, Fresenius Medical Care Management AG has its own Supervisory Board.

C. 2.55 — **STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA**

Based on data as of December 31, 2014



[1] ~68.9 % Free Float, ~31.1 % Fresenius SE & Co. KGaA
FMC = Fresenius Medical Care

The General Partner and its bodies

The Management Board of Fresenius Medical Care Management AG

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board, which acts on its own responsibility, manages the Company and conducts the Company's business. Its actions and decisions are directed towards the interests of the Company. In the year under review, the Management Board was initially composed of eight and then, as of April 1, 2014, of seven members.

In addition to observing legislation, the Articles of Association and the principles as explained herein, the General Partner's Management Board conducts the business activities of the Company in accordance with the applicable rules of procedure within the meaning of section 77 para. 2 of the German Stock Corporation Act (Aktiengesetz – AktG) and number 4.2.1 Sentence 2 of the Code. These rules of procedure define the principles of cooperation and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. In order to increase the efficiency of the Management Board's work, the General Partner's Supervisory Board established a Management Board Committee for certain cross-departmental matters. Such Management Board Committee essentially deals with corporate matters of subsidiaries of FMC AG & CO. KGAA or acquisitions that do not reach the minimum relevance and importance level required for being referred to the entire Management Board. Apart from the Chairman of the Management Board and the Chief Financial Officer, the Management Board Committee also includes the Management Board member responsible for the respective matter either geographically or in terms of substance. The Management Board Committee decides by virtue of unanimous resolution.

The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least once a month.

Deliberations of the Management Board are led by the Chairman of the Management Board. If he is unavailable, this task resides with the Chief Financial Officer or, if he is also unavailable, with the Management Board member who is the most senior in age of the Management Board members present. The Chairman determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members.

The members of the Management Board and their areas of responsibility are introduced on the Company's website at www.freseniusmedicalcare.com in the "About Us" section. Effective March 31, 2014, Prof. Emanuele Gatti, Management Board member responsible for Europe, Middle East, Africa and Latin America (EMEALA) and Dr. Rainer Runte, Management Board member responsible for Global Law, Compliance, Intellectual Property, Corporate Business Development and Labor Relations Director for Germany, retired from the Management Board. Effective April 1, 2014, Mr. Dominik Wehner was appointed as Management Board member responsible for Europe, Middle East and Africa (EMEA) and as Labor Relations Director for Germany. Accordingly, the rules of procedure for the Management Board were amended. The responsibilities for the areas of Global Law, Compliance and Human Resources as well as Latin America were assigned to the Chairman of the Management Board while the responsibility for the area Global Intellectual Property and Patents lies with the management function Global Research and Development.

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

The Supervisory Board of Fresenius Medical Care Management AG

As a stock corporation, Fresenius Medical Care Management AG also has its own Supervisory Board. It consists of six members, its Chairman is Dr. Ulf M. Schneider. Other members of the Supervisory Board of Fresenius Medical Care Management AG are Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, William P. Johnston, Dr. Gerd Krick and Dr. Walter L. Weisman. Further information on the members of the Supervisory Board of Fresenius Medical Care Management AG is available on the Company's website at www.freseniusmedicalcare.com in the "About Us" section.

In addition to this, for the year under review the following information is provided with regard to Dr. Schneider in his capacity as Chairman of the Supervisory Board of Fresenius Medical Care Management AG:

Dr. Ulf M. Schneider
Chairman of the management board of Fresenius Management SE, general partner of Fresenius SE & Co. KGaA

Supervisory Board:
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman, until 31 December 2014)
FPS Beteiligungs AG (Chairman)

Others:
Fresenius Kabi USA, Inc., USA (Board of Directors)
FHC (Holdings), Ltd., Great Britain (Board of Directors)
E.I. Du Pont de Nemours and Company, USA (Board of Directors (since 22 October 2014))

Because of his extraordinary contributions to the development of the Company and his comprehensive experience, Dr. Ben Lipps is honorary chairman of the Supervisory Board of Fresenius Medical Care Management AG.

This Supervisory Board appoints the members of the Management Board and supervises and advises the Management Board in its management responsibilities. In accordance with Code number 5.1.3, the Supervisory Board has established rules of procedure.

Unaffected by the independence requirements according to statutory rules and to the recommendations of the Code, Fresenius Medical Care Management AG has committed itself by virtue of a so-called Pooling Agreement with Fresenius SE & Co. KGaA (inter alia) to a specific form of independence as defined therein. According to the Pooling Agreement, at least one third (and at least two) of the members of the Supervisory Board of the General Partner must be independent members. Pursuant to the Pooling Agreement, an "independent member" is a member of the Supervisory Board with no substantial business or professional relationship with FMC AG & CO. KGAA, with its General Partner, with Fresenius SE & Co. KGaA, or with its general partner Fresenius Management SE, or with any affiliates of these companies.

Committees of the Supervisory Board of Fresenius Medical Care Management AG

From the midst of its members, the Supervisory Board forms qualified committees for the efficient exercise of its responsibilities, which prepare topics and resolutions of the Supervisory Board. The Supervisory Board regularly receives briefings on the committees' work.

T. 2.56 **COMMITTEES OF THE SUPERVISORY BOARD**

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Human Resources Committee 4 members **Chairman:** Dr. Ulf M. Schneider **Vice Chairman:** Dr. Gerd Krick **Other members:** William P. Johnston, Dr. Walter L. Weisman	▶ Advice on complex special matters such as the appointment of Management Board members and their compensation	As required
Regulatory and Reimbursement Assessment Committee 3 members **Chairman:** William P. Johnston **Vice Chairman:** Rolf A. Classon **Other member:** Dr. Dieter Schenk	▶ Advice on complex special matters such as regulatory provisions and reimbursement in the dialysis segment	As required
Nomination Committee 3 members **Chairman:** Dr. Ulf M. Schneider **Other members:** Dr. Gerd Krick, Dr. Walter L. Weisman	▶ Preparing personnel recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

Supervisory Board of the Company

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

The Supervisory Board of FMC AG & CO. KGAA consists of the following six members: Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, Prof. Dr. Bernd Fahrholz, William P. Johnston and Dr. Walter L. Weisman. Further information on the members of the Supervisory Board as well as their memberships in other statutory Supervisory Boards and comparable domestic and foreign supervisory bodies of business enterprises is available on the internet at www.freseniusmedicalcare.com in the "About Us" section.

Because of his extraordinary contributions to the Company's development and his comprehensive experience, Dr. Ben Lipps is also honorary chairman of the Supervisory Board of FMC AG & CO. KGAA.

All members of the Supervisory Board are elected by the General Meeting of FMC AG & CO. KGAA as the competent election body according to the provisions of the German Stock Corporation Act. According to the Articles of Association, such resolution of the General Meeting requires a majority of at least three quarters of the votes cast. Fresenius SE & Co. KGaA is excluded from voting on this issue (further explanations on this matter can be found under "Further Information regarding Corporate Governance" in the section titled "Shareholders"). When discussing its recommendations for the election of members of the Supervisory Board to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, what it considers an adequate number of independent Supervisory Board members and diversity. This includes the aim to establish an appropriate female representation on a long-term basis. As the composition of the Supervisory Board needs to be aligned with the interests of the enterprise and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. In the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from an age limit for members of the Management Board. Therefore, the Supervisory Board has overall refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the Corporate Governance Report. Accordingly, non-compliance is declared in the declaration of compliance of the 2014 financial year also insofar.

Simultaneous membership in both the Supervisory Board and the Management Board is not permissible. In the year under review, the Supervisory Board did not include any members who were also members of the Management Board during the previous two years. The members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of third parties.

The Supervisory Board consists of what it considers an adequate number of independent members, who also do not entertain any personal or business relations with the company, its corporate bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. Details on the treatment of potential conflicts of interests are set out in the section "Legal relationships with members of the Company's corporate bodies" below.

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

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

In accordance with Code-number 5.6, the members of the Supervisory Board regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out show that each of the Supervisory Board and the committees are efficiently organized and that the co-operation of the Supervisory and Management Boards of the General Partner works very well, too.

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

In the year under review, five meetings of the Supervisory Board – partly lasting for several days – and several telephone conferences have taken place. In fiscal year 2014, key aspects of the activities of the Supervisory Board involved the strategic considerations and actions on the expansion of the business areas, in particular in North America. Several acquisitions in the areas of care coordination and emergency medical aid as well as in the area of cardiovascular therapies in the USA are intended to generate further growth adjacent to the established business areas. Another focus of the consultations involved financing issues. The business development, the competitive situation and the Management Board's business planning in the regions have also been key aspects of the consultations. The Supervisory Board was informed on the progress with regard to improve the cost base. The Supervisory Board was also informed on the quality standards system and the qualitative results of the various production sites and, together with the Management Board, deliberated on the expected developments in the volume of the existing sites and its expansions. Together with the Management Board, the Supervisory Board further discussed and deliberated legal disputes.

Committees of the Supervisory Board of FMC AG & CO. KGAA

From the midst of its members, the Supervisory Board forms qualified committees for the efficient exercise of its responsibilities, which prepare topics and resolutions of the Supervisory Board. The Supervisory Board regularly receives briefings on the committees' work.

T. 2.57 **COMMITTEES OF THE SUPERVISORY BOARD**

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Audit and Corporate Governance Committee 4 members **Chairman:** Dr. Walter L. Weisman **Vice Chairman:** Prof. Dr. Bernd Fahrholz **Other members:** Dr. William P. Johnston, Dr. Gerd Krick	▶ Supervision of the accounting process, the effectiveness of the internal control system, of the risk management system, of the internal audit system and of compliance ▶ Supervision of the annual auditing, in particular with regard to the independence of the auditor and the additional services provided by it, issuing the auditing mandate, determining the focus areas of the auditing and the fee agreement ▶ Addressing the report pursuant to Form 20-F, which contains, inter alia, the consolidated group financial statements and the consolidated group financial report ▶ Assessment of the General Partner's report on relations to affiliated companies	At least four times per year, otherwise as required
Nomination Committee 3 members **Chairman:** Dr. Gerd Krick **Other members:** Dr. Walter L. Weisman, Dr. Dieter Schenk	▶ Preparing personnel recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

Further information on the Audit and Corporate Governance Committee

With the consent of the Supervisory Board, the Audit and Corporate Governance Committee adopted rules of procedure. The rules of procedure of the Audit and Corporate Governance Committees provide that between three and five members may belong to this Committee. The chairman shall not be a former member of the Management Board of the Company. All members of the Audit and Corporate Governance Committee must be independent within the meaning of the Articles of Association of the Company (section 12 para. 2 sentence 3), which means that, apart from their membership in the Supervisory Board of either the General Partner or Fresenius SE & Co. KGaA, they do not have any substantial business, professional or personal relationship with the Company or any of its affiliates. The question of independence is assessed solely by the Supervisory Board of the Company, with such independence as a rule being assumed where the member in question satisfies the requirements for independence pursuant to the New York Stock Exchange. Moreover, at least one member of the Corporate Governance Committee must be independent in terms of Section 107 para (4) in connection with Section 100 para (5) of the German Stock Corporation Act (AktG). Furthermore, members of the Audit and Corporate Governance Committee are required to possess expert knowledge in the finance and accounting sector. All members are independent within this meaning and were appointed to the Committee based on their specialist knowledge, their independence and their experience.

Joint Committee

FMC AG & CO. KGAA also has established a Joint Committee whose composition and activity is provided for in Articles 13a et seq. of the Articles of Association of the Company. The Joint Committee is convened only as required, namely in cases of certain legal transactions defined in the Articles of Association as substantial transactions and for which the General Partner requires its consent.

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

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

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Compliance

Global business activities result in global responsibility. As the global market leader in dialysis, Fresenius Medical Care is aware of its responsibility. We are committed to conduct the Company's business activities in compliance with the respective legal provisions.

Our efforts to provide our patients around the world with a better life through excellent products and services are based on our commitment to the core values of our Company: Quality, honesty and

T. 2.58 **COMMITTEES OF THE SUPERVISORY BOARD**

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Joint Committee 4 members **Members of Fresenius Medical Care Management AG:** Dr. Ulf M. Schneider, Dr. Gerd Krick **Members of Fresenius Medical Care AG & Co. KGaA:** Dr. Walter L. Weisman, William P. Johnston	▶ Approval of certain legal transactions as defined in the Articles of Association, such as acquisitions and disinvestments	As required

integrity, innovation and progress, respect and dignity. Our corporate culture and policy as well as our entire business activities are guided by our values. This also applies to our work and business relationships with our patients, customers, business partners, public authorities, investors and the general public, as well as with our employees.

These fundamental values are firmly established in our Code of Ethics and Business Conduct, which was revised in 2014. Our code of conduct describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies.

The Code of Ethics and Business Conduct is available on the Company's website at www.freseniusmedicalcare.com in the "About Us" section.

Each employee is required to ensure, by complying with the laws as well as the values and rules of the Company, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the health care system for patients, customers, business partners, public authorities, investors and the general public. Fresenius Medical Care has developed a compliance program which shall help to abide by these values and by the legal and ethical obligations. Compliance is the responsibility of every single employee.

Compliance Organization

Our compliance organization supports the executives and employees to live by these values during their daily work.

The Chief Compliance Officer, who is responsible for the worldwide compliance organization, directly reports to the Chairman of the Management Board of Fresenius Medical Care. Furthermore, the Chief Compliance Officer regularly provides a compliance update to the Audit and Corporate Governance Committee of FMC AG & CO. KGAA and to the Supervisory Board of Fresenius Medical Care Management AG.

Our compliance organization is arranged on a global scale. The compliance officers work together closely on a central, regional and national level to efficiently support the business activities.

In the year under report 2014 we established further resources within the compliance organization. The worldwide teamwork within our compliance organization was strengthened through various measures. The exchange on company-wide compliance topics was specifically promoted by the Management, e.g. through the Fresenius Medical Care worldwide Leadership Meeting.

Compliance Program

In order to adequately and effectively address the challenges and compliance risks associated with changes in the economic and regulatory environment, world-wide business activities and business development, we are continuously working on enhancing our compliance program.

The Code of Ethics and Business Conduct is the basis of the compliance program.

In the year 2014, we have revised various other compliance-related internal guidelines, processes and controls. These guidelines and provisions will be implemented in each of our business units and subsidiaries worldwide.

Existing processes and controls are also being reviewed and revised. The efficiency of our compliance program is reviewed through monitoring measures.

All employees are in a position to report potential violations of applicable laws or company policies. Information on violations may also be provided anonymously.

We have also continued and improved our compliance training. Our portfolio of compliance trainings consists of on-site and web-based trainings. On-site trainings enable our employees to discuss issues of relevant correct behavior by reference to practical examples from the daily working routine. The training of our executives and employees in positions with specific risk profiles is one focus point of our revised compliance training concept.

Risk and Opportunity Management

At Fresenius Medical Care, an integrated management system is in place to ensure that risks and opportunities are already identified at an early stage, optimizing the risk profile and minimizing the costs potentially related to the occurrence of risks through timely intervention. Our risk management is therefore an important component of the corporate management of Fresenius Medical Care. The adequateness and effectiveness of our internal control systems for the financial reporting are reviewed on a regular basis by the Management Board and by our auditor.

Further information about the risk and opportunity management system can be found in the risk management section of the management report as well as on our website at www.freseniusmedicalcare.com in the "Investors" section.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

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

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA endorse the principles set forth in the German Corporate Governance Code. The majority of the guidelines, recommendations and suggestions in the code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company. Comprehensive information regarding corporate governance is available on our website at www.freseniusmedicalcare.com in the "Investors" section.

The annually required Declaration of Compliance according to section 161 of the German Stock Corporation Act issued by the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA as of December 2014, previous Declarations of Compliance and other extensive information on corporate governance are made permanently available to shareholders on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

Declaration by the Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, and by the Supervisory Board of Fresenius Medical Care AG & Co. KGaA on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktiengesetz)

The Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, (hereafter the Management Board) and the Supervisory Board of Fresenius Medical Care & Co. KGaA declare that since issuance of the previous declaration of compliance in December 2013 the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice in the official section of the Federal Gazette (hereafter the Code) in the version of May 13, 2013 as well as in the version of June 24, 2014 since publication thereof in the Federal Gazette have been met and that the recommendations of the Code in the version of June 24, 2014 will be met in the future. Only the following recommendations of the Code in its versions of May 13, 2013 and June 24, 2014 have not been met and will not be met:

Code number 4.2.3 paragraph 2 sentence 6: Caps regarding specific compensation amounts

Pursuant to Code number 4.2.3 paragraph 2 sentence 6, the amount of compensation for Management Board members shall be capped, both overall and for variable compensation components.

This recommendation is not met. The service agreements with members of the Management Board do not provide for caps regarding specific amounts for all compensation components and accordingly not for caps regarding specific amounts for the overall compensation. The performance-oriented short-term compensation (the variable bonus) is capped. As regards stock options and phantom stocks as compensation components with long-term incentives, the service agreements with members of the Management Board do provide for a possibility of limitation but not for caps regarding specific amounts. Introducing caps regarding specific amounts in relation to such stock-based compensation components would contradict the basic idea of the members of the Management Board participating appropriately in the economic risks and opportunities of the Company. Instead of that, Fresenius Medical Care pursues a flexible concept considering each individual case. In situations of extraordinary developments in relation to the stock-based compensation which are not related to the performance of the Management Board, the Supervisory Board may cap the stock-based compensation.

Code number 4.2.3 paragraph 4: Severance payment cap

Pursuant to Code number 4.2.3 paragraph 4, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the employment contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.

These recommendations are not met insofar as the employment contracts of the members of the Management Board do not contain severance payment arrangements for the case of premature termination of the contract and consequentially do not contain a limitation of any severance payment amount insofar. Uniform severance payment arrangements of this kind would contradict the concept practiced by Fresenius Medical Care in accordance with the German Stock Corporation Act according to which employment contracts of the members of the Management Board are, in principle, concluded for the period of their appointment. They would also not allow for a well-balanced assessment in the individual case.

Code number 4.2.5 paragraph 3: Presentation in the compensation report

Pursuant to Code number 4.2.5 paragraph 3, the presentation of the compensation for each individual member of the Management Board in the compensation report shall inter alia present the maximum and minimum achievable compensation for variable compensation components by using corresponding model tables.

Fresenius Medical Care, in deviation from Code number 4.2.3 paragraph 2 sentence 6, does not provide for caps regarding specific amounts for all variable compensation components and, therefore, does not provide for caps regarding specific amounts for the overall compensation. In this respect, the compensation report cannot meet the recommendations of the code. Irrespective thereof, Fresenius Medical Care will continue to present its compensation system and the amounts paid to members of the Management Board in its compensation report in a comprehensive and transparent manner. The compensation report will include tables relating to the value of the benefits granted as well as to the allocation in the year under review which follow the structure and largely also the specifications of the model tables.

Code number 5.1.2 paragraph 2 sentence 3: Age limit for members of the Management Board

Pursuant to Code number 5.1.2 paragraph 2 sentence 3 an age limit shall be specified for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determining an age limit for members of the Management Board in the future. Complying with this recommendation would unduly limit the selection of qualified candidates.

Code number 5.4.1 paragraph 2 and paragraph 3: Specification of concrete objectives regarding the composition of the Supervisory Board and their consideration when making recommendations to the competent election bodies

Pursuant to Code number 5.4.1 paragraph 2 and paragraph 3, the Supervisory Board shall specify concrete objectives regarding its composition and, when making recommendations to the competent election bodies, take these objectives into account. The objectives specified by the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. These recommendations are not met.

The composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board. Hence, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, and diversity. This includes the aim to establish an appropriate female representation on a long-term basis.

In the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board, however, confines itself to a general declaration of intent and particularly refrains from an age limit.

Bad Homburg v. d. H., in December 2014

Management Board of the general partner of
Fresenius Medical Care AG & Co. KGaA,
Fresenius Medical Care Management AG, and
Supervisory Board of
Fresenius Medical Care AG & Co. KGaA

FURTHER INFORMATION REGARDING CORPORATE GOVERNANCE

Shareholders

The shareholders of the Company exercise their rights and voting powers in the General Meeting. The share capital of FMC AG & CO. KGAA is exclusively divided into ordinary shares. Each share of FMC AG & CO. KGAA entitles the holder to one vote at the General Meeting. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General

Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review), respectively, its sole shareholder, Fresenius SE & Co. KGaA, can exercise at the General Meeting the voting rights connected with the shares it holds in FMC AG & CO. KGAA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board of FMC AG & CO. KGAA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the Management.

General Meeting

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

The Annual General Meeting of FMC AG & CO. KGAA took place on May 15, 2014 in Frankfurt/Main (Germany). Approximately 74% of the share capital were represented at the Annual General Meeting. At the Annual General Meeting, resolutions were passed on the following topics:

- approval of the annual financial statements for the fiscal year 2013,
- allocation of distributable profit,
- approval of the actions of the General Partner and the Supervisory Board,
- election of the auditors and consolidated group auditors for the fiscal year 2014, and
- approval of the amendment of an existing profit and loss transfer agreement.

All documents and information on the Annual General Meeting are available on our website at www.fresenius-medicalcare.com in the "Investors" section.

Diversity

Within the scope of filling managerial positions, the Management Board considers diversity, including female representation in terms of selection from professionally qualified candidates. About one third of the participants of the stock option programs, which are reserved for managers, are female.

The composition of the Supervisory Board and the Management Board is also aligned with the Company's interests. Hence, it is a matter of principle and of prime importance that each individual is suitably qualified. In addition, the aspect of diversity, e.g. internationality, age or intercultural background, has always played an essential role at Fresenius Medical Care. We also aim for an adequate long-term participation of women in the Supervisory Board and on all corporate levels in the Company.

Legal relationships with members of the Company's corporate bodies

When making decisions and in connection with the tasks and activities performed by them, the members of the Management Board of the General Partner and of the Supervisory Board of FMC AG & CO. KGAA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any outside activities or business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting about possible conflicts of interests and how to deal with them. Furthermore, Mr. Rice Powell as the Chairman of Fresenius Medical Care Management AG's Management Board, in the year under review, with the approval of Fresenius Medical Care Management AG's Supervisory Board, was at the same time a member of the Management Board of Fresenius Management SE. The members of the Supervisory Board of FMC AG & CO. KGAA Dr. Krick (Chairman) and Dr. Schenk (Vice Chairman) were, in the year under report, also members of the Supervisory Board of Fresenius Medical Care Management AG (Dr. Schenk as Vice Chairman) and of the Supervisory Board of Fresenius Management SE (Dr. Krick as Chairman, Dr. Schenk as Deputy Chairman), the general partner of Fresenius SE & Co. KGaA. Furthermore, Dr. Krick is the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Schenk continues to be chairman of the administrative board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & Co. KGaA, and co-executor of the estate of Mrs. Else Kröner. Dr. Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the Management Board of the company. During the year under review, consulting or other service relationships between members of the Supervisory Board and

the Company existed only in the case of Dr. Schenk, who was in the year under review a member of the Supervisory Board of the Company and of the Supervisory Board of Fresenius Medical Care Management AG, a member of the Supervisory Board of Fresenius Management SE and, at the same time, a partner of the law firm Noerr LLP. In the year under review, the companies of the internationally operating law firm Noerr acted for FMC AG & CO. KGAA and affiliated companies as legal advisor. The Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA have concerned themselves with each of the assignments in a detailed manner; moreover, the Supervisory Board dealt with the fee volume for the legal advice rendered by the law firm Noerr in proportion to the fee volume for other law firms. As regards specific mandates for future services to be provided by law firm Noerr and as regards the first three quarters of the year under review, the Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA have already given their consent to such activity, with Dr. Schenk abstaining from the vote. The resolutions were in each case passed on the basis of a written document for the Supervisory Board specifically stating each single mandate and the invoices rendered for each mandate. All payments rendered to the law firm Noerr in the year under review were made only after the approval of both Supervisory Boards. Any services rendered in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2015 and will also be compensated only after approval has been obtained.

In the year under review, an amount of approximately €1.1 MIO (plus VAT) was paid or processed for payment in December 2014 by Fresenius Medical Care to law firm Noerr (2013: about €1 MIO). This represents less than 1% of the legal and other consultancy fees paid by Fresenius Medical Care on a global scale. Concerning the amount paid or processed for payment in the year under review, it does not include payments which have been executed in the year under review, but had been instructed for payment in 2013 and had therefore been reported for fiscal year 2013 already.

Information on Directors' Dealings and Shareholding

According to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), members of the Management and Supervisory Boards or other employees in exceptional management positions are required to inform the Company when buying or selling shares in Fresenius Medical Care and related financial instruments if the volume exceeds €5,000 within a single year. During fiscal year 2014, we received a total of six disclosures according to section 15a of the German Securities Trading Act, on which further information is provided in the chart below:

Transparency of our Reporting

Fresenius Medical Care meets all transparency requirements imposed by Code-number 6. We attach special importance to informing our shareholders simultaneously and uniformly about our Company in our regular financial reporting events. Ad hoc releases and our corporate website play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information we release.

Financial Accounting and Audit, Stock Exchange Listing

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

T. 2.59 **DIRECTORS' DEALINGS 2014**

of Fresenius Medical Care share (ISIN: DE0005785802)

Name/ Member of Management Board	*Type of transaction*	*Date*	*Place*	*Price in €*	*Number of items*	*Total amount in €*
Ronald Kuerbitz	Exercise of stock options against cash settlement	Nov. 5, 2014	XETRA	58.492403	16,500	965,124.60
Kent Wanzek	Exercise of stock options against cash settlement	Sep. 11, 2014	XETRA	54.788869	36,000	1,972,399.30
Ronald Kuerbitz	Exercise of stock options against cash settlement	Aug. 7, 2014	XETRA	52.100419	16,500	859,656.60
Roberto Fusté	Exercise of stock options against cash settlement	July 8, 2014	XETRA	50.11961	85,269	4,273,648.92
Ronald Kuerbitz	Exercise of stock options against cash settlement	June 16, 2014	XETRA	47.691694	33,000	1,573,826.10
Michael Brosnan	Exercise of stock options against cash settlement	June 6, 2014	XETRA	47.188005	58,641	2,767,151.51

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

The annual financial statements and the management report of FMC AG & CO. KGAA are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The annual financial statements are decisive for the distribution of the annual profit.

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

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

COMPENSATION REPORT

The compensation report of FMC AG & CO. KGAA summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Medical Care Management AG, the general partner of FMC AG & CO. KGAA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board. Furthermore, the principles and the amount of the remuneration of the Supervisory Board are described. The compensation report is part of the management report of the annual financial statements and the annual consolidated group financial statements of FMC AG & CO. KGAA as of December 31, 2014. The compensation report is prepared on the basis of the recommendations of the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code (HGB).

Compensation of the Management Board

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

I. Structure and amount of compensation

The current Management Board compensation system was last approved by resolution of the General Meeting of FMC AG & CO. KGAA on May 12, 2011 with a majority of 99.71% of the votes cast. Furthermore, this compensation system is reviewed by an independent external compensation expert at the beginning of each fiscal year.

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

The amount of the total compensation of the members of the Management Board is measured taking particular account of relevant reference values of other DAX-listed companies and similar companies of comparable size and performance in the relevant industry sector.

The compensation of the Management Board is, as a whole, performance-based and consisted of three components in the fiscal year:

- non-performance-based compensation (fixed compensation and fringe benefits),
- short-term performance-based compensation (one-year variable compensation),
- components with long-term incentive effects (multi-year variable compensation, consisting of stock options and share-based compensations with cash settlement).

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

In the fiscal year, the fixed compensation paid in Germany or Hong Kong, as the case may be, was divided in twelve equal instalments and the fixed compensation paid in the U.S. was divided in twenty-four equal instalments, in each case as base salary. Moreover, the members of the Management Board received additional benefits consisting mainly of payment for insurance premiums, the private use of company cars, special payments such as rent supplements, school fees, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges and additional contributions to pension and health insurance.

Performance-based compensation will also be awarded for the fiscal year as a short-term cash component (one-year variable compensation) and as components with long-term incentive effects (stock options and share-based compensations with cash settlement). The share-based compensations with cash settlement consist of phantom stocks and of the so-called Share Based Award.

The amount of the one-year variable compensation and of the Share Based Award depends on the achievement of the following individual and common targets:

- net income growth,
- free cash flow (net cash provided by (used in) operating activities after Capital Expenditures, before Acquisitions and Investments) in percent of revenue,
- operating income margin.

The level of achievement of these targets is derived from the comparison of target amounts and actual results. Furthermore, targets are divided into Group level targets and those to be achieved in individual regions. Lastly, the various target parameters are weighted differently by their relative share in the aggregate amount of variable compensation depending on the respective (regional and/or sectoral) areas of responsibility assumed by the members of the Management Board.

The respective minimum level of Net income growth to be achieved was at least 6% for the fiscal year, with the maximum bonus payable upon achievement of Net income growth of 15%. Furthermore, the members of the Management Board were also evaluated by reference to the development of free cash flow within the Group or, with respect to members of the Management Board with regional responsibilities, in the relevant regions, respectively, during the fiscal year, with the targets being within a range of rates between 3% and 6% of the respective free cash flow in percent of revenue. For Board members without Group functions, growth of regional operating income margins within the fiscal year was compensated within individual targets ranging between 13% and 18.5%, individually reflecting the particularities of the respective Board responsibilities.

The targets are, as a rule, weighted differently depending on whether the Management Board member exercises Group functions – in the fiscal year, these are Mr. Rice Powell, Mr. Michael Brosnan and Dr. Rainer Runte[1] – or whether the Management Board member is responsible for regional earnings – in the fiscal year, these are Mr. Roberto Fusté, Prof. Emanuele Gatti[1], Mr. Ronald Kuerbitz and Mr. Dominik Wehner[2] – or have taken on specific Management Board responsibilities without Group functions – such as Mr. Kent Wanzek for Global Manufacturing Operations and Dr. Olaf Schermeier for Research & Development. For members of the Management Board with Group functions, Net income growth accounts for 80% and is thus weighted higher than for the other members of the Management Board, where Net income growth accounts for 60%. For members of the Management Board without Group functions, a further 20% is based upon the evaluation of the operating income margin. Achievement of the target for free cash flow in percent of revenue is weighted for all members of the Management Board equally at 20%.

Multiplying the level of target achievement by the respective fixed compensation and another fixed multiplier provides a total amount, of which a 75% share is paid out in cash to the Management Board members (one-year variable compensation) after approval of the annual financial statements of FMC AG & CO. KGAA for the previous fiscal year. Since the maximum level of target achievement is set at 120%, the Management Board's maximum achievable one-year variable compensation is limited as regards specific amounts.

The remaining share, amounting to 25% of the total amount calculated according to the key data above, is granted to the members of the Management Board in the form of the so-called Share Based Award, which is included in components with long-term incentive effects. The Share Based Award is subject to

[1] *Effective March 31, 2014, Dr. Rainer Runte and Prof. Emanuele Gatti have retired from the Management Board of Fresenius Medical Care Management AG.*
[2] *Effective April 1, 2014, Mr. Dominik Wehner has been appointed as member of the Management Board of Fresenius Medical Care Management AG (with responsibilities for Europe, Middle East and Africa (EMEA)).*

a three-year waiting period, although a shorter period may apply in special cases (e.g. professional incapacity, entry into retirement, non-renewal by the Company of expired service agreements). The amount of the cash payment of the Share Based Award is based on the share price of FMC AG & CO. KGAA shares upon exercise after the three-year waiting period.

In determining the variable compensation, it is ensured that performance-based components with long-term incentive effects (i.e. the Share Based Award as well as the stock option and phantom stock components described below) are granted in amounts which constitute at least 50% of the sum of all one- and multi-year variable components for the respective fiscal year. Should this turn out not to be the case mathematically, the Management Board members' contracts provide that the portion of variable compensation payable as one-year variable compensation shall be reduced and the portion payable as the Share Based Award correspondingly increased, in order to meet this requirement. The components with long-term incentive effects also contain a limitation possibility for cases of extraordinary developments. The Supervisory Board may also grant a discretionary bonus for extraordinary performance. For the fiscal year, the Supervisory Board has granted such discretionary bonus to Mr. Rice Powell, Mr. Michael Brosnan and Mr. Ronald Kuerbitz in the total amount of €753 THOUS.

For the fiscal year and the previous year, the amount of cash compensation payments to members of the Management Board without components with long-term incentive effects are shown in table 2.60.

In addition to the Share Based Award, stock options under the Company's Stock Option Plan 2011 and phantom stock awards under the Phantom Stock Plan 2011 were granted to members of the Management Board as additional components with long-term incentive effects in the fiscal year. The Stock Option Plan 2011, together with the Phantom Stock Plan 2011, forms the Long Term Incentive Program 2011 (LTIP 2011).

In addition to the members of the management boards of affiliated companies, managerial staff members of the Company and of certain affiliated companies, the members of the Management Board are entitled to participate in LTIP 2011. Under LTIP 2011 a combination of stock options and

T. 2.60 **AMOUNT OF CASH PAYMENTS**

in € THOUS

	Non-Performance Related				*Short-term Performance Related*		*Cash Compensation (without long-term Incentive Components)*	
	Fixed compensation		*Other benefits*[1]		*Bonus*			
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Managing board members serving as of December 31, 2014								
Rice Powell	941	941	151	169	737[2]	373	1,829	1,483
Michael Brosnan	546	546	147	145	398[2]	216	1,091	907
Roberto Fusté	550	550	2,970[3]	301	339	278	3,859	1,129
Ronald Kuerbitz	640	640	19	26	503[2]	503	1,162	1,169
Dr. Olaf Schermeier	400	333	234	69	153	132	787	534
Kent Wanzek	406	392	74	53	294	303	774	748
Dominik Wehner	263	–	20	–	208	–	491	–
Former members of the Management Board who resigned March 31, 2014								
Prof. Emanuele Gatti[4]	188	733	29	124	–	529	217	1,386
Dr. Rainer Runte[5]	110	440	9	44	–	174	119	658
▸ **TOTAL**	**4,044**	**4,575**	**3,653**	**931**	**2,632**	**2,508**	**10,329**	**8,014**

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*
[2] *Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376, to Mr. Michael Brsonan in the amount of €188 and to Mr. Ronald Kuerbitz in the amount of €188.*
[3] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*
[4] *In addition to the disclosed compensation, Prof. Emanuele Gatti received in the past fiscal year a fixed compensation in the amount of €562, other benefits in the amount of €88 as well as a short-term performance related compensation in the amount of €468, which were, however, only allocated to Prof. Gatti after his retirement from the Management Board.*
[5] *In addition to disclosed compensation, Dr. Rainer Runte received in the past fiscal year a fixed compensation in the amount of €330, other benefits in the amount of €31 as well as a short-term performance related compensation in the amount of €225, which were, however, only allocated to Dr. Runte after his retirement from the Management Board.*

phantom stock awards are granted to the participants. Stock options and phantom stock awards will be granted on specified grant days, no more than twice each fiscal year during the term of the LTIP 2011. The number of stock options and phantom stock awards to be granted to the members of the Management Board is determined by the Supervisory Board in its discretion. In principle all members of the Management Board are entitled to receive the same number of stock options and phantom stock awards, whereas the Chairman of the Management Board is entitled to receive double the granted quantity. At the time of the grant, the members of the Management Board can choose a ratio based on the value of the stock options vs. the value of phantom stock awards in a range between 75:25 and 50:50. The exercise of stock options and phantom stock awards is subject to several conditions, including the expiration of a four year waiting period, the consideration of black-out periods, the achievement of a defined success target and, subject to agreements to the contrary in individual cases, the existence of a service or employment relationship. Stock options may be exercised within four years and phantom stock awards within one year after the expiration of the waiting period. For Management Board members who are U.S. taxpayers specific conditions apply with respect to the exercise period of phantom stock awards. The success target for the members of the Management Board is achieved in each case if, during the waiting period, either the adjusted basic income per share increases by at least eight per cent per annum in comparison to the previous year in each case or – if this is not the case – the compounded annual growth rate of the adjusted basic income per share during the four years of the waiting period reflects an increase of at least eight per cent per annum. If with regard to any reference year or more than one of the four reference years within the waiting period neither the adjusted basic income per share increases by at least eight per cent per annum in comparison to the previous year nor the compounded annual growth rate of the adjusted basic income per share during the four years of the waiting period reflects an increase of at least eight per cent per annum, the stock options and phantom stock awards subject to such waiting period are cancelled to such proportion to which the success target was not achieved within the waiting period, i.e. in the proportion of 25% for each year in which the target is not achieved within the waiting period, up to 100%.

Additional information regarding the basic principles of the LTIP 2011 and of the other employee

T. 2.61 **LONG-TERM INCENTIVE COMPONENTS**

	Stock Options				*Share-based Compensation with Cash Settlement*[1]		*Total*	
	Number		*in € THOUS*		*in € THOUS*		*in € THOUS*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Managing board members serving as of December 31, 2014								
Rice Powell	74,700	74,700	673	666	351	358	1,024	1,024
Michael Brosnan	37,350	37,350	337	333	185	189	522	522
Roberto Fusté	24,900	37,350	224	333	344	210	568	543
Ronald Kuerbitz	37,350	37,350	337	333	220	285	557	618
Dr. Olaf Schermeier	37,350	37,350	337	333	166	161	503	494
Kent Wanzek	24,900	37,350	224	333	329	218	553	551
Dominik Wehner	37,350	–	337	–	184	–	521	–
Former members of the Management Board who resigned March 31, 2014								
Prof. Emanuele Gatti[2]	–	29,880	–	267	–	363	–	630
Dr. Rainer Runte[3]	–	37,350	–	333	–	175	–	508
▸ **TOTAL**	**273,900**	**328,680**	**2,469**	**2,931**	**1,779**	**1,959**	**4,248**	**4,890**

[1] *This includes Phantom Stocks granted to Board Members during the fiscal year. The share-based compensation amounts are based on the grant date fair value.*
[2] *In addition to the disclosed compensation, Prof. Emanuele Gatti received the following components with long-term incentive effects in the past fiscal year: 27,390 Stock Options with a value of €247 and Share-based Compensation with Cash Settlement with a value of €364, which were, however, only granted to Prof. Gatti after his retirement from the Management Board.*
[3] *In addition to the disclosed compensation, Dr. Rainer Runte received the following components with long-term incentive effects in the past fiscal year: 37,350 Stock Options with a value of €337 and Share-based Compensation with Cash Settlement with a value of €115, which were, however, only granted to Dr. Runte after his retirement from the Management Board.*

participation programs in place at the beginning of the fiscal year and secured by conditional capital, which entitled their participants to convertible bonds or stock options (from which, however, in the past fiscal year no further options could be issued), are described in more detail in the notes to annual financial statements and the consolidated financial statements in the section "Conditional Capital" on page 209.

Under Stock Option Plan 2011 in the fiscal year 1,677,360 stock options were granted in total (2013: 2,141,076), with 273,900 stock options (2013: 328,680) granted to the Management Board members. Moreover, in the fiscal year 299,547 (2013: 186,392) phantom stock awards were granted under the Phantom Stock Plan 2011, of which 24,950 awards (2013: 25,006) were granted to Management Board members.

For the fiscal year, the number and value of stock options issued to members of the Management Board and the value of the share-based compensations with cash settlement paid to them, each as compared to the previous year, are shown individually in table 2.61 on page 124.

The stated values of the stock options granted to the members of the Management Board in the

T. 2.62 **DEVELOPMENT AND STATUS OF THE STOCK OPTIONS**

	Options outstanding January 1, 2014		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	361,050	45.47	74,700	49.93
Michael Brosnan	330,984	39.41	37,350	49.93
Roberto Fuste	346,719	39.95	24,900	49.93
Ronald Kuerbitz	221,352	43.93	37,350	49.93
Dr. Olaf Schermeier	37,350	49.76	37,350	49.93
Kent Wanzek	197,850	47.00	24,900	49.93
Dominik Wehner	65,529	43.04	37,350	49.93
▸ **TOTAL**	**1,560,834**	**42.93**	**273,900**	**49.93**

	Options exercised during the fiscal year			*Options forfeited during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	–	–	–	28,013	52.48
Michael Brosnan	58,641	27.94	47.19	18,675	52.48
Roberto Fuste	85,269	28.23	50.12	18,675	52.48
Ronald Kuerbitz	66,000	34.70	51.49	15,000	52.48
Dr. Olaf Schermeier	–	–	–	–	–
Kent Wanzek	36,000	33.73	54.79	18,675	52.48
Dominik Wehner	–	–	–	4,710	52.48
▸ **TOTAL**	**245,910**	**30.70**	**50.47**	**103,748**	**52.48**

	Options outstanding December 31, 2014				*Options exercisable December 31, 2014*	
	Number	*Weighted average exercise price in €*	*Weighted average remaining contractual life in years*	*Range of exercise prices in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	407,737	45.80	4.41	31.97 – 57.30	174,300	37.57
Michael Brosnan	291,018	42.23	3.61	23.90 – 57.30	160,293	33.98
Roberto Fuste	267,675	43.74	3.60	31.97 – 57.30	149,400	36.71
Ronald Kuerbitz	177,702	47.90	5.04	31.97 – 57.30	58,002	39.36
Dr. Olaf Schermeier	74,700	49.85	7.08	49.76 – 49.93	–	–
Kent Wanzek	168,075	49.67	5.09	42.68 – 57.30	49,800	42.68
Dominik Wehner	98,169	45.21	4.89	23.90 – 57.30	36,189	34.70
▸ **TOTAL**	**1,485,076**	**45.58**	**4.43**	**23.90 – 57.30**	**627,984**	**36.85**

fiscal year correspond to their fair value at the time of grant, namely a value of €9.01 (2013: €8.92) per stock option. The exercise price for the stock options granted is €49.93 (2013: €49.76). At the day of the grant, the relevant fair value of the phantom stocks issued in July of the fiscal year amounted to €46.26 (in July 2013: €44.93).

At the end of the fiscal year, the members of the Management Board held a total of 1,485,076 stock options and convertible bonds (collectively referred to as "stock options"; 2013: 1,993,305 stock options). Also, they held a total of 66,960 phantom stocks (2013: 77,886).

The development and status of stock options of the members of the Management Board serving as per December 31 of the fiscal year in the fiscal year are shown in more detail in table 2.62 on page 125.

Based on the targets achieved in the fiscal year, members of the Management Board serving as per December 31 of the fiscal year also earned entitlements to Share Based Awards totalling €626 THOUS (2013: €836 THOUS). On the basis of that value, determination of the specific number of virtual shares will not be made by the Supervisory Board until March of the following year, based on the then current price of the shares of FMC AG & CO. KGAA. This number will then serve as a multiplier for the share price on the relevant exercise day and as a base for calculation of the payment of this respective share-based compensation after expiry of the three-year waiting period.

Phantom stocks with a total value of €1,154 THOUS (2013: €1,123 THOUS) were granted to the Management Board members under the Company's Phantom Stock Plan 2011 in July of the fiscal year as further share-based compensation components with cash settlement.

Therefore, the amount of the total compensation of the Management Board for the fiscal year and for the previous year is as shown in table 2.63.

Components with long-term incentive effects, i.e. stock options and share-based compensation components with cash settlement, can be exercised only after the expiration of the specified vesting period. Their value is allocated over the vesting period and proportionately recognized as an expense in the respective fiscal year of the vesting period. Compensation expenses attributable to the fiscal year and for the previous year are shown in table 2.64 on page 127.

T. 2.63 **TOTAL COMPENSATION**

in € THOUS

	Cash Compensation (without long-term Incentive Components)		*Components with long-term Incentive Effect*		*Total Compensation (including long-term Incentive Components)*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*
Managing board members serving as of December 31, 2014						
Rice Powell	1,829	1,483	1,024	1,024	2,853	2,507
Michael Brosnan	1,091	907	522	522	1,613	1,429
Roberto Fusté	3,859	1,129	568	543	4,427	1,672
Ronald Kuerbitz	1,162	1,169	557	618	1,719	1,787
Dr. Olaf Schermeier	787	534	503	494	1,290	1,028
Kent Wanzek	774	748	553	551	1,327	1,299
Dominik Wehner	491	–	521	–	1,012	–
Former members of the Management Board who resigned March 31, 2014						
Prof. Emanuele Gatti[1]	217	1,386	–	630	217	2,016
Dr. Rainer Runte[2]	119	658	–	508	119	1,166
▸ **TOTAL**	**10,329**	**8,014**	**4,248**	**4,890**	**14,577**	**12,904**

[1] *For the entire fiscal year, Prof. Emanuele Gatti's cash compensation (excluding components with long-term incentive effects) amounts to €1,335, the components with long-term incentive effects amount to €611 and his total compensation (including components with long-term incentive effects) amounts to €1,946.*

[2] *For the entire fiscal year, Dr. Rainer Runte's cash compensation (excluding components with long-term incentive effects) amounts to €705, his components with long-term incentive effects amount to €452 and his total compensation (including components with long-term incentive effects) amounts to €1,157.*

II. Commitments to Members of the Management Board for the Event of the Termination of their Appointment

The following pension commitments and other benefits are also part of the compensation system for the members of the Management Board: individual contractual pension commitments for the Management Board members Mr. Rice Powell, Mr. Roberto Fusté, Prof. Emanuele Gatti[1], Dr. Rainer Runte[1], Mr. Michael Brosnan and Mr. Kent Wanzek have been entered into by Fresenius Medical Care Management AG. In addition, pension commitments from the participation in employee pension schemes of other Fresenius Medical Care companies exist for individual members of the Management Board. Under all of these commitments, aggregate pension obligations for managing board members serving as of December 31 of the fiscal year of €17,802 THOUS (2013: €18,627 THOUS) exist as of the end of the fiscal year.

Each of the pension commitments by Fresenius Medical Care Management AG provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest (at age 60 at the earliest with respect to Prof. Emanuele Gatti and at age 63 at the earliest with respect to Dr. Rainer Runte) or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), however, calculated by reference to the amount of the recipient's most recent base salary.

The retirement pension will be based on 30% of the last fixed compensation and will increase for each complete year of service by 1.5 percentage points up to a maximum of 45%. Current pensions increase according to legal requirements (Sec. 16 of the German Act to improve company pension plans, "BetrAVG"). 30% of the gross amount of any post-retirement income from an activity of the Management Board member is offset against the pension obligation. Any amounts to which the Management Board members or their surviving dependents, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies, are also to be set off. If a Management Board member dies, the surviving spouse receives a pension amounting to 60% of the resulting pension claim at that time. Furthermore, the deceased Management Board member's own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20% of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the spousal pension

[1] *Effective March 31, 2014, Dr. Rainer Runte and Prof. Emanuele Gatti have retired from the Management Board of Fresenius Medical Care Management AG.*

T. 2.64 **EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS**

in € THOUS

	Stock Options		*Share-based Compensation With Cash Settlement*		*Share-based Compensation*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*
Managing board members serving as of December 31, 2014						
Rice Powell	176	325	435	441	611	766
Michael Brosnan	97	205	295	251	392	456
Roberto Fusté	86	205	258	232	344	437
Ronald Kuerbitz	59	35	83	13	142	48
Dr. Olaf Schermeier	59	35	45	13	104	48
Kent Wanzek	86	205	290	216	376	421
Dominik Wehner	35	–	15	–	50	–
Former members of the Management Board who resigned March 31, 2014						
Prof. Emanuele Gatti[1]	276	180	753	373	1,029	553
Dr. Rainer Runte[2]	339	207	409	266	748	473
▸ **TOTAL**	**1,213**	**1,397**	**2,583**	**1,805**	**3,796**	**3,202**

[1] *In addition to the disclosed compensation, the following expenses were incurred for Prof. Emanuele Gatti after his retirement from the Management Board during the past fiscal year: €247 for Stock Options and €409 for share-based compensations with cash settlement.*

[2] *In addition to the disclosed compensation, the following expenses were incurred for Dr. Rainer Runte after his retirement from the Management Board during the past fiscal year: €337 for Stock Options and €238 for share-based compensations with cash settlement.*

together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before reaching the age of 65 (or, in the case of Prof. Gatti, the age of 60 and, in the case of Dr. Runte, the age of 63), except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching the age of 65 (or, in the case of Prof. Gatti, the age of 60 and, in the case of Dr. Runte, the age of 63.

Management Board members Mr. Rice Powell, Mr. Michael Brosnan, Mr. Ronald Kuerbitz and Mr. Kent Wanzek participated in the U.S.-based 401(k) savings plan in the fiscal year. This plan generally allows employees in the U.S. to invest a portion of their gross salaries in retirement pension programs. The Company supports this investment, for full-time employees with at least one year of service, with a contribution of 50% of the investment made, up to a limit of 6% of income – whereupon the allowance paid by the Company is limited to 3% of the income – or a maximum of $17,500 ($23,000 for employees 50 years of age or older). The aforementioned Management Board members were each contractually enabled to participate in this plan; in the past fiscal year the Company paid out $7,800.00 (2013: $7,650.00) respectively in this regard.

Furthermore, the Management Board members Mr. Rice Powell, Mr. Michael Brosnan and Mr. Ronald Kuerbitz have acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America, which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. In March 2002, the rights to receive benefits from the pension plans were frozen at the level then applicable.

From the time of his previous employment activities, Management Board member Mr. Dominik Wehner exclusively has a pension commitment from Fresenius Medical Care Deutschland GmbH. This pension commitment was not affected by the service agreement for the Management Board position with Fresenius Medical Care Management AG beginning on 1 April 2014. It is based on the Fresenius companies' pension scheme of 1 January 1988 and provides old-age pensions, disability pensions and surviving dependents' pensions. It does not provide for any offsetting mechanisms against other income or pension payments. The spousal pension amounts to 60% of the disability pension or old-age pension to be granted at the time of death; the orphan's pension amounts to 10% (semi-orphans) or 20% (orphans) of the disability pension or old-age pension to be granted at the time of death. The claims of all surviving dependents are limited to a total of 100% of Mr. Dominik Wehner's pension entitlements.

Additions to pension provisions in the fiscal year for managing board members serving as of

T. 2.65 **DEVELOPMENT AND STATUS OF PENSION COMMITMENTS**

in € THOUS

	As of January 1, 2014	*increase*	*As of December 31, 2014*
Managing board members serving as of December 31, 2014			
Rice Powell	4,493	2,161	6,654
Michael Brosnan	1,737	1,133	2,870
Roberto Fusté	3,562	1,068	4,630
Ronald Kuerbitz	137	72	209
Dr. Olaf Schermeier	–	–	–
Kent Wanzek	853	641	1,494
Dominik Wehner	540	1,405	1,945
Former members of the Management Board who resigned March 31, 2014			
Prof. Emanuele Gatti	6,274	2,184	8,458
Dr. Rainer Runte	1,571	1,300	2,871
▸ **TOTAL**	**19,167**	**9,964**	**29,131**

December 31 amounted to €6,480 THOUS (2013: €3,463 THOUS). The pension commitments are shown in table 2.65 on page 128.

A post-employment non-competition covenant was agreed upon with all Management Board members. If such covenant becomes applicable, the Management Board members receive compensation amounting to half of their respective annual fixed compensation for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions that are triggered by a change of control of the Company.

III. Miscellaneous

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of 12 months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly instalments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the agreement.

In the context of Prof. Emanuele Gatti's retirement from his position as member of the Management Board as of March 31, 2014, Prof. Gatti and Fresenius Medical Care Management AG have agreed that Prof. Gatti's service agreement will continue to be effective until the end of the agreed term on April 30, 2015. Until this point in time, Prof. Gatti will continue to receive the compensation he is entitled to under his service agreement, i.e. a fixed compensation and fringe benefits as well as one-year and multi-year variable compensation components. With regard to the end of the term of the service agreement on April 30, 2015, such compensation will only be granted proportionately for fiscal year 2015. The long-term incentive components granted to Prof. Gatti on the basis of the LTIP 2011 are not affected by his retirement from the Management Board. The payment of the Share Based Awards earned by Prof. Gatti for the reference years 2009 and 2010 was already made in the fiscal year, whereas the entitlements for fiscal years 2011 to 2014 will be paid to Prof. Gatti within 60 days following the end of the term of his service agreement. Upon reaching the age of 60, Prof. Gatti is entitled to receive an occupational old-age pension in the amount of approximately €337 THOUS per annum. On occasion of his retirement from the Management Board, Prof. Gatti further agreed to serve as an advisor to the Chariman of the Management Board and to be subject to a post-employment non-competition obligation for the duration of two years following the end of the term of his service agreement, i.e. until April 30, 2017, for which he will receive an annual non-compete compensation of approximately €487 THOUS. The type and amounts of the individual benefits granted and allocations made to Prof. Gatti within the fiscal year are presented in the tables 2.68 and 2.70 starting on page 134.

In the context of Dr. Rainer Runte's retirement from his position as member of the Management Board, also as of March 31, 2014, Dr. Runte and Fresenius Medical Care Management AG have agreed that Dr. Runte's service agreement will continue to be effective until the end of the agreed term December 31, 2014. Dr. Runte will continue to receive the compensation he is entitled to under his service agreement, i.e. a fixed compensation and fringe benefits as well as the one-year variable compensation component for the fiscal year. The long-term variable compensation components granted to Dr. Runte on the basis of the LTIP 2011 are not affected by his retirement from the Management Board. The payment of the Share Based Awards earned by Dr. Runte for the reference years 2009 and 2010 was already made in the fiscal year, whereas the entitlements for fiscal years 2011 to 2014 have been paid to Dr. Runte within 60 days following the end of the term of his service agreement. The pension benefits agreed upon in the service agreement were adjusted to the effect that they will be paid upon reaching the age of 63 whereas the amount payable is limited to approximately 75% of the benefits originally agreed upon (this amounts to approximately €149 THOUS per annum). On occasion of his retirement from the Management Board, Dr. Runte further agreed to be subject to a post-employment non-competition obligation for the duration of two years following the end of the term of his service agreement, i.e. until December 31, 2016, for which he will receive an annual non-compete compensation of approximately €486 THOUS. The type and amounts of the individual benefits granted and allocations made to Dr. Runte within the fiscal year are presented in the tables 2.68 and 2.70 starting on page 134.

With Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, there is an individual agreement instead of a pension provision, to the effect that, upon termination of his employment contract/service agreement with Fresenius Medical Care Management AG, he will be retained to render consulting services to the Company for a

period of ten years. Accordingly, Fresenius Medical Care Management AG and Dr. Ben Lipps entered into a consulting agreement for the period January 1, 2013 to December 31, 2022. By this consulting agreement Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame as well as complying with a non-compete covenant. The annual consideration to be granted by Fresenius Medical Care Management AG for such services amounts for the fiscal year €494 THOUS (including reimbursement of expenses). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounted to €3,737 THOUS as at December 31 of the fiscal year.

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

The payments to U.S. Management Board members Mr. Rice Powell, Mr. Michael Brosnan and Mr. Kent Wanzek were paid in part in the U.S. (in U.S.$) and in part in Germany (in €). For the part paid in Germany, the Company has agreed that due to varying tax rates in both countries, the increased tax burden to such Management Board members arising from German tax rates in comparison to U.S. tax rates will be balanced (net compensation). Pursuant to a modified net compensation agreement, these Management Board members will be treated as if they were taxed in their home country, the United States, only. Therefore the gross amounts may be retroactively changed. Since the actual tax burden can only be calculated in connection with the preparation of the Board members' tax returns, subsequent adjustments may have to be made, which will then be retroactively covered in future compensation reports. Furthermore, a compensation agreement has been entered into between FMC AG & CO. KGAA, Fresenius Medical Care Management AG and Roberto Fusté, pursuant to which Mr. Fusté is held harmless from certain adverse tax effects which result from an external wage tax audit for the assessment period 2005 to 2007. The payments made in the fiscal year by the Company in this context amounted to €1,096 THOUS; in the fiscal year, the Company has furthermore made payments to compensate Mr. Fusté for adverse tax effects for the assessment periods 2008 to 2010 as well as 2014 in the amount of €854 THOUS and has also made provisions in the total amount of €705 THOUS with a view to potential additional compensation payments.

To the extent permitted by law, Fresenius Medical Care Management AG undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company has obtained Directors & Officers liability insurance carrying a deductible which complies with the requirements of the German Stock Corporation Act (AktG). The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after termination of membership on the Management Board in each case.

Former members of the Management Board did not receive any compensation in the fiscal year other than that mentioned under section II. and in the present section III. As of December 31 of the fiscal year, pension obligations towards this group of persons exist in an amount of €13,494 THOUS (2013: €1,450 THOUS).

IV. Tables of the value of benefits granted and of the allocation

The German Corporate Governance Code provides that compensation reports for fiscal years beginning after December 31, 2013 shall include information for each member of the Management Board on the benefits granted and allocations made as well as on the pension expenses for year under report. The model tables provided in the appendix to the German Corporate Governance Code shall be used to present this information. Tables 2.66 – 2.70 include information on the value of benefits granted as well as on the allocations made. They adhere to the structure and, to the greatest extent possible, the standards of the model tables of the German Corporate Governance Code:

T. 2.66

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2014

in € THOUS

	Rice Powell *Chariman Of The Management Board* *Member of the Management Board since December 21, 2005*[3]				Michael Brosnan *Chief Financial Officer* *Member of the Management Board since January 1, 2010*			
	2014	**2014** Minimum	**2014** Maximum	2013	**2014**	**2014** Minimum	**2014** Maximum	2013
Non-performance-based compensation								
Fixed compensation	941	941	941	941	546	546	546	546
Fringe benefits[1]	151	151	151	169	147	147	147	145
Total non-performance-based compensation	1,092	1,092	1,092	1,110	693	693	693	691
Performance-based compensation								
One-year variable compensation	1,929[4]	212	2,239[4]	1,553	1,088[4]	123	1,269[4]	901
Share Based Award – New Incentive Bonus Plan 2010 3-year term/ 3-year waiting period	120	71	n. a.	124	70	41	n. a.	72
Long Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/ 4-year vesting period	673	–	n. a.	666	337	–	n. a.	333
Long Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/ 4-year vesting period	231	–	n. a.	234	115	–	n. a.	117
Multi-year variable compensation/components with long-term incentive effects	1,024	71	n. a.	1,024	522	41	n. a.	522
Total non-performance-based and performance-based compensation	4,045	1,375	n. a.	3,687	2,303	857	n. a.	2,114
Pension expense	429	429	429	405	404	404	404	401
Value of Benefits granted	4,474	1,804	n. a.	4,092	2,707	1,261	n. a.	2,515

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*
[2] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*
[3] *The date indicated refers to the appointment to the Management Board of the General Partner.*
[4] *Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376 and to Mr. Michael Brosnan in the amount of €188.*

T. 2.67

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2014

in € THOUS

	Roberto Fusté *Member of the Management Board for Asia-Pacific* *Member of the Management Board since December 21, 2005*[3]				Ronald Kuerbitz *Member of the Management Board for North America* *Member of the Management Board since January 1, 2013*			
	2014	**2014** Minimum	**2014** Maximum	2013	**2014**	**2014** Minimum	**2014** Maximum	2013
Non-performance-based compensation								
Fixed compensation	550	550	550	550	640	640	640	640
Fringe benefits[1]	2,970[2]	2,970	2,970	301	19	19	19	26
Total non-performance-based compensation	3,520	3,520	3,520	851	659	659	659	666
Performance-based compensation								
One-year variable compensation	908	124	1,089	908	1,244[4]	144	1,455[4]	1,056
Share Based Award – New Incentive Bonus Plan 2010 3-year term/ 3-year waiting period	113	41	n. a.	93	105	48	n. a.	168
Long Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/ 4-year vesting period	224	–	n. a.	333	337	–	n. a.	333
Long Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/ 4-year vesting period	231	–	n. a.	117	115	–	n. a.	117
Multi-year variable compensation/components with long-term incentive effects	568	41	n. a.	543	557	48	n. a.	618
Total non-performance-based and performance-based compensation	4,996	3,685	n. a.	2,302	2,460	851	n. a.	2,340
Pension expense	233	233	233	212	–	–	–	–
Value of Benefits granted	5,229	3,918	n. a.	2,514	2,460	851	n. a.	2,340

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*
[2] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*
[3] *The date indicated refers to the appointment to the Management Board of the General Partner.*
[4] *Includes a discretionary bonus for fiscal year 2014 granted to Mr. Ronald Kuerbitz in the amount of €188.*

	Kent Wanzek *Member of the Management Board for Global Manufacturing Operations* *Member of the Management Board since January 1, 2010*				**Dr. Olaf Schermeier** *Member of the Management Board for Global Research and Development* *Member of the Management Board since March 1, 2013*				**Dominik Wehner** *Member of the Management Board for EMEA* *Member of the Management Board since April 1, 2014*			
	2014	***2014*** *Minimum*	***2014*** *Maximum*	*2013*	***2014***	***2014*** *Minimum*	***2014*** *Maximum*	*2013*	***2014***	***2014*** *Minimum*	***2014*** *Maximum*	*2013*
	406	406	406	392	400	400	400	333	263	263	263	–
	74	74	74	53	234	234	234	69	20	20	20	–
	480	480	480	445	634	634	634	402	283	283	283	–
	671	85	805	646	660	84	792	550	433	59	520	–
	98	28	n. a.	101	51	28	n. a.	44	69	20	n. a.	–
	224	–	n. a.	333	337	–	n. a.	333	337	–	n. a.	–
	231	–	n. a.	117	115	–	n. a.	117	115	–	n. a.	–
	553	28	n. a.	551	503	28	n. a.	494	521	20	n. a.	–
	1,704	593	n. a.	1,642	1,797	746	n. a.	1,446	1,237	362	n. a.	–
	210	210	210	190	–	–	–	–	29	29	29	–
	1,914	803	n. a.	1,832	1,797	746	n. a.	1,446	1,266	391	n. a.	–

T. 2.68

BENEFITS GRANTED TO FORMER MEMBERS OF THE MANAGEMENT BOARD WHO RETIRED IN FISCAL YEAR 2014

in € THOUS

	Prof. Emanuele Gatti[2] *Member of the Management Board for EMEA and Latin America Member of the Management Board until March 31, 2014*				Dr. Rainer Runte[3] *Member of the Management Board for Legal, Compliance and Intellectual Property Member of the Management Board until March 31, 2014*			
	2014	**2014** Minimum	**2014** Maximum	2013	**2014**	**2014** Minimum	**2014** Maximum	2013
Non-performance-based compensation								
Fixed compensation	188	188	188	733	110	110	110	440
Fringe benefits[1]	29	29	29	124	9	9	9	44
Total non-performance-based compensation	217	217	217	857	119	119	119	484
Performance-based compensation								
One-year variable compensation	1,238	169	1,485	1,210	726	99	871	726
Share Based Award – New Incentive Bonus Plan 2010 3-year term/ 3-year waiting period	–	56	n. a.	176	–	33	n. a.	58
Long Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/ 4-year vesting period	–	–	n. a.	267	–	–	n. a.	333
Long Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/ 4-year vesting period	–	–	n. a.	187	–	–	n. a.	117
Multi-year variable compensation/components with long-term incentive effects	–	56	n. a.	630	–	33	n. a.	508
Total non-performance-based and performance-based compensation	1,455	442	n. a.	2,697	845	251	n. a.	1,718
Pension expense	264	264	264	221	131	131	131	116
Value of Benefits granted	1,719	706	n. a.	2,918	976	382	n. a.	1,834

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

[2] *Effective March 31, 2014, Prof. Emanuele Gatti has retired from the Management Board of the General Partner. In addition to the disclosed compensation, Prof. Emanuele Gatti received in the past fiscal year the following compensation: Fixed compensation (€562), fringe benefits (€88) as well as multi-year variable compensation (Long Term Incentive Program 2011 – Stock Option Plan 2011 (€247) and Long Term Incentive Program 2011 – Phantom Stock Plan 2011 (€208)), which were, however, only grated to Prof. Gatti after his retirement from Management Board. Additionally, Prof. Gatti receives for fiscal year 2014 the pro rata amount of his entitlement to Share Based Awards (€156) that will, together with his Share Based Award entitlements for fiscal years 2011 to 2013, be paid to him within sixty days following the end of term of his service agreement.*

[3] *Effective March 31, 2014, Dr. Rainer Runte has retired from the Management Board of the General Partner. In addition to the disclosed compensation, Dr. Rainer Runte received in the past fiscal year the following compensation: Fixed compensation (€330), Fringe benefits (€31) as well as multi-year variable compensation (Long Term Incentive Program 2011 – Stock Option Plan 2011 (€337) and Long Term Incentive Program 2011 – Phantom Stock Plan 2011 (€115)), which were, however, only granted to Dr. Runte after his retirement from Management Board.*

T. 2.69 **ALLOCATIONS TO MEMBERS OF THE MANAGEMENT BOARD**

in € THOUS

	Serving members of the Management Board as of December 31, 2014							
	Rice Powell *Chairman of the Management Board Member of the Management Board since December 21, 2005*[3]		**Michael Brosnan** *Chief Financial Officer Member of the Management Board since January 1, 2010*		**Roberto Fusté** *Member of the Management Board for Asia-Pacific Member of the Management Board since December 21, 2005*[3]		**Ronald Kuerbitz** *Member of the Management Board for North America Member of the Management Board since January 1, 2013*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Non-performance-based compensation								
Fixed compensation	941	941	546	546	550	550	640	640
Fringe benefits[1]	151	169	147	145	2,970[2]	301	19	26
Total non-performance based compensation	1,092	1,110	693	691	3,520	851	659	666
Performance-based compensation								
One-year variable compensation	737[4]	373	398[4]	216	339	278	503[4]	503
Share Based Award – New Incentive Bonus Plan 2009 3-year term/3-year vesting period								
Grant 2009	–	317	–	–	154	–	–	–
Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year vesting period								
Grant 2010	399	–	225	–	155	–	–	–
Internation Stock Option Plan 2001 10-year term/one third 2-, 3- and 4-year vesting period								
Grant 2003	–	–	–	538	–	–	–	–
Grant 2004	–	–	680	–	1,050	–	–	–
Stock Option Plan 2006 7-year term/3-year vesting period								
Grant 2006	–	–	–	717	–	1,080	–	–
Grant 2007	–	855	425	–	795	–	442	–
Grant 2008	–	–	–	–	–	–	642	–
Grant 2009	–	–	–	–	–	–	–	–
Multi-year variable compensation/components with long-term incentive effects	399	1,172	1,330	1,255	2,154	1,080	1,084	–
Other	–	–	–	–	–	–	–	–
Total non-performance-based and performance-based compensation	2,228	2,655	2,421	2,162	6,013	2,209	2,246	1,169
Pension expense	429	405	404	401	233	212	–	–
Allocation	2,657	3,060	2,825	2,563	6,246	2,421	2,246	1,169

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*
[2] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*
[3] *The date indicated refers to the appointment to the Management Board of the General Partner.*
[4] *Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376, to Mr. Michael Brosnan in the amount of €188 and to Mr. Ronald Kuerbitz in the amount of €188.*

T. 2.70 **ALLOCATIONS TO MEMBERS OF THE MANAGEMENT BOARD**

in € THOUS

	Serving members of the Management Board as of December 31, 2014			
	Kent Wanzek *Member of the Management Board for Global Manufacturing Operations* *Member of the Management Board since January 1, 2010*		**Dr. Olaf Schermeier** *Member of the Management Board for Global Research and Development* *Member of the Management Board since March 1, 2013*	
	2014	*2013*	***2014***	*2013*
Non-performance-based compensation				
Fixed compensation	406	392	400	333
Fringe benefits[1]	74	53	234	69
Total non-performance based compensation	480	445	634	402
Performance-based compensation				
One-year variable compensation	294	303	153	132
Share Based Award – New Incentive Bonus Plan 2009 3-year term/3-year vesting period				
Grant 2009	–	–	–	–
Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year vesting period				
Grant 2010	179	–	–	–
Internation Stock Option Plan 2001 10-year term/one third 2-, 3- and 4-year vesting period				
Grant 2003	–	–	–	–
Grant 2004	–	–	–	–
Stock Option Plan 2006 7-year term/3-year vesting period				
Grant 2006	–	–	–	–
Grant 2007	–	–	–	–
Grant 2008	345	–	–	–
Grant 2009	408	–	–	–
Multi-year variable compensation/components with long-term incentive effects	932	–	–	–
Other	–	–	–	–
Total non-performance-based and performance-based compensation	1,706	748	787	534
Pension expense	210	190	–	–
Allocation	1,916	938	787	534

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

[2] *Effective March 31, 2014, Prof. Emanuele Gatti has retired from the Management Board of the General Partner. In addition to the disclosed compensation, Prof. Emanuele Gatti received in fiscal year 2014 the following compensation: Fixed compensation (€562), Fringe Benefits (€88), one-year variable compensation (€468) as well as multi-year variable compensation (Share Based Award – New Incentive Bonus Plan 2010 – Grant 2010 (€446), and Stock Option Plan 2006 – Grant 2008 (€907)), which were, however, only allocated to Prof. Gatti after his retirement from the Management Board.*

[3] *Effective March 31, 2014, Dr. Rainer Runte has retired from the Management Board of the General Partner. In addition to the disclosed compensation, Dr. Rainer Runte received in fiscal year 2014 the following compensation: Fixed compensation (€330), Fringe benefits (€31),one-year variable compensation (€225) as well as multi-year variable compensation (Stock Option Plan 2006 – Grant 2008 (€643), Stock Option Plan 2006 – Grant 2009 (€818) and Stock Option Plan 2006 – Grant 2010 (€285)), which were, however, only allocated to Dr. Runte after his retirement from the Management Board.*

Serving members of the Management Board as of December 31, 2014		*Former members of the Management Board who retired in fiscal year 2014*			
Dominik Wehner *Member of the Management Board for EMEA* *Member of the Management Board since April 1, 2014*		**Prof. Emanuele Gatti**[2] *Member of the Management Board for EMEA and Latin America* *Member of the Management Board until March 31, 2014*		**Dr. Rainer Runte**[3] *Member of the Management Board for Legal, Compliance and Intellectual Property* *Member of the Management Board until March 31, 2014*	
2014	*2013*	***2014***	*2013*	***2014***	*2013*
263	–	188	733	110	440
20	–	29	124	9	44
283	–	217	857	119	484
208	–	–	529	–	174
–	–	–	319	181	–
–	–	–	–	180	–
–	–	–	458	–	–
–	–	–	991	–	–
–	–	–	755	–	1,135
–	–	–	704	–	965
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	3,227	361	2,100
–	–	–	–	–	–
491	–	217	4,613	480	2,758
29	–	264	221	131	116
520	–	481	4,834	611	2,874

COMPENSATION OF THE FMC AG & CO. KGAA SUPERVISORY BOARD

The compensation of the FMC AG & CO. KGAA Supervisory Board is set out in clause 13 of the Articles of Association.

In accordance with this provision, the members of the Supervisory Board are to be reimbursed for the expenses incurred in the exercise of their offices, which also include the applicable VAT.

As compensation, each Supervisory Board member receives in the first instance a fixed salary of $80 THOUS per respective complete fiscal year, payable in four equal instalments at the end of a calendar quarter. Should the General Meeting resolve on a higher compensation, with a majority of three-fourths of the votes cast and taking the annual results into account, such compensation shall apply.

The chairman of the Supervisory Board receives additional compensation of $80 THOUS and his deputy additional compensation of $40 THOUS per respective complete fiscal year. In addition, each member of the Supervisory Board shall also receive as a variable performance-related compensation component an

additional remuneration which is based upon the respective average growth in basic earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the variable remuneration component is $60 THOUS in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99%, $70 THOUS in the corridor from 9.00 to 9.99% and $80 THOUS in case of a growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i.e. within these margins there is no pro rata remuneration. In any case, this variable component is limited to a maximum of $80 THOUS per annum. Reciprocally, the members of the supervisory board are only entitled to the variable remuneration component if the 3 year average EPS growth of at least 8.00% is reached. The variable remuneration component, based on the target achievement, is in principle disbursed on a yearly basis, namely following approval of the Company's annual financial statements, this for the fiscal year 2014 based on the 3-year average EPS growth for the fiscal years 2012, 2013 and 2014.

In application of the principles above, neither for the year 2013 nor for the year 2014 a variable performance-related compensation component was generated.

As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $40 THOUS, or, as chairman or vice chairman of a committee, $60 THOUS or $50 THOUS, respectively payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee and in the Joint Committee as well as in the capacity of their respective chairmen and deputy chairmen, no separate remuneration shall be granted.

Should a member of the FMC AG & CO. KGAA Supervisory Board be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a FMC AG & CO. KGAA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the chairman of the FMC AG & CO. KGAA Supervisory Board and his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the FMC AG & CO. KGAA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as deputy chairman of the FMC AG & CO. KGAA Supervisory Board to this extent.

The compensation for the Supervisory Board of Fresenius Medical Care Management AG and the compensation for its committees were charged to FMC AG & CO. KGAA in accordance with section 7 paragraph 3 of the Articles of Association of FMC AG & CO. KGAA.

The total compensation of the Supervisory Board of FMC AG & CO. KGAA including the amount charged by Fresenius Medical Care Management AG to FMC AG & CO. KGAA, is listed in table 2.71.

T. 2.71 **COMPENSATION OF THE SUPERVISORY BOARD**

in € THOUS[1]

	Fixed compensation for Supervisory Board at FMC Management AG		*Compensation for committee services at FMC Management AG*		*Non-Performance Related Compensation*					
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Dr. Gerd Krick	30	30	90	90	45	45	30	35	195	200
Dr. Dieter Schenk	45	45	45	45	38	38	–	–	128	128
Dr. Ulf M. Schneider[2]	120	120	–	–	53	53	–	5	173	178
Dr. Walter L. Weisman	30	30	30	30	38	38	45	50	143	148
William P. Johnston	30	30	30	30	90	90	30	35	180	185
Prof. Dr. Bernd Fahrholz[3]	–	–	60	60	–	–	38	38	98	98
Rolf A. Classon	30	30	30	30	45	45	–	–	105	105
▸ **TOTAL**	**285**	**285**	**285**	**285**	**309**	**309**	**143**	**163**	**1,022**	**1,042**

[1] *Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective year*
[2] *Chairman of the supervisory board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG*
[3] *Member of the supervisory board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA*

Operating and financial review and prospects

CHAPTER 3

Operating and financial review and prospects

Fresenius Medical Care filed an annual report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the company. Fresenius Medical Care's annual report on Form 20-F may be obtained from the company.

The audited financial statements of the Group's holding company, Fresenius Medical Care AG & Co. KGaA, will be submitted electronically to the German Federal Gazette (Bundesanzeiger) who files these financial statements with the Company Register. These financial statements can be obtained from the company.

The audited consolidated financial statements in accordance with § 315a Commercial Code (HGB) will be submitted electronically to the German Federal Gazette (Bundesanzeiger) who files these consolidated financial statements with the Company Register. These financial statements can be obtained from the company.

The publications can be also accessed on www.freseniusmedicalcare.com.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care AG & Co. KGaA and its subsidiaries in conjunction with our historical consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competition and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the management of the company's general partner concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward-looking statements express or imply. Such statements include the matters and are subject to the uncertainties that we described in "Outlook" chapter starting on page 105 and the "Risk and opportunities report" starting on page 92.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

CRITICAL ACCOUNTING POLICIES

The company's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our financial statements. The critical accounting policies, the judgments made in the creation and application of these policies and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with the company's financial statements, and the discussion below in "Results of operations."

RECOVERABILITY OF GOODWILL AND INTANGIBLE ASSETS

The growth of our business through acquisitions has created a significant amount of intangible assets, including goodwill and other non-amortizable intangible assets such as trade names and management contracts. At December 31, 2014, the carrying amount of goodwill amounted to $13,082 M and non-amortizable intangible assets amounted to $217 M representing in total approximately 52 % of our total assets.

In accordance with current accounting standards, we perform an impairment test of goodwill and non-amortizable intangible assets at least once a year for each reporting unit, or if we become aware of events that occur or if circumstances change that would indicate the carrying value might be impaired see also note 1e.

To comply with the provisions of the accounting standards for impairment testing, the fair value of the reporting unit is compared to the reporting unit's carrying amount. As we are subject to the International Financial Reporting Standards requirements, which utilize the two-step approach, we do not follow the qualitative assessment within ASC 350-20-35. We estimate the fair value of each reporting unit using estimated future cash flows for the unit discounted by a weighted average cost of capital (WACC) specific to that reporting unit. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, treatments and sales volumes and costs. In determining cash flows, the company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the non-discretionary nature of the health care services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The company's WACC consisted of a basic rate of 6.01% for 2014. This basic rate is then adjusted by a weighted average country risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions until they are appropriately integrated within each reporting unit.

If the fair value of the reporting unit is less than its carrying value, a second step would be performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than its carrying value, the difference is recorded as impairment.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services and for procuring and selling products could adversely affect our estimated future cash flows. Future adverse changes in a reporting unit's economic environment could affect the country-specific rate and therefore the discount rate. An increase in interest rates could impact the basic rate and accordingly our WACC. These changes could result in impairment charges to goodwill and other intangible assets which could materially and adversely affect our future financial position and operating results.

LEGAL CONTINGENCIES

We are party to litigation and subject to investigations relating to a number of matters as described in note 20. The outcome of these matters may have a material effect on our financial position, results of operations or cash flows.

We regularly analyze current information including, as applicable, our defenses and we provide accruals for probable contingent losses including the estimated legal expenses to resolve the matters. We use the resources of our internal legal department as well as external lawyers for the assessment. In making the decision regarding the need for loss accrual, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not automatically indicate that accrual of a loss may be appropriate.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are a substantial asset of ours and the allowance for doubtful accounts is based upon a significant estimate made by management. Trade accounts receivable were $3,204 M and $3,037 M at December 31, 2014 and 2013, respectively, net of allowances for doubtful accounts of $419 M and $413 M, respectively.

We sell dialysis products directly or through distributors in more than 120 countries and we provide health care services in more than 45 countries. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices.

Receivables are recognized and billed at amounts estimated to be collectable under government reimbursement programs and reimbursement arrangements with third party payors. U.S. Medicare and Medicaid government programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Revenues for non-governmental payors with which we have contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at our standard rates for services and, in our North America segment, a contractual adjustment is recorded to recognize revenues based on historic reimbursement. The contractual adjustment and the allowance for doubtful accounts are reviewed quarterly for their adequacy. No material changes in estimates were recorded for the contractual allowance in the periods presented. The collectability of accounts receivable is reviewed locally on a regular basis, generally monthly.

In our U.S. operations, the collection process is usually initiated 30 days after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

Public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the U.S.

Due to the number of our subsidiaries and different countries that we operate in, our policy of determining when a valuation allowance is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. It is our policy to determine when receivables should be classified as bad debt on a local basis taking into account local payment practices and local collection experience. A valuation allowance is calculated locally if specific circumstances indicate that amounts will not be collectible.

In our International segment and North America segment product division, for receivables overdue by more than one year, an additional valuation allowance is recorded based on an individual country risk, since we believe that the length of time to collect does indicate an increased credit risk.

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

In the consolidated statement of income, expenses from our allowance for doubtful accounts is presented either as a deduction from revenue or as operating expense depending on the source of the receivable. For our health care business, we determine an allowance for patient services provided where all or a portion of the amounts billed or billable cannot be determined to be collectible at the time services are performed, e.g., when we provide treatment to a patient when such treatment is not covered by an insurance program or a reimbursement arrangement regardless of the patient's ability to pay. This allowance is shown as a reduction to our consolidated statements of income line item health care. All of our other receivables are evaluated with the changes in the allowance for doubtful accounts recorded as an operating expense.

Write offs are taken on a claim-by-claim basis when the collection efforts are exhausted. Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivable will be collectible, albeit potentially more slowly in the International segment in the immediate future. See "Results of operations, financial positions and balance sheet structure" chapter starting on page 146, for a discussion of days sales outstanding developments in 2014. A significant change in our collection experience, deterioration in the aging of receivables and collection difficulties could require that we increase our estimate of the allowance for doubtful accounts. Any such additional bad debt charges could materially and adversely affect our future operating results.

If, in addition to our existing allowances, 1% of the gross amount of our trade accounts receivable as of December 31, 2014 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2014 would have been reduced by approximately 1.6%.

The following tables show the portion and aging of trade accounts receivable of major debtors or debtor groups at December 31, 2014 and 2013. No single debtor other than U.S. Medicaid and Medicare accounted for more than 5% of total trade accounts receivable in either year. Amounts pending approval from third party payors represented less than 3% at December 31, 2014.

Aging of net trade accounts receivable by major payor groups:

T. 3.1 **AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYOR GROUPS**

in $ M, as of December 31, 2014

	current	*overdue by up to 3 months*	*overdue more than 3 months up to 6 months*	*overdue more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. government health care programs	543	115	56	51	108	873	27
U.S. commercial payors	246	145	41	41	19	492	16
U.S. hospitals	110	43	4	2	2	161	5
Self-pay of U.S. patients	5	11	9	4	2	31	1
Other North America	3	1	1	0	0	5	0
International product customers and health care payors	918	325	136	105	158	1,642	51
▸ **TOTAL**	**1,825**	**640**	**247**	**203**	**289**	**3,204**	**100**

T. 3.2 **AGING OF NET TRADE ACCOUNTS RECEIVABLE BY MAJOR PAYOR GROUPS**

in $ M, as of December 31, 2013

	current	*overdue by up to 3 months*	*overdue more than 3 months up to 6 months*	*overdue more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. government health care programs	534	106	45	118	13	816	27
U.S. commercial payors	239	140	41	36	13	469	16
U.S. hospitals	87	34	3	3	3	130	4
Self-pay of U.S. patients	1	4	0	1	1	7	0
Other North America	6	0	0	0	0	6	0
International product customers and health care payors	953	266	120	136	134	1,609	53
▸ **TOTAL**	**1,820**	**550**	**209**	**294**	**164**	**3,037**	**100**

SELF-INSURANCE PROGRAMS

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, FMCH, our largest subsidiary, is partially self-insured for professional liability claims. For all other coverages we assume responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

RESULTS OF OPERATIONS, FINANCIAL POSITIONS AND BALANCE SHEET STRUCTURE

FINANCIAL KEY PERFORMANCE INDICATORS USED FOR INTERNAL MANAGEMENT

The management board oversees our company by setting strategic and operational targets and measuring various financial key performance indicators used for internal management determined in U.S. dollars based on accounting principles generally accepted in the U.S. (U.S. GAAP). These key performance indicators do not differ between the operating segments. Each operating segment is evaluated based on target figures that reflect revenue and expenses the operating segments control. See "Overview" chapter starting on page 149 for a discussion of exclusion of certain costs from operating segment results.

U.S. GAAP-BASED MEASURES

Revenue

For our operating segments, revenue is a financial key performance indicator. The number of treatments performed each year is an indicator of revenue generation. For further information regarding revenue recognition and measurement, refer to note 1h. Revenue is also benchmarked based on movement at constant exchange rates. See "Critical accounting policies – Non-U.S.-GAAP measures" chapter starting on page 147.

Operating income

Operating income is used to measure the profitability of the operating segments and therefore is also a financial key performance indicator.

Operating income margin

Operating income margin, the ratio of operating income to revenue, represents the percentage of operating income earned on revenue generated and is another financial key performance indicator for each segment.

Growth in net income

On a consolidated level, the percentage growth in net income (net income attributable to shareholders of FMC AG & CO. KGAA), which compares current period to prior period net income, is an additional financial key performance indicator used for internal management of the company.

Growth in basic earnings per share

Percentage growth in basic earnings per share is a financial key performance indicator to evaluate our profitability. This indicator helps to manage our overall performance. Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted-average number of ordinary shares outstanding during the year. Prior to the conversion of preference shares to ordinary shares during the second quarter of 2013, basic earnings per share was computed according to the "two-class method" by dividing net income attributable to shareholders, less preference amounts, by the weighted average number of ordinary and preference shares outstanding during the year. Additionally, we compute a percentage growth in adjusted basic earnings per share for use in our management incentive program targets.

Capital expenditures

Capital expenditures for property, plant, and equipment is an indicator used by our internal management. We manage our capital expenditures using a detailed coordination and evaluation process. The management board sets this capital expenditures budget. Before capital expenditures projects are approved, our internal Acquisition Investment Committee examines the individual projects and measures the potential return on these expenditures and their expected yield. The capital expenditures projects are evaluated based on commonly used methods such as the net present value and internal interest rate methods, as well as payback periods.

NON-U.S. GAAP MEASURES

EBITDA

EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $2,954 M, 18.7% of revenues for 2014 and $2,904 M, 19.9% of revenues for 2013. EBITDA is the basis for determining compliance with certain covenants contained in our Amended 2012 Credit Agreement, the A/R Facility and the indentures relating to our senior notes. You should not consider EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail elsewhere in this report. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies.

A reconciliation of EBITDA to cash flow provided by (used in) operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

T. 3.3 — **RECONCILIATION OF EBITDA TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

in $ M

	2014	*2013*
Total EBITDA	2,954	2,904
Interest expense (net of interest income)	(411)	(409)
Income tax expense, net	(584)	(592)
Change in deferred taxes, net	114	16
Changes in operating assets and liabilities	(246)	137
Stock compensation expense	9	14
Other items, net	26	(35)
▸ **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**	**1,861**	**2,035**

The ratio of debt to EBITDA is a key financial performance indicator used for overseeing the company. To determine the total debt to EBITDA ratio, financial liabilities are compared to EBITDA (adjusted for other non-cash charges and largest acquisitions). We believe this ratio provides more reliable information regarding the extent to which we are able to meet our payment obligations than considering only the total amount of financial liabilities.

Cash flow measures

Our consolidated statement of cash flows indicates how we generated and used cash and cash equivalents. When used in conjunction with the other primary financial statements, it provides information that helps us evaluate the changes in our net assets and our financial structure (including our liquidity and solvency). The net cash provided by (used in) operating activities is used to assess whether our business can generate the cash required to make replacement and expansion investments. Net cash provided by (used in) operating activities is impacted by the profitability of our business and development of working capital, principally receivables. The financial key performance indicator of net cash provided by (used in) operating activities in percentage of revenue shows the percentage of our revenue that is available in terms of financial resources.

Free cash flow is the cash flow provided by (used in) operating activities after capital expenditures for property, plant and equipment but before acquisitions and investments. The key performance indicator used by management is free cash flow in percentage of revenue. This represents the percentage of revenue that is available for acquisitions, dividends to shareholders, or the reduction of debt financing.

The following table shows the significant cash flow key performance indicators for the years ended December 31, 2014 and 2013:

T. 3.4 **SIGNIFICANT CASH FLOW KEY PERFORMANCE INDICATORS**

in $ M

	2014	*2013*
Revenue	15,832	14,610
Net cash provided by (used in) operating activities	1,861	2,035
Capital expenditures	(932)	(748)
Proceeds from sale of property, plant and equipment	12	20
Capital expenditures, net	(920)	(728)
Free cash flow	941	1,307
Net cash provided by (used in) operating activities *in % of revenue*	11.8	13.9
Free cash flow *in % of revenue*	5.9	8.9

NON-U.S. GAAP MEASURES FOR PRESENTATION

Constant currency

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure at constant exchange rates or constant currency in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. dollar) currency are translated into U.S. dollars at the average exchange rate for the period presented. Once we translate the current period local currency revenues for the constant currency, we then calculate the change, as a percentage, of the current period revenues using the prior period exchange rates versus the prior period revenues. This resulting percentage is a non-GAAP measure referring to a percentage change at constant currency.

We believe that revenue growth is a key indication of how a company is progressing from period to period and that the non-GAAP financial measure constant currency is useful to investors, lenders, and other creditors because such information enables them to gauge the impact of currency fluctuations on a company's revenue from period to period. However, we also believe that the usefulness of data on constant currency period-over-period changes is subject to limitations, particularly if the currency effects that are eliminated constitute a significant element of our revenue and significantly impact our performance. We therefore limit our use of constant currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency revenue into U.S. dollars. We do not evaluate our results and performance without considering both constant currency period-over-period changes in non-U.S. GAAP revenue on the one hand and changes in revenue prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering data on constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenue prepared in accordance with U.S. GAAP. We present the fluctuation derived from U.S. GAAP revenue next to the fluctuation derived from non-GAAP revenue. Because the reconciliation of non-GAAP to U.S. GAAP measures is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

OVERVIEW

We are the world's largest kidney dialysis company. We provide dialysis care services related to the dialysis treatment a patient with ESRD receives as well as other health care services. We describe our other health care services as "care coordination." Care coordination services include pharmacy services, vascular, cardiovascular and endovascular specialty services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, health plan services and urgent care services, which, together with dialysis care services represent our health care services. We also develop and manufacture a full range of dialysis machines, systems and disposable products, which we sell to customers in more than 120 countries. Our dialysis business is vertically integrated, providing dialysis treatment at our own dialysis clinics and supplying these clinics with a broad range of products. In addition, we sell dialysis products to other dialysis service providers. Based on publicly reported sales and number of patients treated, our health care operations in dialysis services and dialysis products make us the world's largest kidney dialysis company. We estimate the volume of the global dialysis market was approximately $77 BN for 2014, an increase of 1% compared to the previous year (4% increase in constant currency terms). Dialysis patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence of kidney disease and better treatment of and survival of patients with diabetes, hypertension and other illnesses, which frequently lead to the onset of chronic kidney disease; improvements in treatment quality, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success.

In addition, the reimbursement and ancillary services utilization environment significantly influences our business. The majority of treatments are paid for by governmental institutions such as the Centers for Medicare & Medicaid Services (CMS) in the United States. As a consequence of the pressure to decrease health care costs, government reimbursement rate increases have been historically and are expected in the future to be limited. While we have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD prospective payment system (ESRD PPS) in the U.S. in January 2011, (ii) the U.S. federal government across the board spending cuts in payments to Medicare providers commonly referred to as U.S. Sequestration (as defined below), (iii) commencing on January 1, 2014, the reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis (see discussion of the American Taxpayer Relief Act of 2012 (ATRA)) and (iv) the enactment of PAMA (see discussion). In the future we expect to experience generally stable reimbursements for dialysis services globally.

With the enactment in the U.S. of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Congress created the ESRD PPS pursuant to which CMS reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the pre-2011 ESRD composite rate, (ii) oral vitamin D analogues, oral levocarnitine (an amino acid derivative) and all erythropoietin stimulating agents (ESAs) and other pharmaceuticals (other than vaccines and certain other oral drugs) furnished to ESRD patients that were previously reimbursed separately under Part B of the Medicare program, (iii) most diagnostic laboratory tests and (iv) certain other items and services furnished to individuals for the treatment of ESRD. The base ESRD PPS payment is subject to case mix adjustments that take into account individual patient characteristics (e.g., age, body surface area, body mass, time on dialysis) and certain co-morbidities. The base payment is also adjusted for (i) certain high cost patient outliers due to unusual variations in medically necessary care, (ii) disparately high costs incurred by low volume facilities relative to other facilities, (iii) provision of home dialysis training and (iv) wage-related costs in the geographic area in which the provider is located.

The ESRD PPS payment amount is also subject to annual adjustment based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment.

In addition to creating the ESRD PPS, MIPPA also created the ESRD quality incentive program (QIP) which began affecting payments starting January 1, 2012. Dialysis facilities that fail to achieve quality standards established by CMS could have payments reduced by up to 2%. Performance on specified measures in a fiscal year affects payments two fiscal years later. For instance, the payments we receive during 2014 will be affected by our performance measures from 2012. Based on our performance from 2010 through 2012, the QIP's impact on our results through 2014 is immaterial. The initial QIP measures for 2010 and 2011 focused on anemia management (measured by hemoglobin level) and dialysis adequacy (measured by urea reduction ratio – URR). For payment year 2014, CMS adopted four additional measures: prevalence of catheter and A/V fistula use, reporting of infections to the Centers for Disease Control and Prevention, administration of patient satisfaction surveys and monthly monitoring of phosphorus and calcium levels. For payment year 2015, CMS will continue all of the 2014 QIP measures except URR dialysis adequacy, expand the scope of infection reporting and mineral metabolism reporting, and add four new measures. Payment year 2015 added measures consist of three new clinical measures (hemodialysis adequacy for adult patients, hemodialysis adequacy for pediatric patients and peritoneal dialysis adequacy for adult patients), and one new reporting measure (anemia management reporting). Payment year 2015 payment adjustments, following the pattern previously established, will be based on performance in 2013. For payment year 2016, CMS continued all of the 2015 QIP measures and add two new clinical measures (proportion of patients with hypercalcemia and dialysis-related infections reported to the Center for Disease Control and Prevention's National Health Safety Network). For payment year 2017, CMS will retire one measure of hemoglobin adequacy and add a measure of hospital readmissions in order to assess coordinated care. For payment year 2018, CMS will add two new clinical measures (standardized transfusion ratio and pediatric peritoneal dialysis adequacy) and three new reporting measures (pain assessment and follow-up, clinical depression screening and follow-up and influenza vaccination of health care personnel).

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, ACA) implements broad health care system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies that began in 2011 based on sales of brand name pharmaceuticals to government health care programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of health care program waste and fraud. ACA does not modify the dialysis reimbursement provisions of MIPPA, except to change the annual update provision by substituting a productivity adjustment to the market basket rate of increase for a MIPPA provision that specified a one percentage point reduction in the market basket rate of increase.

On August 2, 2011, the Budget Control Act (BCA) was enacted, raising the U.S. debt ceiling and putting into effect a series of actions for deficit reduction. Pursuant to the BCA, automatic across-the-board spending cuts over nine fiscal years (2013-2021), projected to total $1.2 trillion for all U.S. Federal government programs required under the BCA became effective as of March 1, 2013 and were implemented on April 1, 2013 for CMS reimbursement to providers. The Bipartisan Budget Act of 2013 extended the cuts to mandatory spending programs such as Medicare for

an additional two years. The reduction in Medicare payments to providers and suppliers is limited to one adjustment of no more than 2% through 2022, U.S. Sequestration, rising to 2.9% for the first half of FY 2023 and dropping to 1.11% for the second half of FY 2023. Pursuant to PAMA, the reductions pursuant to U.S. Sequestration for the first six months of 2024 will be 4 percent, and there will be no reductions for the second six months of 2024. The Medicare sequestration reimbursement reduction is independent of annual inflation update mechanisms, such as the market basket update pursuant to the ESRD PPS.

ATRA directed CMS to reduce the ESRD PPS payment rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the ESRD PPS. In making such reduction, the law requires CMS to use the most recently available pricing data for such drugs and biologicals. On November 6, 2014, CMS issued the final rule regarding the ESRD PPS rate for 2015. The base rate per treatment was revised from $239.02 for 2014 to $239.43 for 2015. This change reflected a wage index budget-neutrality adjustment factor of 1.001729.

On April 1, 2014, PAMA was signed into law. This law modifies ATRA such that dialysis reimbursement for 2015 is intended to equal that for 2014. In addition, the reimbursement reductions mandated by ATRA for 2016 and 2017 have been eliminated. Instead, the market basket updates net of the productivity adjustment for each of 2016 and 2017 have been reinstated, though they will be reduced by 1.25% each year. For 2018, the market basket update net of the productivity adjustment will be reduced by 1%. In addition, the law mandates that ESRD-related drugs with only an oral form, including PhosLo®, are expected to be reimbursed under the ESRD PPS in the future with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. However, PAMA delayed inclusion of these "oral-only" drugs in the ESRD PPS until January 1, 2024 and ABLE subsequently delayed inclusion of such drugs in the ESRD PPS until January 1, 2025.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business and, because the demand for dialysis products is affected by Medicare reimbursement, on our products business. To the extent that increases in operating costs that are affected by inflation, such as labor and supply costs, are not fully reflected in a compensating increase in reimbursement rates, our business and results of operations may be adversely affected.

Working with health care provider groups comprised of dialysis clinics and nephrologists, CMS plans to test a new Comprehensive ESRD Care Model, also known as ESRD Seamless Care Organizations, ESCOs, for payment and care delivery that seeks to deliver better health outcomes for ESRD patients while lowering CMS's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. Organizations must apply and be approved by CMS to participate in the program. In 2013, CMS announced and then abandoned an initial round of applications for this demonstration. CMS revised the parameters and in May 2014 announced a new request for applications. We submitted seven applications to participate in the

revised demonstration. CMS had hoped to launch the ESCO program in January 2015, but recently announced that the commencement date will be July 2015.

The Bundled Payments for Care Improvement initiative (BPCI) is a CMS three year pilot initiative with bundled payments for the individual services furnished to Medicare beneficiaries during a single episode of illness or course of treatment, including acute inpatient hospital services, physician services, and post-acute services. On January 31, 2013, CMS announced the health care organizations selected to participate in BPCI, which include our subsidiary, Sound Inpatient Physicians, Inc. Sound Physicians is currently planning and preparing to commence participation under BPCI in 2015 in several markets. Under the BPCI, we have the ability to receive additional payments if we are able to deliver quality care at a cost that is lower than certain established benchmarks, but also have the risk of incurring financial penalties if we are not successful in doing so. Should we fail to perform as required under the BPCI initiative and our agreement with CMS, CMS may, among other remedies, terminate our right to participate in the BPCI program, in whole or in part.

We have identified three operating segments, North America segment, EMEALA, and Asia-Pacific, which were determined based upon how we manage our businesses. All segments are primarily engaged in providing health care services as well as distributing products and equipment for the treatment of ESRD. For reporting purposes, we have aggregated the EMEALA and Asia-Pacific operating segments as the "International segment." The segments are aggregated due to their similar characteristics such as the same services provided and products sold, the same type of patient population and similar methods of distribution of products and services. Our General Partner's management board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the segments are the same as those we apply in preparing our consolidated financial statements using accounting principles generally accepted in the United States of America (U.S. GAAP).

Our management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, our management believes that the most appropriate U.S. GAAP measures are revenue, operating income and operating income margin. We do not include income taxes as we believe this is outside the segments' control. Financing is a corporate function which our segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. Similarly, we do not allocate certain costs which relate primarily to certain headquarters overhead charges, including accounting and finance, Corporate, because we believe that these costs are also not within the control of the individual segments. Production of products, production asset management, quality management and procurement are centrally managed at Corporate by Global Manufacturing Operations. The company´s global research and development is also centrally managed at Corporate. These Corporate activities do not fulfill the definition of a segment. Products are transferred to the segments at cost; therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as Corporate activities see note 24. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but accounted for as Corporate. Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in our consolidated results of operations.

RESULTS OF OPERATIONS

The following table summarize our financial performance and certain operating results by principal reporting segment and Corporate for the periods indicated. Inter-segment revenues primarily reflect sales of medical equipment and supplies. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance. See the table below for the years ended December 31:

T. 3.5 **SEGMENT DATA**

in $ M

	2014	*2013*
Total revenue		
North America	10,509	9,613
International	5,265	4,970
Corporate	67	34
▸ **TOTAL**	**15,841**	**14,617**
Inter-segment revenue		
North America	9	7
International	–	–
▸ **TOTAL**	**9**	**7**
Total net revenue		
North America	10,500	9,606
International	5,265	4,970
Corporate	67	34
▸ **TOTAL**	**15,832**	**14,610**
Operating income		
North America	1,643	1,623
International	970	897
Corporate	(358)	(264)
▸ **TOTAL**	**2,255**	**2,256**
Interest income	84	39
Interest expense	(495)	(448)
Income tax expense	(584)	(592)
Net income	1,260	1,255
Less: net income attributable to noncontrolling interests	(215)	(145)
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,045**	**1,110**

Highlights

Revenues increased by 8% to $15,832 M (10% at constant exchange rates) mainly due to contributions from acquisitions (5%) and increases in organic revenue (5%), partially offset by the negative impact of exchange rate fluctuations (2%).

In 2014, we successfully completed acquisitions to expand our services within care coordination; we renegotiated our credit facilities and issued senior notes and convertible debt.

T. 3.6 KEY INDICATORS FOR CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013	Change as reported	Change at constant exchange rates[1]
Revenue *in $ M*	15,832	14,610	8%	10%
Number of treatments	42,744,977	40,456,900	6%	–
Same market treatment growth *in %*	3.7	3.6	–	–
Gross profit *in % of revenue*	31.6	32.4	–	–
Selling, general and administrative costs *in % of revenue*	16.7	16.4	–	–
Operating income *in $ M*	2,255	2,256	0%	–
Operating income margin *in %*	14.2	15.4	–	–
Net income attributable to shareholders of FMC AG & Co. KGaA *in $ M*	1,045	1,110	–6%	–
Basic earnings per share *in $*	3.46	3.65	–5%	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP measures for presentation – constant currency" starting on page 148.*

Net health care revenue increased by 10% to $12,250 M (12% increase at constant exchange rates) for the year ended December 31, 2014 from $11,130 M in the same period of 2013, mainly due to contributions from acquisitions (6%), growth in same market treatments (4%) and increases in organic revenue per treatment (2%), partially offset by the negative impact of exchange rate fluctuations (2%). Included in our net health care revenue is care coordination revenue in the U.S. of $1,039 M and $528 M for the years ended December 31, 2014 and 2013, respectively.

Treatments increased by 6% for the year ended December 31, 2014 as compared to the same period in 2013. The increase is due to same market treatment growth (4%) and acquisitions (3%), partially offset by the effect of closed or sold clinics (1%).

At December 31, 2014, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,361 clinics compared to 3,250 clinics at December 31, 2013. For the year ended December 31, 2014, we acquired 95 clinics, opened 79 clinics and combined, closed or sold 63 clinics. The number of patients treated in clinics that we own, operate or manage (excluding patients of clinics managed but not consolidated in the U.S.) increased by 6% to 286,312 at December 31, 2014 from 270,122 at December 31, 2013.

Dialysis product revenue increased by 3% (4% increase at constant exchange rates) to $3,582 M as compared to $3,480 M in the same period of 2013. The increase was driven by increased sales of dialyzers, bloodlines, products for acute care treatments, hemodialysis solutions and concentrates and devices manufactured under a five-year contract with a Fresenius SE company, partially offset by lower sales of machines.

The decrease in gross profit margin to 31.6% from 32.4% reflects a decrease in the North America segment, partially offset by an increase in the International segment. The decrease in the North America segment was mainly due to higher personnel expense, the impact from ATRA reductions on the ESRD PPS payment rate, growth in lower margin care coordination services, higher costs as a result of FDA remediation, an unfavorable impact from the U.S. sequestration and higher costs for freight and distribution, partially offset by a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors. The increase in the International segment was due to organic growth in Asia-Pacific, partially offset by unfavorable foreign currency exchange effects and an unfavorable impact from manufacturing driven by higher costs for labor and lower volumes of peritoneal dialysis bags.

Selling, general and administrative (SG&A) expenses increased to $2,645 M for the year ended December 31, 2014 from $2,391 M in the same period of 2013. SG&A expenses as a percentage of sales increased to 16.7% for the year of 2014 in comparison with 16.4% in the same period of 2013 due to an increase in Corporate partially offset by a decrease in the International segment. The increase at Corporate was mainly driven by higher legal and consulting expenses related to the compliance investigation we are conducting see note 20, higher costs related to the changes in the management board, costs related to the closing of manufacturing plants and higher acquisition related costs.

The decrease in the International segment was due to a lower bad debt expense, favorable foreign exchange effects and a favorable impact from acquisitions, partially offset by the impact from a gain on the sale of real estate in Colombia in 2013, an accrual related to the compliance investigation noted above and an increased level of spending to support the business growth in Asia-Pacific.

Research and development (R&D) decreased to $122 M for the year ended December 31, 2014 from $126 M for the same period of 2013.

For the year ended December 31, 2014 we had a $1 M gain from the sale of FMC AG & CO. KGAA dialysis clinics as compared to a $9 M gain from the sale of dialysis clinics for the year ended December 31, 2013.

Income from equity method investees decreased to $25 M for the year ended December 31, 2014 from $26 M for the same period of 2013.

Operating income decreased slightly to $2,255 M for the year ended December 31, 2014 from $2,256 M for the same period in 2013. Operating income margin decreased to 14.2% for the year ended December 31, 2014 as compared to 15.4% for the same period in 2013 as a result of a decrease in gross profit margin and higher SG&A as a percentage of revenue, as discussed above.

Interest expense increased 11% to $495 M for the year ended December 31, 2014 as compared to $448 M for the same period in 2013 due to the valuation of the embedded derivative related to the convertible debt issued in September 2014, an increase in the average debt level during the year and one-time costs related to the amended 2012 credit agreement, partially offset by a higher portion of debt with lower interest rates. Interest income increased to $84 M for the year ended December 31, 2014 from $39 M for the same period in 2013 mainly as a result of the valuation of the call option on the company's shares related the issuance of equity-neutral convertible bonds, which fully offsets the increase in interest expense due to the valuation of the embedded derivative noted above, as well as higher interest income from interest-bearing notes receivables.

Income tax expense decreased to $584 M for the year ended December 31, 2014 from $592 M for the same period in 2013. The effective tax rate decreased to 31.7% from 32.0% for the same period of 2013. The tax rate for the year ended December 31, 2014 was affected favorably by the resolution of challenged deductions for civil settlement payments taken in prior years, resulting in a net tax benefit of $23 M. This benefit has partially been offset by a tax court decision against another company on a similar transaction for a tax position we took on a prior year's transaction which resulted in $18 M of additional expense in the second quarter of 2014. The effective tax rate is also impacted by tax rate differentials which are determined by calculating the difference between the applicable tax rate in each jurisdiction in which we operate and the combined German tax rate (a corporate tax rate, which includes a solidarity surcharge, and a trade tax rate). This difference is then applied to the taxable income generated in each of the jurisdictions. The significant rate differential for 2014 see note 18 is the result of the U.S. effective tax rate being significantly higher than the German tax rates – 39.5% compared to the combined German tax rate of 29.2%. The U.S. effective tax rate is comprised of the U.S. federal corporate tax rate of 35% adjusted for the impact of the various tax rates in the states in which we do business. The North America segment is still and is expected to be in the future the main driver for this significant tax differential.

Net income attributable to noncontrolling interests for the year ended December 31, 2014 increased to $215 M from $145 M for the same period of 2013 primarily driven by the creation of new joint ventures in the North America segment.

Net income attributable to shareholders of FMC AG & CO. KGAA for the year ended December 31, 2014 decreased by 6% to $1,045 M from $1,110 M for the same period in 2013 as a result of the combined effects of the items discussed above.

Basic earnings per share decreased by 5% for the year ended December 31, 2014 to $3.46 as compared with $3.65 in 2013 due to the decrease in net income attributable to shareholders of FMC AG & CO. KGAA above. The average weighted number of shares outstanding for the period was approximately 302.3 M in 2014 (303.8 M in 2013). The decrease in the number of shares outstanding was the result of the share buyback program completed during the third quarter of 2013, partially offset by stock options exercised.

We employed 99,895 people (full-time equivalents) as of December 31, 2014 compared to 90,690 as of December 31, 2013, an increase of 10%, primarily due to acquisitions and overall growth in our business.

The following discussions pertain to the North America segment and the International segment and the measures we use to manage these segments.

North America segment

T. 3.7 **KEY INDICATORS FOR NORTH AMERICA SEGMENT**

	2014	2013	Change
Revenue *in $M*	10,500	9,606	9%
Number of treatments	26,610,624	25,656,357	4%
Same market treatment growth *in %*	3.5	3.5	–
Operating income *in $M*	1,643	1,623	1%
Operating income margin *in %*	15.6	16.9	–

Revenue

Net health care revenue increased for the year ended December 31, 2014 by 10% to $9,655 M from $8,772 M in the same period of 2013. This increase was driven by contributions from acquisitions (5%), same market treatment growth (3%) and increases in organic revenue per treatment (2%). Included in our net health care revenue is care coordination revenue in the U.S. of $1,039 M and $528 M for the years ended December 31, 2014 and 2013, respectively.

Treatments increased by 4% for the year ended December 31, 2014 as compared to the same period in 2013 mainly due to same market treatment growth (3%) and contributions from acquisitions (1%). At December 31, 2014, 176,203 patients (a 3% increase over December 31, 2013) were being treated in the 2,162 clinics that we own or operate in the North America segment, compared to 171,440 patients treated in 2,133 clinics at December 31, 2013. Average revenue per treatment includes certain amounts related to care coordination, specifically attributable to pharmacy services, laboratory services and vascular access services. Average North America segment revenue per treatment, which includes Canada and Mexico, before bad debt expense, was $360 for the year ended December 31, 2014 and $352 in the same period in 2013. In the U.S., the average revenue per treatment was $368 for the year ended December 31, 2014 and $359 for the same period in 2013. The increase in the U.S. was mainly attributable to increased revenue related to pharmacy and laboratory testing services, a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors, partially offset by impact from ATRA reductions on the ESRD PPS payment rate, decreased revenue for renal pharmaceuticals and the impact from the U.S. Sequestration.

Dialysis product revenue increased for the year ended December 31, 2014 by 1% to $845 M from $834 M in the same period of 2013. This increase was driven by higher sales of dialyzers, renal pharmaceuticals and peritoneal dialysis products, partially offset by lower sales of machines.

Operating Income

Operating income increased to $1,643 M for the year ended December 31, 2014 from $1,623 M for the same period in 2013. Operating income margin decreased to 15.6% for the year ended December 31, 2014 from 16.9% for the same period in 2013, due to the impact from ATRA reductions on the ESRD PPS payment rate, higher personnel expense, growth in lower margin care coordination services, higher legal and consulting expense, higher costs as a result of FDA remediation and an unfavorable impact from the U.S. Sequestration, partially offset by a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors. Cost per treatment for the North America segment increased to $297 for the year ended December 31, 2014 as compared to $287 for the same period of 2013. Cost per treatment in the U.S. increased to $303 for the year ended December 31, 2014 from $293 in the same period of 2013.

International segment

T. 3.8 KEY INDICATORS FOR INTERNATIONAL SEGMENT

	2014	2013	Change as reported	Change at constant exchange rates[1]
Revenue *in $ M*	5,265	4,970	6%	11%
Number of treatments	16,134,353	14,800,543	9%	–
Same market treatment growth *in %*	4.3	3.8	–	–
Operating income *in $ M*	970	897	8%	–
Operating income margin *in %*	18.4	18.1	–	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP measures for presentation- constant currency" starting on page 148.*

Revenue

Including the effects of acquisitions, European region revenue increased 2% (4% increase at constant exchange rates) to $3,072 M, Latin America region revenue decreased 1% (16% increase at constant exchange rates) to $836 M, and Asia-Pacific region revenue increased 23% (26% increase at constant exchange rates due to acquisitions of approximately 20%, net of divested clinics, and organic growth of approximately 6%) to $1,357 M.

Net health care revenue for the International segment increased during the year ended December 31, 2014 by 10% (18% at constant exchange rates) to $2,595 M from $2,358 M in the same period of 2013. This increase is a result of contributions from acquisitions (11%), same market treatment growth (4%) and increases in organic revenue per treatment (4%), partially offset by the negative effect of exchange rate fluctuations (8%) and the effect of closed or sold clinics (1%).

Treatments increased by 9% for the year ended December 31, 2014 over the same period in 2013 mainly due to contributions from acquisitions (6%) and same market treatment growth (4%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2014, we had 110,109 patients (a 12% increase over December 31, 2013) being treated at the 1,199 clinics that we own, operate or manage in the International segment compared to 98,682 patients treated at 1,117 clinics at December 31, 2013. Average revenue per treatment for the year ended December 31, 2014 increased to $161 from $159 in comparison with the same period of 2013 due to increased reimbursement rates and changes in country mix ($14), partially offset by weakening of local currencies against the U.S. dollar ($12).

Dialysis product revenue for the year ended December 31, 2014 increased by 2% (4% increase at constant exchange rates) to $2,670 M compared to $2,612 M in the same period of 2013. The increase at constant exchange rates was driven by increased sales of dialyzers, bloodlines, products for acute care treatments, hemodialysis solutions and concentrates and peritoneal dialysis products, partially offset by decreased sales of machines.

Operating Income

Operating income increased to $970 M for the year ended December 31, 2014 as compared to $897 M for the same period in 2013. Operating income margin increased to 18.4% for the year ended December 31, 2014 from 18.1% for the same period in 2013 mainly due to lower bad debt expense, favorable foreign exchange effects and business growth in Asia-Pacific, partially offset by the impact from a gain on the sale of real estate in Colombia in 2013 and an accrued provision related to the compliance investigation we are conducting see note 20. The net impact of the devaluation of the Russian Ruble during 2014 has been more than offset by currency fluctuations in other countries.

FINANCIAL POSITION

Liquidity and capital resources

Our primary sources of liquidity are typically cash provided by operating activities and cash provided by short-term borrowings from third parties and related parties, as well as proceeds from the issuance of long-term debt and equity securities. We require this capital primarily to finance working capital needs, fund acquisitions and joint ventures, develop free-standing renal dialysis clinics, purchase equipment for existing or new renal dialysis clinics and production sites, repay debt, to pay dividends and, in 2013, to repurchase shares (see "Net cash provided by (used in) investing activities" and "Net cash provided by (used in) financing activities").

At December 31, 2014, we had cash and cash equivalents of $634 M. For information regarding utilization and availability of cash under our principal credit facility, see note 11.

Net cash provided by (used in) operating activities

During 2014 and 2013 we generated net cash provided by operating activities of $1,861 M and $2,035 M, respectively. Cash provided by operating activities is impacted by the profitability of our business, the development of our working capital, principally inventories, receivables and cash outflows that occur due to a number of specific items as discussed below. The decrease in 2014 versus 2013 was mainly a result of the $115 M payment for the W.R. Grace bankruptcy settlement, a tax payment as a result of a tax audit in Germany for fiscal years 2002 through 2005, which had been previously provided for, of $101 M, a lower decrease of Days Sales Outstanding ("DSO") and increased inventory, partially offset by a favorable development in other working capital.

The profitability of our business depends significantly on reimbursement rates. Approximately 77% of our revenues are generated by providing health care services, a major portion of which is reimbursed by either public health care organizations or private insurers. For the year ended December 31, 2014, approximately 31% of our consolidated revenues were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. While we have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD PPS in the U.S. in January 2011, (ii) the U.S. federal government Sequestration cuts, (iii) commencing January 1, 2014, the reductions to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis and (iv) the enactment of PAMA (see discussion above). In the future, we expect to experience generally stable reimbursements for dialysis services globally.

Our working capital, which is defined as current assets less current liabilities, was $3,247 M at December 31, 2014 which increased from $2,733 M at December 31, 2013. The change is primarily the result of an increase in prepaid and other current assets as a result of investments in available for sale financial assets; an increase in taxes receivable; the repayment of the European Investment Bank (EIB) Agreements in February of 2014; an increase in our trade accounts receivable as a result of an acquisition and growth in our business; the payment for the W.R. Grace bankruptcy settlement; a decrease in income taxes payable and a decrease in short-term borrowings from related parties, partially offset by increased accrued expenses, a decrease in cash due to investments made in available for sale financial assets and an increase in short-term borrowings. Our ratio of current assets to current liabilities was 1.93 and 1.77 at December 31, 2014 and December 31, 2013, respectively.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, our existing and future credit agreements, and the issuance of debt securities. In addition, when funds are required for acquisitions or to meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of senior notes, see "Net cash provided by (used in) financing activities" below. We aim to preserve financial resources with a minimum of $300 to $500 M of committed and unutilized credit facilities.

Cash provided by operating activities depends on the collection of accounts receivable. Commercial customers and governments generally have different payment cycles. A lengthening of their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems and due to the economic conditions in some countries. Accounts receivable balances at December 31, 2014 and December 31, 2013, net of valuation allowances, represented DSO of approximately 72 and 73, respectively.

DSO by segment is calculated by dividing the segment's accounts receivable, as converted to U.S. dollars using the average exchange rate for the period presented, less any value added tax included in the receivables, by the average daily sales for the last twelve months of that segment, as converted to U.S. dollars using the average exchange rate for the period. Receivables and sales are adjusted for amounts related to significant acquisitions made during the periods presented.

The development of DSO by reporting segment is shown in the table below:

T. 3.9 **DEVELOPMENT OF DAYS SALES OUTSTANDING**

in days, December 31

	2014	*2013*
North America segment	50	53
International segment	114	110
▸ **FMC AG & CO. KGAA (AVERAGE DAYS SALES OUTSTANDING)**	**72**	**73**

The decrease in North America to a large extent was driven by the positive impact of the resolution of payment delays which were caused by changes in ownership of certain U.S. clinics which resulted from the creation of joint ventures as well as strong collections during the year. The International segment's DSO increase reflects longer payment terms, payment delays for services in certain countries and strong business growth during the second half of 2014, partially offset by an Asia-Pacific acquisition contributing much lower DSO than the average for the region. Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivable will be collectible, albeit slightly more slowly in the International segment in the immediate future.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

Net cash provided by (used in) investing activities

We used net cash of $2,690 M and $1,206 M in investing activities during 2014 and 2013.

Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment were $920 M and $728 M for the years ended 2014 and 2013, respectively. During 2014, capital expenditures were $403 M in the North America Segment, $285 M at Corporate, $232 M for the International Segment. During 2013, capital expenditures were $374 M in the North America Segment, $189 M for the International Segment and $165 M at Corporate. The majority of our capital expenditures was used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities, primarily in Germany, the North America Segment, France, Colombia and Serbia and capitalization of machines provided to our customers, primarily in the International Segment. In 2014, Capital expenditures were approximately 6% of total revenue as compared to 5% in 2013.

In addition to the capital expenditures discussed above, we invested approximately $1,779 M cash during 2014, $1,602 M in the North America segment, $175 M in the International segment and $2 M at Corporate. The investment in the North American segment was mainly driven by acquisitions completed to expand our services within care coordination, available for sale financial assets, deferred acquisition payments related to an equity method investee, notes receivables related to an equity method investee and other acquisitions. The investment in the International segment largely relates to acquisitions of clinics and deferred acquisition payments related to an equity method investee. During 2013, we invested approximately $496 M cash, $412 M in the North America segment, $82 M in the International segment and $2 M at Corporate. In the North America segment this included an investment-type loan made by FMCH granting a $200 M credit facility to a middle market dialysis provider in the third quarter of 2013 (of which $170 M was drawn as of December 31, 2013, as well as the acquisition of a full-service clinical laboratory. In the International segment this mainly included acquisitions of dialysis clinics.

We anticipate capital expenditures of approximately $1.0 BN and expect to make acquisitions of approximately $0.4 BN in 2015.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was $805 M during 2014 compared to net cash used in financing activities of $808 M during 2013.

During, 2014, cash was mainly provided by proceeds from the issuance of senior notes and equity-neutral convertible bonds, proceeds from the issuance of other long-term debt and short-term borrowings including drawing under the revolving credit facility, proceeds from the exercise of stock options and contributions from noncontrolling interests, partially offset by repayment of portions of long-term debt and short term borrowings, the repayment for the EIB Agreements, payment of dividends as well as distributions to noncontrolling interests. During 2013, cash was used in the purchase of our shares through the share buyback program, the repayment of portions of long-term debt and short-term borrowings, the payment of dividends and distributions to noncontrolling interests, partially offset by proceeds from long-term debt and short-term borrowings, proceeds from the draw down under our A/R Facility, proceeds from the exercise of stock options and proceeds of a premium paid for the conversion of preference shares into ordinary shares by the largest holder of former preference shares, a financial institution located outside the United States.

On May 16, 2014, we paid a dividend with respect to 2013 of €0.77 per ordinary share (for 2012 paid in 2013: €0.75). Due to the conversion of preference shares into ordinary shares in 2013, there was no preference share dividend payment in 2014 (for 2012 paid in 2013: €0.77). The total dividend payment was €232 M ($318 M) and €230 M ($296 M) in 2014 and 2013, respectively.

The following table summarizes the company's available sources of liquidity at December 31, 2014:

T. 3.10 AVAILABLE SOURCES OF LIQUIDITY

in $ M

		Expiration per period of			
	Total	*less than 1 year*	*1–3 years*	*3–5 years*	*over 5 years*
Accounts receivable facility[1]	392	–	392	–	–
Revolving credit facility of the amended 2012 credit agreement[2]	1,443	–	–	1,443	–
Other unused lines of credit	248	248	–	–	–
▸ **TOTAL**	**2,083**	**248**	**392**	**1,443**	**–**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria. At December 31, 2014, the company had letters of credit outstanding in the amount of $67 M which reduces the availability under the accounts receivable facility to the amount shown in this table.*
[2] *At December 31, 2014, the company had letters of credit outstanding in the amount of $7 M which reduces the availability under the revolving credit facility to the amount shown in this table.*

The amount of guarantees and other commercial commitments at December 31, 2014 was not significant.

At December 31, 2014, we had short-term borrowings, excluding the current portion of long-term debt, other financial liabilities and short-term borrowings from related parties, in the total amount of $138 M.

The following table summarizes, as of December 31, 2014, our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit.

T. 3.11 CONTRACTUAL OBLIGATIONS AND COMMITMENTS[1]

in $ M

		Payments due by period of			
	Total	*less than 1 year*	*1–3 years*	*3–5 years*	*over 5 years*
Long-term debt[2]	11,289	668	2,482	4,729	3,410
Capital lease obligations	43	9	14	5	15
Operating leases	3,579	661	1,061	727	1,130
Unconditional purchase obligations for inventory	444	206	159	60	19
Other long-term obligations[3]	294	201	80	9	4
Letters of credit	74	–	67	7	–
▸ **TOTAL**	**15,723**	**1,745**	**3,863**	**5,537**	**4,578**

[1] *Our pension liabilities are not included in the table of contractual obligations and commitments. The regular or special funding of our pension plans may adversely affect our liquidity in the future periods. The liability recognized in our consolidated financial statements may fluctuate significantly in future periods due to changes in assumptions, in particular the discount rate, rate of future compensation increases and pension progression. Actual results could differ from assumptions due to changing market, economic and governmental regulatory conditions, thereby resulting in an increase or decrease of the liability. Employer contributions expected to be paid to the defined benefit plans during fiscal year 2015 are $ 20.4 M. For additional information regarding our pension plans and expected payments for the next ten years see note 12.*
[2] *Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Prime), the applicable margins, and the effects of related interest rate swaps.*
[3] *Other long-term obligations consist mainly of production asset acquisition commitments.*

Our amended 2012 credit agreement, senior notes and the A/R Facility include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our amended 2012 credit agreement and A/R Facility, we are subject to a maximum consolidated leverage ratio (ratio of consolidated funded debt to consolidated EBITDA) as these terms are defined in these financing agreements. Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our long-term debt – the amended 2012 credit agreement, senior notes or the A/R Facility – could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the amended 2012 credit agreement becomes due at the option of the lenders under that agreement, and the "cross default" provisions in our other long-term debt permit the lenders to accelerate the maturity of the other debt upon such a default as well. As of December 31, 2014, we were in compliance with all covenants under the amended 2012 credit agreement and our other financing agreements. For information regarding our amended 2012 credit agreement, senior notes and the A/R facility, see note 11.

Although we are not immune from the global financial crisis, we believe that we are well positioned to continue to grow our business while meeting our financial obligations as they come due. Due to the non-discretionary nature of the health care services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, our business is generally not cyclical. A substantial portion of our accounts receivable are generated by governmental payers. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low to moderate, credit risks. However, limited or expensive access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our dialysis products. If the current conditions in the credit and equity markets continue, or worsen, they could also increase our financing costs and limit our financial flexibility.

Our general partner's management board will propose to the shareholders at the annual general meeting on May 19, 2015, a dividend with respect to 2014 and payable in 2015, of €0.78 per ordinary share (for 2013 paid in 2014: €0.77). The total expected dividend payment is approximately €237 M (approximately $287 M based upon the December 31, 2014 spot rate) compared to dividends of €232 M ($318 M) paid in 2014 with respect to 2013. The amended 2012 credit agreement provides for a limitation on dividends and other restricted payments which is €360 M ($437 M based upon the December 31, 2014 spot rate) for dividends to be paid in 2015, and increases in subsequent years.

Our 2015 principal financing needs are the quarterly payments under our amended 2012 credit agreement term loan facilities. These payments as well as our dividend payment of approximately $287 M in May 2015, capital expenditures, and acquisition payments are expected to be covered by our cash flows, by using existing credit facilities and if required additional debt financing. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

BALANCE SHEET STRUCTURE

Total assets as of December 31, 2014 increased to $25.4 BN from $23.1 BN as compared to December 31, 2013. Current assets as a percent of total assets decreased to 26% at December 31, 2014 as compared to 27% at December 31, 2013. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, decreased to 39% at December 31, 2014 as compared to 41% at December 31, 2013.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Our businesses operate in highly competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- changes in reimbursement rates;
- intense competition;
- foreign exchange rate and interest rate fluctuations;
- varying degrees of acceptance of new product introductions;
- technological developments in our industry;
- uncertainties in litigation or investigative proceedings and regulatory developments in the health care sector; and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings.

Reimbursement rates

Approximately 31% of our worldwide revenue for 2014 was for services rendered to patients covered by Medicare's ESRD program and Medicaid. In order to be eligible for reimbursement by Medicare, ESRD facilities must meet conditions for coverage established by CMS. Additionally, government agencies may make changes in program interpretations, requirements or conditions of participation, and retain the right to audit the accuracy of our computations of rebates and pricing, some of which may result in implications (such as recoupment) for amounts previously estimated or paid which may have a material adverse effect on the company's revenues, profitability and financial condition.

We also obtain a significant portion of our net revenues from reimbursement by non-government payors. Historically, these payors' reimbursement rates generally have been higher than government program rates in their respective countries. However, non-governmental payors are imposing cost containment measures that are creating significant downward pressure on reimbursement levels that we receive for our services and products.

Inflation

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, a major portion of our net revenues from health care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

MANAGEMENT OF FOREIGN EXCHANGE AND INTEREST RATE RISKS

We are primarily exposed to market risk from changes in foreign exchange rates and changes in interest rates. In order to manage the risks from these foreign exchange rate and interest rate fluctuations, we enter into various hedging transactions, as authorized by the management board of the general partner, with banks which generally have ratings in the "A" category or better. We do not use financial instruments for trading or other speculative purposes.

Fresenius SE conducts financial instrument activity for us, at our behest and in accordance with our service agreement, and for its other subsidiaries under the control of a single centralized department. Fresenius SE has established guidelines, that we have agreed to, for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk

We conduct our business on a global basis in various currencies, although our operations are located principally in the United States and Germany. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as intercompany sales and purchases. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. We evaluate our exposure to risk through the utilization of the cash-flow-at-risk model and the judgment of our regional and corporate management teams. We typically hedge a portion of the exchange exposure foreseen in our annual budgeting process for the following 12 to 18 months. Currencies are monitored and our hedge position may be adjusted accordingly. We typically utilize foreign exchange forward contracts and, on a small scale, foreign exchange options. Our policy, which has been consistently followed, is that foreign exchange rate derivatives be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

In connection with intercompany loans in foreign currency, we normally use foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

The company is exposed to potential losses in the event of non-performance by counterparties to financial instruments. We do not expect any counterparty to fail to meet its obligations. The current credit exposure of foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date. The table below provides information about our foreign exchange forward contracts at December 31, 2014. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts by year of maturity, the fair values of the contracts, which show the unrealized net gain (loss) on existing contracts as of December 31, 2014, and the credit risk inherent to those contracts with positive market values as of December 31, 2014. All contracts expire within 17 months after the reporting date.

T. 3.12 **FOREIGN CURRENCY RISK MANAGEMENT**

in $ M, December 31

	Nominal amount						Fair value	Credit risk
	2015	*2016*	*2017*	*2018*	*2019*	*Total*		
Purchase of € against $	185	–	–	–	–	185	(19)	–
Sale of € against $	772	–	–	–	–	772	7	7
Purchase of € against others	847	18	–	–	–	865	(10)	20
Sale of € against others	109	–	–	–	–	109	0	1
Others	39	–	–	–	–	39	(4)	0
▸ **TOTAL**	**1,952**	**18**	**–**	–	–	**1,970**	**(26)**	**28**

A summary of the high and low exchange rates for the euro to U.S. dollars and the average exchange rates for the last five years is set forth below. The European Central Bank (ECB) determines such rates (reference rates) based on the regular daily averaging of rates between central banks within and outside the European banking system. The ECB normally publishes the reference rates daily at 2:15 p.m. (CET). In preparing our consolidated financial statements and in converting certain U.S. dollar amounts in this report, we have used the year's average reference rate of $1.3285 or year's close reference rate of $1.2141 per €1.00.

T. 3.13 **EXCHANGE RATES**

$ per €

	Year's high	*Year's low*	*Year's average*	*Year's close*
2014	**1.3953**	**1.2141**	**1.3285**	**1.2141**
2013	1.3814	1.2768	1.3281	1.3791
2012	1.3454	1.2089	1.2848	1.3194
2011	1.4882	1.2889	1.3920	1.2939
2010	1.4563	1.1942	1.3259	1.3362

The reference rate on February 18, 2015 was $1.1372 per €1.00.

Cash-flow-at-risk model

We use a cash-flow-at-risk (CFaR) model in order to estimate and quantify transaction risks from foreign currencies. The basis for the analysis of the currency risk is the foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges. As of December 31, 2014, the company's cash flow at risk amounts to $32.4 M; this means the potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months has a 95% probability of not being higher than $32.4 M.

Significant influence on the company's foreign currency risk is exerted by the U.S. dollar, the Russian ruble, the Saudi riyal, the Hong Kong Dollar and the Indian rupee. The following table shows the company's most significant net positions in foreign currencies.

T. 3.14 **NET POSITIONS IN FOREIGN CURRENCIES**

in $ M, December 31

	2014
USD	67
RUB	56
SAR	52
HKD	(51)
INR	37

Interest rate exposure

We are exposed to changes in interest rates that affect our variable-rate borrowings. We enter into debt obligations including accounts receivable securitizations to support our general corporate purposes such as capital expenditures and working capital needs. Consequently, we enter into derivatives, particularly interest rate swaps to protect interest rate exposures arising from borrowings at floating rates by effectively swapping them into fixed rates.

These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed rate. The euro-denominated interest rate swaps expire between 2016 and 2019 and have a weighted average interest rate of 0.68%.

As of December 31, 2014, the notional amount of euro-denominated interest rate swaps in place was €394 M ($478 M). These interest rate swaps include swaps with a notional amount of €294 M which became effective on January 30, 2015. Interest payable and interest receivable under the swap agreements are accrued and recorded as an adjustment to interest expense at each reporting date. At December 31, 2014, the negative fair value of our interest rate agreements is $5 M.

The table below presents principal amounts and related weighted average interest rates by year of maturity for interest rate swaps and for our significant debt obligations.

T. 3.15

INTEREST RATE EXPOSURE

in $ M

	2015	*2016*	*2017*	*2018*	*2019*	*Thereafter*	*Total*	*Fair value Dec. 31, 2014*
Floating rate $ debt								
Principal payments on senior credit agreement Variable interest rate = 1.58%	200	200	200	200	1,736	–	2,536	2,536
Accounts receivable securitization program Variable interest rate = 0.23%	–	–	342	–	–	–	342	342
Floating rate € debt								
Principal payments on senior credit agreement Variable interest rate = 1.42%	29	29	29	29	248	–	364	364
Senior notes 2011/2016 Variable interest rate = 3.582%	–	121	–	–	–	–	121	126
Fixed rate $ debt								
Senior notes 2007/2017 Fixed interest rate = 6.875%	–	–	498	–	–	–	498	546
Senior notes 2011/2018 Fixed interest rate = 6.50%	–	–	–	397	–	–	397	438
Senior notes 2011/2021 Fixed interest rate = 5.75%	–	–	–	–	–	646	646	694
Senior notes 2012/2019 Fixed interest rate = 5.625%	–	–	–	–	800	–	800	855
Senior notes 2012/2022 Fixed interest rate = 5.875%	–	–	–	–	–	700	700	758
Senior notes 2014/2020 Fixed interest rate = 4.125%	–	–	–	–	–	500	500	503
Senior notes 2014/2024 Fixed interest rate = 4.75%	–	–	–	–	–	400	400	402
Fixed rate € debt								
Senior notes 2010/2016 Fixed interest rate = 5.50%	–	303	–	–	–	–	303	326
Senior notes 2011/2018 Fixed interest rate = 6.50%	–	–	–	482	–	–	482	573
Senior notes 2011/2021 Fixed interest rate = 5.25%	–	–	–	–	–	364	364	423
Senior notes 2012/2019 Fixed interest rate = 5.25%	–	–	–	–	304	–	304	349
Equity-neutral convertible bonds 2014/2020 Fixed interest rate = 1.125%	–	–	–	–	–	452	452	531
Interest rate derivatives								
€ payer swaps notional amount	22	150	29	29	248	–	478	(5)
Average fixed pay rate = 0.68%	0.32%	1.46%	0.32%	0.32%	0.32%	–	0.68%	–
Receive rate = 3-month EURIBOR	–	–	–	–	–	–	–	–

All variable interest rates depicted above are as of December 31, 2014.

Interest rate sensitivity analysis

For purposes of analyzing the impact of changes in the relevant reference interest rates on the company's results of operations, the company calculates the portion of financial debt which bears variable interest and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular portion of its liabilities, the company assumes an increase in the reference rates of 0.5% compared to the actual rates as of reporting date. The corresponding additional annual interest expense is then compared to the company's net income. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of approximately 1% on the consolidated net income of the company.

Consolidated financial statements

CHAPTER 4

Consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

T. 4.1 **CONSOLIDATED STATEMENTS OF INCOME**

in $ THOUS, except share data

	Note	2014	2013
Net revenue			
Health care		12,552,646	11,414,734
Less: patient service bad debt provision		302,647	284,648
Net health care		12,249,999	11,130,086
Dialysis products		3,581,614	3,479,641
▸ **TOTAL**	24	**15,831,613**	**14,609,727**
Costs of revenue			
Health care		9,131,005	8,266,635
Dialysis products		1,704,762	1,604,695
▸ **TOTAL**		**10,835,767**	**9,871,330**
Gross profit		4,995,846	4,738,397
Operating (income) expenses			
Selling, general and administrative		2,644,660	2,391,927
Gain (loss) on sale of dialysis clinics		(623)	(9,426)
Research and development		122,114	125,805
Income from equity method investees	24	(24,838)	(26,105)
▸ **OPERATING INCOME**		**2,254,533**	**2,256,196**
Other (income) expense			
Interest income		(84,240)	(38,942)
Interest expense		495,367	447,503
Income before income taxes		1,843,406	1,847,635
Income tax expense	18	583,598	592,012
Net income		1,259,808	1,255,623
Less: net income attributable to noncontrolling interests		214,542	145,733
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**1,045,266**	**1,109,890**
▸ **BASIC EARNINGS PER SHARE**	16	**3.46**	**3.65**
▸ **FULLY DILUTED EARNINGS PER SHARE**	16	**3.45**	**3.65**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

T. 4.2 **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

in $ THOUS

	Note	2014	2013
▸ **NET INCOME**		**1,259,808**	**1,255,623**
Gain (loss) related to cash flow hedges	21, 22	25,547	22,532
Actuarial gains (losses) on defined benefit pension plans	12, 22	(215,161)	64,989
Gain (loss) related to foreign currency translation	22	(421,789)	(114,439)
Income tax (expense) benefit related to components of other comprehensive income	22	68,161	(33,600)
▸ **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX**	22	**(543,242)**	**(60,518)**
▸ **TOTAL COMPREHENSIVE INCOME**		**716,566**	**1,195,105**
Comprehensive income attributable to noncontrolling interests		208,456	143,689
▸ **COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**508,110**	**1,051,416**

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

T. 4.3 **CONSOLIDATED BALANCE SHEETS**

in $ THOUS, except share data, December 31

Assets	Note	2014	2013
Current assets			
Cash and cash equivalents		633,855	682,777
Trade accounts receivable less allowance for doubtful accounts of $418,508 in 2014 and $413,165 in 2013		3,203,655	3,037,274
Accounts receivable from related parties	3	193,225	153,118
Inventories	4	1,115,554	1,097,104
Prepaid expenses and other current assets	5	1,333,067	1,037,391
Deferred taxes	18	245,354	279,052
▸ **TOTAL CURRENT ASSETS**		**6,724,710**	**6,286,716**
Property, plant and equipment, net	6	3,290,180	3,091,954
Intangible assets	7	869,411	757,876
Goodwill	7	13,082,180	11,658,187
Deferred taxes	18	141,052	104,167
Investment in equity method investees	24	676,822	664,446
Other assets and notes receivables	8	662,746	556,560
▸ **TOTAL ASSETS**		**25,447,101**	**23,119,906**

See accompanying notes to consolidated financial statements

T. 4.3 **CONSOLIDATED BALANCE SHEETS**

in $ THOUS, except share data, December 31

Liabilities and shareholders' equity	Note	2014	2013
Current liabilities			
Accounts payable		573,184	542,597
Accounts payable to related parties	3	140,731	123,929
Accrued expenses and other current liabilities	9	2,197,245	2,012,533
Short-term borrowings and other financial liabilities	10	132,693	96,648
Short-term borrowings from related parties	10	5,357	62,342
Current portion of long-term debt and capital lease obligations	11	313,607	511,370
Income tax payable		79,687	170,360
Deferred taxes	18	34,787	34,194
▸ **TOTAL CURRENT LIABILITIES**		**3,477,291**	**3,553,973**
Long-term debt and capital lease obligations, less current portion	11	9,080,277	7,746,920
Other liabilities		411,976	329,561
Pension liabilities	12	642,318	435,858
Income tax payable		177,601	176,933
Deferred taxes	18	804,609	743,390
▸ **TOTAL LIABILITIES**		**14,594,072**	**12,986,635**
Noncontrolling interests subject to put provisions	13	824,658	648,251
Shareholders' equity			
Ordinary shares, no par value, €1.00 nominal value, 392,462,972 shares authorized, 311,104,251 issued and 303,555,300 outstanding	14	385,215	382,411
Treasury stock, at cost	14	(505,014)	(505,014)
Additional paid-in capital	14	3,546,075	3,530,337
Retained earnings	14	7,104,780	6,377,417
Accumulated other comprehensive income (loss)	22	(1,087,743)	(550,587)
▸ **TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY**		**9,443,313**	**9,234,564**
Noncontrolling interests not subject to put provisions		585,058	250,456
▸ **TOTAL EQUITY**		**10,028,371**	**9,485,020**
▸ **TOTAL LIABILITIES AND EQUITY**		**25,447,101**	**23,119,906**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

T. 4.4 **CONSOLIDATED STATEMENTS OF CASH FLOWS**

in $ THOUS

	Note	2014	2013
Operating activities			
Net income		1,259,808	1,255,623
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6, 7, 24	699,328	648,225
Change in deferred taxes, net		113,790	15,913
Gain (loss) on sale of investments		(623)	(9,426)
Gain (loss) on sale of fixed assets		3,277	(23,558)
Compensation expense related to stock options	17	8,507	13,593
Cash inflow (outflow) from hedging		–	(4,073)
Investments in equity method investees, net		23,123	2,335
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(157,411)	(41,280)
Inventories		(85,758)	(54,918)
Prepaid expenses, other current and non-current assets		(24,179)	67,875
Accounts receivable from related parties		(118,800)	(10,968)
Accounts payable to related parties		113,822	(3,743)
Accounts payable, accrued expenses and other current and non-current liabilities		121,424	215,264
Income tax payable		(94,916)	(36,057)
▸ **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**		**1,861,392**	**2,034,805**

See accompanying notes to consolidated financial statements

T. 4.4

CONSOLIDATED STATEMENTS OF CASH FLOWS

in $ THOUS

	Note	2014	2013
Investing activities			
Purchases of property, plant and equipment	24	(931,627)	(747,938)
Proceeds from sale of property, plant and equipment		11,673	19,847
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	2, 8, 23, 24	(1,779,058)	(495,725)
Proceeds from divestitures		8,257	18,276
▸ **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**		**(2,690,755)**	**(1,205,540)**
Financing activities			
Proceeds from short-term borrowings		197,481	381,603
Repayments of short-term borrowings		(171,889)	(397,682)
Proceeds from short-term borrowings from related parties		303,695	18,593
Repayments of short-term borrowings from related parties		(358,638)	(18,228)
Proceeds from long-term debt and capital lease obligations (net of debt issuance costs and other hedging costs of $58,967 in 2014)		2,910,611	441,278
Repayments of long-term debt and capital lease obligations		(1,647,978)	(617,499)
Increase (decrease) of accounts receivable securitization program		(9,500)	189,250
Proceeds from exercise of stock options		107,047	111,300
Proceeds from conversion of preference shares into ordinary shares	14	–	34,784
Purchase of treasury stock	14	–	(505,014)
Dividends paid	14	(317,903)	(296,134)
Distributions to noncontrolling interests		(250,271)	(216,758)
Contributions from noncontrolling interests		42,356	66,467
▸ **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES**		**805,011**	**(808,040)**
▸ **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**		**(24,570)**	**(26,488)**
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		(48,922)	(5,263)
Cash and cash equivalents at beginning of period		682,777	688,040
▸ **CASH AND CASH EQUIVALENTS AT END OF PERIOD**		**633,855**	**682,777**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

T. 4.5 **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

in $ THOUS, except share data

	Note	Preference shares		Ordinary shares		Treasury stock	
		Number of shares	No par value	Number of shares	No par value	Number of shares	Amount
▸ **BALANCE AT DECEMBER 31, 2012**		**3,973,333**	**4,462**	**302,739,758**	**374,915**	**–**	**–**
Proceeds from exercise of options and related tax effects	17	2,200	3	2,280,439	3,031	–	–
Proceeds from conversion of preference shares into ordinary shares	14	(3,975,533)	(4,465)	3,975,533	4,465	–	–
Compensation expense related to stock options	17	–	–	–	–	–	–
Purchase of treasury stock	14	–	–	–	–	(7,548,951)	(505,014)
Dividends paid	14	–	–	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	13	–	–	–	–	–	–
Net income		–	–	–	–	–	–
Other comprehensive income (loss)	22	–	–	–	–	–	–
Comprehensive income		–	–	–	–	–	–
▸ **BALANCE AT DECEMBER 31, 2013**		**–**	**–**	**308,995,730**	**382,411**	**(7,548,951)**	**(505,014)**
Proceeds from exercise of options and related tax effects	17	–	–	2,108,521	2,804	–	–
Compensation expense related to stock options	17	–	–	–	–	–	–
Dividends paid	14	–	–	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	13	–	–	–	–	–	–
Net income		–	–	–	–	–	–
Other comprehensive income (loss)	22	–	–	–	–	–	–
Comprehensive income		–	–	–	–	–	–
▸ **BALANCE AT DECEMBER 31, 2014**		**–**	**–**	**311,104,251**	**385,215**	**(7,548,951)**	**(505,014)**

See accompanying notes to consolidated financial statements

T. 4.5 **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

in $ THOUS, except share data

	Note	*Additional paid in capital*	*Retained earnings*	*Accumulated other comprehensive income (loss)*	*Total FMC AG & Co. KGaA shareholders' equity*	*Noncontrolling interests not subject to put provisions*	***Total***
▸ **BALANCE AT DECEMBER 31, 2012**		**3,491,581**	**5,563,661**	**(492,113)**	**8,942,506**	**264,754**	**9,207,260**
Proceeds from exercise of options and related tax effects	*17*	102,520	–	–	105,554	–	105,554
Proceeds from conversion of preference shares into ordinary shares	*14*	34,784	–	–	34,784	–	34,784
Compensation expense related to stock options	*17*	13,593	–	–	13,593	–	13,593
Purchase of treasury stock	*14*	–	–	–	(505,014)	–	(505,014)
Dividends paid	*14*	–	(296,134)	–	(296,134)	–	(296,134)
Purchase/sale of noncontrolling interests		(3,566)	–	–	(3,566)	(11,607)	(15,173)
Contributions from/to noncontrolling interests		–	–	–	–	(32,275)	(32,275)
Changes in fair value of noncontrolling interests subject to put provisions	*13*	(108,575)	–	–	(108,575)	–	(108,575)
Net income		–	1,109,890	–	1,109,890	32,577	1,142,467
Other comprehensive income (loss)	*22*	–	–	(58,474)	(58,474)	(2,993)	(61,467)
Comprehensive income		–	–	–	1,051,416	29,584	1,081,000
▸ **BALANCE AT DECEMBER 31, 2013**		**3,530,337**	**6,377,417**	**(550,587)**	**9,234,564**	**250,456**	**9,485,020**
Proceeds from exercise of options and related tax effects	*17*	99,182	–	–	101,986	–	101,986
Compensation expense related to stock options	*17*	8,507	–	–	8,507	–	8,507
Dividends paid	*14*	–	(317,903)	–	(317,903)	–	(317,903)
Purchase/sale of noncontrolling interests		(2,184)	–	–	(2,184)	327,220	325,036
Contributions from/to noncontrolling interests		–	–	–	–	(71,054)	(71,054)
Changes in fair value of noncontrolling interests subject to put provisions	*13*	(89,767)	–	–	(89,767)	–	(89,767)
Net income		–	1,045,266	–	1,045,266	80,949	1,126,215
Other comprehensive income (loss)	*22*	–	–	(537,156)	(537,156)	(2,513)	(539,669)
Comprehensive income		–	–	–	508,110	78,436	586,546
▸ **BALANCE AT DECEMBER 31, 2014**		**3,546,075**	**7,104,780**	**(1,087,743)**	**9,443,313**	**585,058**	**10,028,371**

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except and per share data

1. THE COMPANY AND BASIS OF PRESENTATION

The company

Fresenius Medical Care AG & Co. KGaA (FMC AG & CO. KGAA or the company), a German partnership limited by shares (Kommanditgesellschaft auf Aktien), is the world's largest kidney dialysis company. The company provides dialysis care services related to the dialysis treatment a patient receives with end-stage renal disease (ESRD), as well as other health care services. We describe our other health care services as "care coordination." Care coordination services include pharmacy services, vascular, cardiovascular and endovascular specialty services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, health plan services and urgent care services, which, together with dialysis care services represent the company's health care services. In addition, the company also provides dialysis products for the treatment of ESRD, which includes manufacturing and distributing products such as hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. The company supplies dialysis clinics it owns, operates or manages with a broad range of products in addition to sales of dialysis products to other dialysis service providers.

In these notes, "FMC AG & CO. KGAA," or the "company," "we," "us" or "our" refers to the company or the company and its subsidiaries on a consolidated basis, as the context requires. The term "North America segment" refers to the North America operating segment. The term "International segment" refers to the combined Europe, Middle East, Africa and Latin America (EMEALA) operating segment and the Asia-Pacific operating segment. For further discussion of our operating segments, see note 24.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the United States' generally accepted accounting principles (U.S. GAAP).

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature.

Certain items, in the net aggregate amount of $37,970 for 2013 relating to research and development, compensation expense and income from equity method investees have been reclassified in the prior years' comparative consolidated financial statements between the North America Segment, the International Segment and Corporate, as applicable, to conform to the current year's presentation.

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the earnings of all companies in which the company has legal or effective control. This includes variable interest entities (VIEs) for which the company is deemed the primary beneficiary. The company also consolidates certain clinics that it manages and financially controls. Noncontrolling interests represent the proportionate equity interests in the company's consolidated entities that are not wholly owned by the company. Noncontrolling interests of acquired entities are valued at fair value. The equity method of accounting is used for investments in associated companies over which the company has significant exercisable influence, even when the company holds 50% or less of the common stock of the entity. All significant intercompany transactions and balances have been eliminated.

The Company has entered into various arrangements with certain legal entities whereby the entities' investors own disproportionate equity ownership interests in relation to the risks and rewards they retain for these arrangements or the entities are unable to provide their own funding for their operations. In these arrangements, the entities are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. During 2014, the Company has consolidated 113 new VIEs in the North America Segment as a result of acquisitions. In the International Segment, the Company has consolidated five new VIEs as a result of acquisitions while three entities have ceased to be VIEs due to either an increase in the Company's shareholdings to 100% or a sale of a previously consolidated entity. The Company has provided some or all of the following services to the VIEs: management, financing or product supply. All VIEs generated approximately $533,652 and $203,333 in revenue in 2014 and 2013, respectively. The Company provided funding to VIEs through loans and accounts receivable of $298,875 and $150,300 in 2014 and 2013, respectively. The table below shows the carrying amounts of the assets and liabilities of VIEs at December 31, 2014 and 2013:

T. 4.6 **CARRYING AMOUNTS VIES**

in $ THOUS

	2014	2013
Trade accounts receivable, net	195,369	102,549
Other current assets	232,487	59,695
Property, plant and equipment, intangible assets & other non-current assets	59,351	26,274
Goodwill	37,934	32,759
Accounts payable, accrued expenses and other liabilities	485,006	133,977
Non-current loans from related parties	28,985	12,998
Equity	11,150	74,302

b) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term, liquid investments with original maturities of up to three months.

c) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value see note 4. Costs included in inventories are based on invoiced costs and/or production costs or the marked to market valuation, as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

d) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation see note 6. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years for buildings and improvements with a weighted average life of 13 years and 3 to 18 years for machinery and equipment with a weighted average life of 10 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment. The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2014 and 2013 was $4,571 and $7,358, respectively.

e) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, management contracts, application software, acute care agreements, customer relationships and lease agreements are recognized and reported apart from goodwill see note 7.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The company identified trade names and certain qualified management contracts as intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The company amortizes non-compete agreements over their useful life which on average is 8 years. Technology is amortized over its useful life of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is 10 years. Customer relationships are amortized over their useful life of 12 years. All other intangible assets are amortized over their weighted average useful lives of 6 years. The weighted average useful life of all amortizable intangible assets is 9 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the company identified its reporting units and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. One reporting unit was identified in the North America segment. The EMEALA operating segment is divided into two reporting units (Europe and Latin America), while only one reporting unit exists in the operating segment Asia-Pacific. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units.

In a first step, the company compares the fair value of a reporting unit to its carrying amount. Fair value is determined using estimated future cash flows for the unit discounted by an after-tax weighted average cost of capital (WACC) specific to that reporting unit. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the company's business which, results from the non-discretionary nature of the health care services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The reporting units' respective expected growth rates for the period beyond ten years are: North America segment 1%, Europe 0%, Latin America 4%, and Asia-Pacific 4%. The discount factor is determined by the WACC of the respective reporting unit. The company's WACC consisted of a basic rate of 6.01% for 2014. The basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each reporting unit. In 2014, WACCs for the reporting units ranged from 5.96% to 15.73%.

In the case that the fair value of the reporting unit is less than its carrying value, a second step would be performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the carrying value, the difference is recorded as an impairment.

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

f) Derivative financial instruments

Derivative financial instruments, which primarily include foreign currency forward contracts and interest rate swaps, are recognized as assets or liabilities at fair value in the balance sheet see note 21. From time to time, the company may enter into other types of derivative instruments which are dealt with on a transaction by transaction basis. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlying assets and liabilities are recognized periodically in earnings, while the effective portion of changes in fair value of derivative financial instruments classified as cash flow hedges is recognized in accumulated other comprehensive income (loss) (AOCI) in shareholders' equity. The ineffective portion is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting are recorded in the income statement and usually offset the changes in value recorded in the income statement for the underlying asset or liability.

g) Foreign currency translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the parent company and all non-U.S. subsidiaries are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in AOCI. In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are reported in AOCI.

h) Revenue recognition and allowance for doubtful accounts

Revenue recognition

Health care revenues, other than the hospitalist revenues discussed below, are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for health care services at amounts estimated to be receivable based upon the company's standard rates or at rates determined under reimbursement arrangements. In the U.S., these arrangements are generally with third party payors, like Medicare, Medicaid or commercial insurers. Outside the U.S., the reimbursement is usually made through national or local government programs with reimbursement rates established by statute or regulation.

Dialysis product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

For both health care revenues and dialysis product revenues, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

Hospitalist revenues are reported at the estimated net realizable amount from third-party payors, client hospitals, and others at the time services are provided. Third-party payors include federal and state agencies (under the Medicare and Medicaid programs), managed health care plans, and commercial insurance companies. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid according to a fee-for-service schedule. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient acute services generated through payment arrangements with managed health care plans and commercial insurance companies are recorded on an accrual basis in the period in which services are provided at established rates. Contractual adjustments and bad debts are recorded as deductions from gross revenue to determine net revenue. In addition to the net patient service revenue described below, the company receives subsidies from hospitals to provide hospitalist services.

As of January 1, 2012, the company adopted ASU 2011-07, Health Care Entities-Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts and as a result, for services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, the difference between the receivable recorded and the amount estimated to be collectible must be recorded as a provision and the expense is presented as a reduction of health care revenue. The provision includes such items as amounts due from patients without adequate insurance coverage and patient co-payment and deductible amounts due from patients with health care coverage. The company bases the provision mainly on past collection history and reports it as "Patient service bad debt provision" on the consolidated statements of income.

A minor portion of International segment product revenues is generated from arrangements which give the customer, typically a health care provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. If the right to use the machine is conveyed through an operating lease, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables. If the lease of the machines is a sales type lease, ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for sales type leases.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from revenues and the related revenue is reported on a net basis.

Allowance for doubtful accounts

In the North America segment for receivables generated from health care services, the accounting for the allowance for doubtful accounts is based on an analysis of collection experience and recognizing the differences between payors. The company also performs an aging of accounts receivable which enables the review of each customer and their payment pattern. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

The allowance for doubtful accounts in the International segment and the North America segment dialysis products business is an estimate comprised of customer specific evaluations regarding their payment history, current financial stability, and applicable country specific risks for receivables that are overdue more than one year. The changes in the allowance for these receivables are recorded in selling, general and administrative as an expense.

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

i) Research and development expenses

Research and development expenses are expensed as incurred.

j) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account. Benefits from income tax positions have been recognized only when it was more likely than not that the company would be entitled to the economic benefits of the tax positions. The more-likely-than-not threshold has been determined based on the technical merits that the position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold, management estimates the largest amount of tax benefit that is more than fifty percent likely to be realized upon settlement with a taxing authority, which becomes the amount of benefit recognized. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits are recognized.

The company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, tax credits and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using the respective countries enacted tax rates to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the recognition of deferred tax assets considers the budget planning of the company and implemented tax strategies. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized see note 18.

It is the company's policy that assets on uncertain tax positions are recognized to the extent it is more likely than not the tax will be recovered. It is also the company's policy to recognize interest and penalties related to its tax positions as income tax expense.

k) Impairment

The company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

For the company's policy related to goodwill impairment, see 1e above.

l) Debt issuance costs

Certain costs related to the issuance of debt are amortized over the term of the related obligation see note 11.

m) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the company's largest subsidiary is partially self-insured for professional liability claims. For all other coverage, the company assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

n) Concentration of risk

The company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to health care providers throughout the world, and in providing kidney dialysis treatment. The company also provides additional health care services under care coordination. The company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Approximately 31% and 32% of the Company's worldwide revenues were earned and subject to regulations under Medicare and Medicaid, governmental health care programs administered by the United States government in 2014 and 2013, respectively.

No single debtor other than U.S. Medicare and Medicaid accounted for more than 5% of total trade accounts receivable in any of these years. Trade accounts receivable in the International segment are for a large part due from government or government-sponsored organizations that are established in the various countries within which we operate. Amounts pending approval from third party payors represent less than 3% at December 31, 2014.

See note 4 for discussion of suppliers with long-term purchase commitments.

o) Legal contingencies

From time to time, during the ordinary course of the company's operations, the company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business see note 20. The company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

p) Earnings per share

Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Prior to the conversion of preference shares to ordinary shares during the second quarter of 2013, basic earnings per share was computed according to the two-class method by dividing net income attributable to shareholders, less preference amounts, by the weighted number of ordinary and preference shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares and previously outstanding preference shares that would have been outstanding during the years presented had the dilutive instruments been issued.

Equity-settled awards granted under the company's stock incentive plans see note 17, are potentially dilutive equity instruments.

q) Treasury stock

The company may, from time to time, acquire its own shares (treasury stock) as approved by its shareholders. The acquisition, sale or retirement of its treasury stock is recorded separately in equity. For the calculation of basic earnings per share, treasury stock is not considered outstanding and is therefore deducted from the number of shares outstanding with the value of such treasury stock shown as a reduction of the company's equity.

r) Employee benefit plans

For the company's funded benefit plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the consolidated balance sheets if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under "Other assets and notes receivables" in the consolidated balance sheets) if the fair value of plan assets exceeds the defined benefit obligation and if the company has a right of reimbursement against the fund or a right to reduce future payments to the fund. Changes in the funded status of a plan resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost are recognized through accumulated other comprehensive income, net of tax, in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost when realized. The company uses December 31 as the measurement date when measuring the funded status of all plans.

s) Recent pronouncements

Recently implemented accounting pronouncements

On February 28, 2013 FASB issued Accounting Standards Update 2013-04 (ASU 2013-04) Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligations is Fixed at the Reporting Date. ASU 2013-04's objective is to provide guidance and clarification on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements such as debt arrangements, other contractual obligations and settled litigation and judicial rulings. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2013. We adopted ASU 2013-04 as of January 1, 2014. ASU 2013-04 does not have a material impact on our consolidated financial statements.

On March 4, 2013, FASB issued Accounting Standards Update 2013-05 (ASU 2013-05) Foreign Currency Matters (Topic 830), Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The purpose of ASU 2013-05 is to provide clarification and further refinement regarding the treatment of the release of a cumulative translation adjustment into net income. This occurs in instances where the parent sells either a part or all of its investment in a foreign entity, as well as when a company ceases to hold a controlling interest in a subsidiary or group of assets that is a nonprofit activity or business within a foreign entity. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2013. We adopted ASU 2013-05 as of January 1, 2014. ASU 2013-05 does not have a material impact on the company and its consolidated financial statements.

On June 19, 2014, FASB issued Accounting Standards Update 2014-12 (ASU 2014-12), Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2015. Early adoption is permitted. We utilized and will continue to utilize the guidance updated by this ASU and as such there is no expected impact on our consolidated financial statements.

On July 18, 2013, FASB issued Accounting Standards Update 2013-11 (ASU 2013-11) Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The purpose of ASU 2013-11 is to align the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. In most cases, the unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2013. We adopted ASU 2013-11 as of January 1, 2014. ASU 2013-11 does not have a material impact on the company and its consolidated financial statements.

On November 4, 2014, FASB issued Accounting Standards Update 2014-16 (ASU 2014-16) Derivatives and Hedging (Topic 815), Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. ASU 2014-16's objective is to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2015. As early adoption is permissible and the company's financial statements are in conformity with the update, the company has adopted ASU 2014-16 as of November 4, 2014. ASU 2014-16 does not have a material impact on the company and its consolidated financial statements.

On November 18, 2014, FASB issued Accounting Standards Update 2014-17 (ASU 2014-17) Business Combinations (Topic 805): Pushdown Accounting. ASU 2014-17's objective is to provide an acquired entity with an option to apply pushdown accounting in its separate financial statements. This option is given upon occurrence of an event in which an acquirer obtains control of the acquired entity. The update is effective on November 18, 2014 and has been adopted by the company as of November 18, 2014. ASU 2014-17 does not have an impact on the company and its consolidated financial statements.

Recent accounting pronouncements not yet adopted

On January 23, 2014, FASB issued Accounting Standards Update 2014-05 (ASU 2014-05) Service Concession Arrangements (Topic 853). ASU 2014-05's objective is to specify that an operating entity should not account for a service concession arrangement that is within the scope of ASU 2014-05 as a lease. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. ASU 2014-05 will not have a material impact on the company and its consolidated financial statements.

On April 10, 2014, FASB issued Accounting Standards Update 2014-08 (ASU 2014-08) Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08's objective is to reduce the complexity and difficulty in applying guidance for discontinued operations. ASU 2014-08's main focus is to limit the presentation to disposals representing a strategic shift that has a major effect on operations or financial results. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. Currently, ASU 2014-08 will not have an impact on our consolidated financial statements.

On May 28, 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), Revenue from Contracts with Customers, Topic 606. Simultaneously, the IASB published its equivalent revenue standard, "IFRS 15," Revenue from Contracts with Customers. The standards are the result of a convergence project between FASB and the IASB. This update specifies how and when companies reporting under U.S. GAAP will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. ASU 2014-09 supersedes some guidance included in topic 605, Revenue Recognition, some guidance within the scope of Topic 360, Property, Plant, and Equipment, and some guidance within the scope of Topic 350, Intangibles - Goodwill and Other. This ASU applies to nearly all contracts with customers, unless those contracts are within the scope of other standards (for example, lease contracts or insurance contracts). This update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2016. Earlier adoption is not permitted. We are currently evaluating the impact of 2014-09 on our consolidated financial statements.

On June 12, 2014, FASB issued Accounting Standards Update 2014-11 (ASU 2014-11), Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which aligns the accounting for repurchase-to-maturity transactions and repurchase financing arrangements with the accounting for other typical repurchase agreements, i.e these transactions will be accounted for as secured borrowings. ASU 2014-11 also requires additional disclosures about repurchase agreements and other similar transactions. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. ASU 2014-11 will not have a material impact on the company and its consolidated financial statements.

2. ACQUISITIONS, INVESTMENTS AND PURCHASES OF INTANGIBLE ASSETS

During 2014, the company completed acquisitions, made investments, and purchased intangible assets in the amount of $1,986,732, including those listed below. Of this amount, $1,779,058 were paid in cash and $207,674 were assumed obligations and pending payments for purchase considerations. Unaudited pro forma results of operations assuming these acquisitions had taken place at the beginning of each period are not provided because the historical operating results of the acquired companies were not significant.

Acquisitions

The company's acquisition spending was driven primarily by the purchase of dialysis clinics in the normal course of its operations and the expansion of care coordination activities in 2014.

The aggregate purchase price of all collectively and individually non-material acquisitions during the year was $1,687,195, net of cash acquired. Of this amount, $1,479,521 were paid in cash and $207,674 were assumed obligations and pending payments for purchase considerations. Based on preliminary purchase price allocations, the company recorded $1,713,206 of goodwill and $196,281 of intangible assets, which represent the share of both controlling and noncontrolling interests. Goodwill arose principally due to the fair value of the acquired established streams of future cash flows for these acquisitions versus building similar franchises.

- On May 23, 2014, the company acquired MedSpring Urgent Care Centers (MedSpring) with operations in Illinois and Texas. MedSpring's 14 urgent care centers provide convenient, consistent, high-quality primary care and customer service.
- On July 1, 2014, the company completed a transaction to become the controlling majority shareholder of the U.S. based company Sound Inpatient Physicians, Inc. (Sound), a physician services organization focused on hospitalist and post-acute care services. This business was acquired to expand the company's hospitalist services to further increase the quality of care to our patients. Sound has more than 1,000 physician partners providing care in over 100 hospitals and post-acute care centers across the United States.
- On October 21, 2014, the company acquired National Cardiovascular Partners (NCP). NCP is the leading operator of endovascular, vascular and cardiovascular specialty services. In partnership with over 200 physicians, NCP operates 21 outpatient cardiac catheterization and vascular laboratories in six states.
- On November 21, 2014, the company, through Sound, acquired Cogent Healthcare (Cogent) with more than 650 providers, who offer hospitalist and intensivist services to more than 80 hospitals throughout the United States. Combined, the expanded Sound Physicians organization will now serve over 180 hospitals in 35 states with more than 1,750 providers including physicians and advanced care practitioners.

The intangible assets associated with these acquisitions consist primarily of customer relationships and tradenames at fair value to be amortized on a straight-line basis over a weighted average period of approximately 8–9 years.

Business combinations during 2014 decreased the company's net income (net income attributable to the shareholders of FMC AG & CO. KGAA) by $3,598, including the costs of the acquisitions, and net revenue increased by $541,070. Total assets increased $2,505,027 due to business combinations.

Investments and purchases of intangible assets

Investments and purchases of intangible assets were $299,537 for the period ended December 31, 2014. This amount was primarily driven by an investment in available for sale financial assets as well as deferred acquisition payments and notes receivables related to an equity method investee.

3. RELATED PARTY TRANSACTIONS

The company's parent, Fresenius SE & Co. KGaA (Fresenius SE), a German partnership limited by shares, owns 100% of the share capital of Fresenius Medical Care Management AG, the company's general partner (general partner). Fresenius SE is also the company's largest shareholder and owns approximately 31.1% of the company's outstanding shares at December 31, 2014. The company has entered into certain arrangements for services, leases and products with Fresenius SE or its subsidiaries and with certain of the company's equity method investees as described in item a) below. The company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the company's ordinary course of business transactions with unrelated parties. Financing arrangements as described in item b) below have agreed upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the company and its key management personnel who are considered to be related parties is described in item c) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

a) Service agreements, lease agreements and products

The company is party to service agreements with Fresenius SE and certain of its affiliates (collectively the "Fresenius SE Companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. The company also provides certain services to the Fresenius SE Companies, including research and development, central purchasing and warehousing. Under these agreements, the company also performs clinical studies and marketing and distribution services for certain of its equity method investees. These related party agreements generally have a duration of 1–5 years and are renegotiated on an as needed basis when the agreement comes due.

The company is a party to real estate operating lease agreements with the Fresenius SE Companies, which include leases for the company's corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany. The majority of the leases expire in 2016 and contain renewal options. As of December 31, 2014, future minimum rental payments under these non-cancelable operating leases with Fresenius SE and other affiliates were $55,163 and $83,944, respectively. These minimum rental payments are included within the amounts disclosed in note 19.

In addition to the above mentioned service and lease agreements, the company sold products to the Fresenius SE Companies and made purchases from the Fresenius SE Companies. In addition, Fresenius Medical Care Holdings, Inc. (FMCH) purchases heparin supplied by Fresenius Kabi USA, Inc. (Kabi USA), through an independent group purchasing organization (GPO). Kabi USA is wholly-owned by Fresenius Kabi AG, a wholly-owned subsidiary of Fresenius SE. The company has no direct supply agreement with Kabi USA and does not submit purchase orders directly to Kabi USA. FMCH acquires heparin from Kabi USA, through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

The company entered into an agreement with a Fresenius SE company for the manufacturing of plasma collection devices. The company agreed to produce 3,500 units which can be further increased to a maximum of 4,550 units, over the length of the five year contract. A contract was signed on January 1, 2015 to sell certain assets and liabilities related to the manufacturing facility to Kabi USA in the amount of $9,327. The disposal will be accounted for as a transaction between parties under common control.

Below is a summary, including the company's receivables from and payables to the indicated parties resulting from the above described transactions with related parties.

T. 4.7 **SERVICE AGREEMENTS, LEASE AGREEMENTS AND PRODUCTS**

in $ THOUS

	2014		*2013*		***December 31, 2014***		*December 31, 2013*	
	Sales of goods and services	*Purchases of goods and services*	*Sales of goods and services*	*Purchases of goods and services*	*Accounts receivables*	*Accounts payables*	*Accounts receivables*	*Accounts payables*
Service agreements								
Fresenius SE	380	21,788	807	21,059	106	3,134	245	2,365
Fresenius SE affiliates	7,956	68,236	6,743	82,518	1,396	2,462	975	1,900
Equity method investees	17,911	–	21,647	–	4,265	270	20,336	–
▸ **TOTAL**	**26,247**	**90,024**	**29,197**	**103,577**	**5,767**	**5,866**	**21,556**	**4,265**
Lease agreements								
Fresenius SE	–	10,554	–	9,865	–	–	–	–
Fresenius SE affiliates	–	17,389	–	17,111	–	–	–	–
▸ **TOTAL**	**–**	**27,943**	**–**	**26,976**	**–**	**–**	**–**	**–**
Products								
Fresenius SE	1	–	17	–	–	–	–	–
Fresenius SE affiliates	63,917	44,754	30,045	51,901	18,352	4,132	18,587	7,231
▸ **TOTAL**	**63,918**	**44,754**	**30,062**	**51,901**	**18,352**	**4,132**	**18,587**	**7,231**

b) Financing

The company receives short-term financing from and provides short-term financing to Fresenius SE. The company also utilizes Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. As of December 31, 2014 and December 31, 2013, the company had accounts receivables from Fresenius SE related to short-term financing in the amount of $146,144 and $112,568, respectively. As of December 31, 2014 and December 31, 2013, the company had accounts payables to Fresenius SE related to short-term financing in the amount of $103,386 and $102,731, respectively. The interest rates for these cash management arrangements are set on a daily basis and are based on the then-prevailing overnight reference rate for the respective currencies.

On May 23, 2014, the company repaid a Chinese Yuan Renminbi (CNY) loan upon its maturity of 360,794 ($57,854), including interest, to a subsidiary of Fresenius SE.

On June 12, 2014, the company provided a one-year unsecured term loan to one of its equity method investees in the amount of $22,500 at an interest rate of 2.5366%. The loan agreement contains automatic one year renewals and requires a six-month termination notice.

On August 19, 2009, the company borrowed €1,500 ($1,821 at December 31, 2014) from the general partner on an unsecured basis at 1.335%. The loan repayment has been extended periodically and is currently due August 20, 2015 with an interest rate of 1.849%. On November 28, 2013, the company borrowed an additional €1,500 ($1,821 at December 31, 2014) from the general partner at 1.875%. This loan is due on November 27, 2015 with an interest rate of 1.506%.

At December 31, 2014, the company borrowed from Fresenius SE €1,400 ($1,700 at December 31, 2014) on an unsecured basis at an interest rate of 1.188%. Subsequent to December 31, 2014, the company received additional advances from Fresenius SE increasing the amount borrowed to €27,200 ($33,024) and is due on February 27, 2015. For further information on this loan agreement, see note 10.

At December 31, 2014 and 2013, a subsidiary of Fresenius SE held unsecured senior notes issued by the company in the amount of €8,300 and €11,800 ($10,077 at December 31, 2014 and $16,273 at December 31, 2013), respectively. The senior notes were issued in 2011 and 2012, mature in 2021 and 2019, respectively, and each have a coupon rate of 5.25%. For further information on the senior notes, see note 11.

At December 31, 2014 Fresenius SE held unsecured senior notes issued by the company in the amount of $1,170. The senior notes were issued in 2014, mature in 2020 and 2024, respectively, and have a coupon rate of 4.125% and 4.75%. As of January 7, 2015, Fresenius SE sold all positions held on these senior notes. For further information on the senior notes, see note 11.

c) Key management personnel

Due to the legal form of a German partnership limited by shares, the general partner holds a key management position within the company. In addition members of the management board and the supervisory board as key management personnel, as well as their close relatives, are considered related parties.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the members of the General Partner's management board. The aggregate amount reimbursed to the General Partner was $25,511 and $16,327, respectively, for its management services during 2014 and 2013 and included an annual fee of $159 and $159, respectively, as compensation for assuming liability as general partner. The annual fee is set at 4% of the amount of the General Partner's share capital (€3,000 as of December 31, 2014). As of December 31, 2014 and December 31, 2013, the Company had accounts receivable from the General Partner in the amount of $462 and $407, respectively. As of December 31, 2014 and December 31, 2013, the Company had accounts payable to the General Partner in the amount of $27,347 and $9,702, respectively.

The chairman of the company's supervisory board is also the chairman of the supervisory board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the supervisory board of the company's general partner.

The Vice Chairman of the Company's Supervisory Board is a member of the Supervisory Board of the general partner of Fresenius SE and Vice Chairman of the Supervisory Board of the Company's General Partner. He is also Chairman of the Advisory Board of a charitable foundation that is the sole shareholder of the general partner of Fresenius SE. He is also a partner in a law firm which provided services to the Company and certain of its

subsidiaries. The Company incurred expenses in the amount of $1,957 and $1,268 for these services during 2014 and 2013, respectively. Five of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the Supervisory Board of the Company's General Partner.

The chairman of the supervisory board of the company's general partner is also the chairman of the management board of the general partner of Fresenius SE, and the chairman and chief executive officer of the management board of the company's general partner is a member of the management board of the general partner of Fresenius SE.

4. INVENTORIES

At December 31, 2014 and December 31, 2013, inventories consisted of the following:

T. 4.8 **INVENTORIES**
in $ THOUS

	2014	*2013*
Finished goods	677,110	640,355
Raw materials and purchased components	197,920	185,146
Health care supplies	170,614	195,519
Work in process	69,910	76,084
▸ **TOTAL**	**1,115,554**	**1,097,104**

Under the terms of certain unconditional purchase agreements, the company is obligated to purchase approximately $443,658 of materials, of which $206,054 is committed at December 31, 2014 for 2015. The terms of these agreements run 1 to 6 years.

Health care supplies inventories at December 31, 2014 and 2013 included $34,752 and $33,294, respectively, of Erythropoietin (EPO). The company's previous contract with its EPO supplier, Amgen Inc. (Amgen) expired on December 31, 2014. As a result, the company entered into a new four-year sourcing and supply agreement with Amgen.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 2014 and 2013, prepaid expenses and other current assets consisted of the following:

T. 4.9 **PREPAID EXPENSES AND OTHER CURRENT ASSETS**

in $ THOUS

	2014	2013
Taxes receivable	318,480	133,673
Available for sale financial assets[1]	168,062	29,185
Cost report receivable from Medicare and Medicaid	137,543	130,236
Receivables for supplier rebates	85,548	105,994
Other deferred charges	58,315	62,555
Leases receivable	55,503	48,538
Prepaid rent	53,015	49,409
Amounts due from managed locations	34,054	22,676
Payments on account	30,680	33,934
Derivatives	28,241	16,664
Prepaid insurance	21,290	11,854
Deposit/Guarantee/Security	19,447	19,212
Receivable for sale of investment to third party	9,335	21,846
Other	313,554	351,615
▸ **TOTAL PREPAID EXPENSES AND OTHER CURRENT ASSETS**	**1,333,067**	**1,037,391**

[1] *The impact on the consolidated statements of income and the consolidated statements of shareholders' equity is not material.*

The item "Other" in the table above includes interest receivables, notes receivables and loans to customers.

6. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2014 and 2013, property, plant and equipment consisted of the following:

T. 4.10 **ACQUISITION OR MANUFACTURING COSTS**

in $ THOUS

	Jan. 01, 2014	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2014
Land	46,689	(7,678)	14,959	10,999	147	(35)	65,081
Buildings and improvements	2,432,824	(113,803)	61,279	204,547	92,545	(46,961)	2,630,431
Machinery and equipment	3,808,356	(268,407)	30,724	458,843	74,454	(138,100)	3,965,870
Machinery, equipment and rental equipment under capitalized leases	43,239	(6,728)	21,281	5,941	(733)	(984)	62,016
Construction in progress	267,653	(32,087)	4,460	243,745	(168,314)	(1,390)	314,067
▸ **PROPERTY, PLANT AND EQUIPMENT**	**6,598,761**	**(428,703)**	**132,703**	**924,075**	**(1,901)**	**(187,470)**	**7,037,465**

T. 4.11 **DEPRECIATION**

in $ THOUS

	Jan. 01, 2014	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2014***
Land	579	(156)	–	–	–	987	1,410
Buildings and improvements	1,269,987	(40,293)	(86)	194,994	392	(33,989)	1,391,005
Machinery and equipment	2,215,107	(165,531)	(869)	399,064	(465)	(116,856)	2,330,450
Machinery, equipment and rental equipment under capitalized leases	21,201	(2,559)	–	6,787	(58)	(951)	24,420
Construction in progress	(67)	16	–	–	51	–	–
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,506,807**	**(208,523)**	**(955)**	**600,845**	**(80)**	**(150,809)**	**3,747,285**

T. 4.12 **NET BOOK VALUE**

in $ THOUS, December 31

	2014	*2013*
Land	63,671	46,110
Buildings and improvements	1,239,426	1,162,837
Machinery and equipment	1,635,420	1,593,249
Machinery, equipment and rental equipment under capitalized leases	37,596	22,038
Construction in progress	314,067	267,720
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,290,180**	**3,091,954**

Depreciation expense for property, plant and equipment amounted to $600,845 and $555,125 for the years ended December 31, 2014 and 2013, respectively.

Included in machinery and equipment at December 31, 2014 and 2013 were $614,797 and $597,024, respectively, of peritoneal dialysis cycler machines which the company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the company leases to physicians under operating leases.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $24,420 and $21,201 at December 31, 2014 and 2013, respectively.

7. INTANGIBLE ASSETS AND GOODWILL

At December 31, 2014 and 2013, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

T. 4.13 — **ACQUISITION COSTS**

in $ THOUS

	Jan. 01, 2014	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2014***
Amortizable intangible assets							
Non-compete agreements	325,335	(2,266)	19,652	446	(191)	(4,533)	338,443
Technology	106,510	–	–	6,836	–	–	113,346
Licenses and distribution agreements	223,701	(28,550)	–	3,447	–	(3,788)	194,810
Customer relationships	98,000	(358)	142,112	–	–	(60)	239,694
Construction in progress	39,570	(1,353)	–	17,944	(23,014)	(494)	32,653
Self-developed software	105,087	(5,320)	4,592	2,874	15,822	(111)	122,944
Other	350,475	(18,888)	29,726	9,251	(1,933)	(12,881)	355,750
▸ **TOTAL**	**1,248,678**	**(56,735)**	**196,082**	**40,798**	**(9,316)**	**(21,867)**	**1,397,640**
Non-amortizable intangible assets							
Tradename	241,938	(117)	–	–	(1,000)	(57)	240,764
Management contracts	7,039	(134)	199	–	–	–	7,104
▸ **TOTAL**	**248,977**	**(251)**	**199**	**–**	**(1,000)**	**(57)**	**247,868**
▸ **INTANGIBLE ASSETS**	**1,497,655**	**(56,986)**	**196,281**	**40,798**	**(10,316)**	**(21,924)**	**1,645,508**
▸ **GOODWILL**	**12,105,396**	**(291,871)**	**1,710,807**	**–**	**(111)**	**–**	**13,524,221**

T. 4.14

AMORTIZATION

in $ THOUS

	Jan. 01, 2014	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2014***
Amortizable intangible assets							
Non-compete agreements	240,412	(717)	–	22,263	(191)	(4,533)	257,234
Technology	44,584	(1)	–	6,642	–	–	51,225
Licenses and distribution agreements	112,697	(14,091)	–	16,886	–	(3,738)	111,754
Customer relationships	650	(1)	–	11,410	–	–	12,059
Construction in progress	–	–	–	–	–	–	–
Self-developed software	46,097	(2,149)	–	16,266	–	(259)	59,955
Other	264,031	(11,900)	(159)	25,016	(11,946)	(12,423)	252,619
▸ TOTAL	**708,471**	**(28,859)**	**(159)**	**98,483**	**(12,137)**	**(20,953)**	**744,846**
Non-amortizable intangible assets							
Tradename	31,308	–	–	–	–	(57)	31,251
Management contracts	–	–	–	–	–	–	–
▸ TOTAL	**31,308**	**–**	**–**	**–**	**–**	**(57)**	**31,251**
▸ INTANGIBLE ASSETS	**739,779**	**(28,859)**	**(159)**	**98,483**	**(12,137)**	**(21,010)**	**776,097**
▸ GOODWILL	**447,209**	**(5,057)**	**–**	**–**	**(111)**	**–**	**442,041**

T. 4.15

NET BOOK VALUE

in $ THOUS, December 31

	2014	*2013*
Amortizable intangible assets		
Non-compete agreements	81,209	84,923
Technology	62,121	61,926
Licenses and distribution agreements	83,056	111,004
Customer relationships	227,635	97,350
Construction in progress	32,653	39,570
Self-developed software	62,989	58,990
Other	103,131	86,444
▸ TOTAL	**652,794**	**540,207**
Non-amortizable intangible assets		
Tradename	209,513	210,630
Management contracts	7,104	7,039
▸ TOTAL	**216,617**	**217,669**
▸ INTANGIBLE ASSETS	**869,411**	**757,876**
▸ GOODWILL	**13,082,180**	**11,658,187**

The amortization on intangible assets amounted to $98,483 and $93,100 for the years 2014 and 2013, respectively. The table shows the estimated amortization expense of these assets for the following five years.

T. 4.16 **ESTIMATED AMORTIZATION EXPENSE**
in $ THOUS

	2015	*2016*	*2017*	*2018*	*2019*
Estimated amortization expense	96,634	92,633	87,653	84,809	81,943

Goodwill

Changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2014 and 2013, the company's acquisitions consisted primarily of the purchase of clinics in the normal course of operations and the expansion in care coordination. The changes to goodwill in 2014 and 2013 are as follows:

T. 4.17 **GOODWILL**
in $ THOUS

	North America	*International*	*Segment total*	*Corporate*	*Total*
▸ **BALANCE AS OF DECEMBER 31, 2012**	**9,487,013**	**1,521,359**	**11,008,372**	**413,517**	**11,421,889**
Goodwill acquired, net of divestitures	158,582	99,634	258,216	–	258,216
Reclassifications	–	(3,807)	(3,807)	4,226	419
Foreign currency translation adjustment	52	(23,029)	(22,977)	640	(22,337)
▸ **BALANCE AS OF DECEMBER 31, 2013**	**9,645,647**	**1,594,157**	**11,239,804**	**418,383**	**11,658,187**
Goodwill acquired, net of divestitures	1,535,840	174,967	1,710,807	–	1,710,807
Reclassifications	–	–	–	–	–
Foreign currency translation adjustment	(533)	(284,068)	(284,601)	(2,213)	(286,814)
▸ **BALANCE AS OF DECEMBER 31, 2014**	**11,180,954**	**1,485,056**	**12,666,010**	**416,170**	**13,082,180**

8. OTHER ASSETS AND NOTES RECEIVABLES

On August 12, 2013, FMCH made an investment-type transaction by providing a credit facility to a middle-market dialysis provider in the amount of up to $200,000 to fund general corporate purposes. The transaction is in the form of subordinated notes with a maturity date of July 4, 2020 (unless prepaid) and a payment-in-kind (PIK) feature that will allow interest payments in the form of cash (at 10.75%) or PIK (at 11.75%). The PIK feature, if used, allows for the addition of the accrued interest to the then outstanding principal. The collateral for this loan is 100% of the equity interest in this middle-market dialysis provider. The availability period for drawdowns on this loan was 18 months and ended on February 12, 2015. The company assesses the recoverability of this investment based on quarterly financial statements and other information obtained, used for an assessment of profitability and business plan objectives, as well as by analyzing general economic and market conditions in which the provider operates. On April 30, 2014, the payee exercised the PIK feature and converted $10,137 of accrued interest then due to outstanding principal. On October 31, 2014, the payee paid interest of $9,999. Consequently, at December 31, 2014, $180,137 is effectively drawn down with $3,369 of interest income accrued. Interest is payable on a semi-annual basis.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At December 31, 2014 and 2013, accrued expenses and other current liabilities consisted of the following:

T. 4.18 **ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

in $ THOUS

	2014	2013
Accrued salaries, wages and incentive plan compensations	647,627	542,230
Unapplied cash and receivable credits	333,858	302,337
Accrued self-insurance	238,036	201,346
Accrued operating expenses	139,652	102,914
Accrued interest	119,886	122,166
Withholding tax and VAT	91,839	93,407
Derivative financial instruments	53,804	25,701
Accrued variable payments outstanding for acquisition	32,984	18,200
Special charge for legal matters	–	115,000
Other	539,559	489,232
▸ **TOTAL ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**	**2,197,245**	**2,012,533**

In 2001, the company recorded a $258,159 special charge to address legal matters relating to transactions pursuant to the agreement and plan of reorganization dated at February 4, 1996 by and between W. R. Grace & Co. and Fresenius SE, estimated liabilities and legal expenses arising in connection with the W. R. Grace & Co. Chapter 11 proceedings (the Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement whereby the company agreed to pay $115,000. On February 3, 2014, the company paid $115,000 which had been previously accrued. All matters related to the recorded charge have now been resolved.

The item "other" in the table above includes accruals for legal and compliance costs, physician compensation, commissions, short-term portion of pension liabilities, bonuses and rebates and accrued rents.

10. SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES

At December 31, 2014 and December 31, 2013, short-term borrowings, other financial liabilities and short-term borrowings from related parties consisted of the following:

T. 4.19 — **SHORT TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES**

in $ THOUS

	2014	*2013*
Borrowings under lines of credit	132,495	95,690
Other financial liabilities	198	958
▸ **SHORT-TERM BORROWINGS AND OTHER FINANCIAL LIABILITIES**	**132,693**	**96,648**
Short-term borrowings from related parties *(see note 3b, excluding interest)*	5,357	62,342
▸ **SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES**	**138,050**	**158,990**

Short-term borrowings under lines of credit

Short-term borrowings of $132,495 and $95,690 at December 31, 2014 and 2013, respectively, represented amounts borrowed by the company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2014 and 2013 were 5.09% and 4.00%, respectively.

Excluding amounts available under the amended 2012 credit agreement (the amended 2012 credit agreement, see note 11 below), at December 31, 2014 and 2013, the company had $247,735 and $232,943 available under other commercial bank agreements. In some instances, lines of credit are secured by assets of the company's subsidiary that is party to the agreement or may require the company's guarantee. In certain circumstances, the subsidiary may be required to meet certain covenants.

Short-term borrowings from related parties

The company is party to an unsecured loan agreement with Fresenius SE under which the company or its subsidiaries may request and receive one or more short-term advances up to an aggregate amount of $400,000 until maturity on October 30, 2017. The interest on the advance(s) will be at a fluctuating rate per annum equal to LIBOR or EURIBOR, as applicable, plus applicable margin. Advances can be repaid and reborrowed. On December 31, 2014, the company received an advance of €1,400 ($1,700) at an interest rate of 1.188%. For further information on short-term borrowings from related party outstanding at December 31, 2014 and 2013, see note 3b.

11. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, 2014 and December 31, 2013, long-term debt and capital lease obligations consisted of the following:

T. 4.20 **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

in $ THOUS, December 31

	2014	2013
Amended 2012 credit agreement	2,900,222	2,707,145
Senior notes	5,514,947	4,824,753
Equity-neutral convertible bonds	451,653	–
Euro notes[1]	–	46,545
European Investment Bank agreements[2]	–	193,074
Accounts receivable facility	341,750	351,250
Capital lease obligations	40,991	24,264
Other	144,321	111,259
▸ **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**	**9,393,884**	**8,258,290**
Less current maturities	(313,607)	(511,370)
▸ **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION**	**9,080,277**	**7,746,920**

[1] *The euro notes were fully paid on October 27, 2014.*
[2] *The remaining two loans under the European Investment Bank agreements were repaid on their maturity in February 2014.*

The company's long-term debt as of December 31, 2014, all of which ranks equally in rights of payment, are described as follows:

Amended 2012 credit agreement

The company originally entered into a syndicated credit facility of $3,850,000 and a 5 year period (the 2012 credit agreement) with a large group of banks and institutional investors (collectively, the lenders) on October 30, 2012. On November 26, 2014, the 2012 credit agreement was amended to increase the total credit facility to approximately $4,400,000 and extend the term for an additional two years until October 30, 2019.

As of December 31, 2014, the amended 2012 credit agreement consists of:

- A 5-year revolving credit facility of approximately $1,500,000 comprising a $1,000,000 revolving facility and a €400,000 revolving facility, which will be due and payable on October 30, 2019.
- A 5-year term loan facility of $2,500,000, also scheduled to mature on October 30, 2019. Quarterly repayments of $50,000 beginning in January 2015 are required with the remaining balance outstanding due October 30, 2019.
- A 5-year term loan facility of €300,000 scheduled to mature on October 30, 2019. Quarterly repayments of €6,000 beginning in January 2015 are required with the remaining balance outstanding due October 30, 2019.

Interest on the credit facilities is, at the company's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the base rate as defined in the amended 2012 credit agreement plus an applicable margin. At December 31, 2014, the dollar-denominated tranches outstanding under the amended 2012 credit agreement had a weighted average interest rate of 1.61%. The euro-denominated tranche had an interest rate of 1.42%.

The applicable margin is variable and depends on the company's consolidated leverage ratio which is a ratio of its consolidated funded debt less cash and cash equivalents held by the consolidated group to consolidated EBITDA (as these terms are defined in the amended 2012 credit agreement).

In addition to scheduled principal payments, indebtedness outstanding under the amended 2012 credit agreement would be reduced by portions of the net cash proceeds received from certain sales of assets.

Obligations under the amended 2012 credit agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The amended 2012 credit agreement contains affirmative and negative covenants with respect to the company and its subsidiaries. Under certain circumstances these covenants limit indebtedness, investments, and restrict the creation of liens. Under the amended 2012 credit agreement the company is required to comply with a maximum consolidated leverage ratio (ratio of consolidated funded debt less cash and cash equivalents held by the consolidated group to consolidated EBITDA). Additionally, the amended 2012 credit agreement provides for a limitation on dividends, share buy-backs and similar payments. Dividends to be paid are subject to an annual basket, which is €360,000 ($437,076 at December 31, 2014) for 2015, and will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio.

In default, the outstanding balance under the amended 2012 credit agreement becomes immediately due and payable at the option of the lenders.

The company incurred fees of approximately $19,265 in conjunction with the amended 2012 credit agreement. Unamortized fees related to the 2012 credit agreement of approximately $13,436, together with the newly capitalized fees of $5,829, will be amortized over the term of the amended 2012 credit agreement.

The following table shows the available and outstanding amounts under the amended 2012 credit agreement at December 31, 2014 and 2013:

T. 4.21 **AMENDED 2012 CREDIT AGREEMENT**

in THOUS

	Maximum amount available 2014		*Balance outstanding 2014*	
Revolving credit USD	$1,000,000	$1,000,000	$35,992	$35,992
Revolving credit EUR	€400,000	$485,640	–	–
USD term loan	$2,500,000	$2,500,000	$2,500,000	$2,500,000
EUR term loan	€300,000	$364,230	€300,000	$364,230
▸ **TOTAL**		**$4,349,870**		**$2,900,222**

	Maximum amount available 2013		*Balance outstanding 2013*	
Revolving credit USD	$600,000	$600,000	$138,190	$138,190
Revolving credit EUR	€500,000	$689,550	€50,000	$68,955
USD term loan	$2,500,000	$2,500,000	$2,500,000	$2,500,000
▸ **TOTAL**		**$3,789,550**		**$2,707,145**

In addition, at December 31, 2014 and December 31, 2013, the company had letters of credit outstanding in the amount of $6,893 and $9,444, respectively, under the revolving credit facility, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the respective revolving credit facility.

Senior notes

At December 31, 2014, the company's senior notes consisted of the following:

T. 4.22 **SENIOR NOTES**

in THOUS

		Face amount	Maturity	Coupon	Book value in $ 2014	Book value in $ 2013
Issuer/Transaction						
FMC Finance VI S.A. 2010	€	250,000	July 15, 2016	5.50%	302,537	342,944
FMC Finance VIII S.A. 2011[1]	€	100,000	October 15, 2016	3.58%	121,410	137,910
FMC US Finance, Inc. 2007	$	500,000	July 15, 2017	6.875%	497,781	496,894
FMC Finance VIII S.A. 2011	€	400,000	September 15, 2018	6.50%	482,097	546,531
FMC US Finance II, Inc. 2011	$	400,000	September 15, 2018	6.50%	397,084	396,297
FMC US Finance II, Inc. 2012	$	800,000	July 31, 2019	5.625%	800,000	800,000
FMC Finance VIII S.A. 2012	€	250,000	July 31, 2019	5.25%	303,525	344,775
FMC US Finance II, Inc. 2014	$	500,000	October 15, 2020	4.125%	500,000	–
FMC US Finance, Inc. 2011	$	650,000	February 15, 2021	5.75%	646,283	645,672
FMC Finance VII S.A. 2011	€	300,000	February 15, 2021	5.25%	364,230	413,730
FMC US Finance II, Inc. 2012	$	700,000	January 31, 2022	5.875%	700,000	700,000
FMC US Finance II, Inc. 2014	$	400,000	October 15, 2024	4.75%	400,000	–
▸ **TOTAL**					**5,514,947**	**4,824,753**

[1] *This note carries a variable interest rate which was 3.58% at December 31, 2014.*

In October 2014, FMC US Finance II, Inc. issued $500,000 and $400,000 dollar-denominated senior notes (the 2014 senior notes), the proceeds of which were used to repay term loan A-2 under our 2012 credit Agreement, which was established on July 1, 2014 to finance the investment in Sound and fully repaid on October 29, 2014, as well as other short term debt, and for acquisitions and general corporate purposes. The 2014 senior notes were issued at par.

All senior notes are unsecured and guaranteed on a senior basis jointly and severally by the company and by FMCH and Fresenius Medical Care Deutschland GmbH (D-GmbH), (together with FMCH, the Guarantor Subsidiaries). The issuers may redeem the senior notes (except for the floating rate senior notes) at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have the right to request that the issuers repurchase the senior notes at 101% of principal plus accrued interest upon the occurrence of a change of control of the company followed by a decline in the ratings of the respective senior notes.

The company has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of the company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. At December 31, 2014, the company was in compliance with all of its covenants under the senior notes.

Equity-neutral convertible bonds

On September 19, 2014, the company issued €400,000 ($514,080) principal amount of equity-neutral convertible bonds (the convertible bonds) which have a coupon of 1.125% and are due on January 31, 2020. The bonds were issued at par with the initial conversion price based upon the predetermined share price of €73.6448. Beginning November 2017, bond holders can exercise the conversion rights embedded in the bonds at certain dates. In order to fully offset the economic exposure from the conversion feature, the company purchased call options on its shares (share options). Any increase of the company's share price above the conversion price would be offset by a corresponding value increase of the share options. The company will amortize the cost of these options, €29,600 ($38,042 at December 31, 2014), and various other offering costs over the life of the bonds, effectively increasing the total interest rate to 2.611%. We used the net proceeds of $470,976 for general corporate purposes. The Convertible Bonds are jointly and severally guaranteed by FMCH and D-GmbH.

Accounts receivable facility

The company refinanced the A/R Facility on November 24, 2014 for a term expiring on November 24, 2017 with the available borrowings at $800,000. The following table shows the available and outstanding amounts under the A/R Facility at December 31, 2014 and December 31, 2013.

T. 4.23 ACCOUNTS RECEIVABLE FACILITY

in $ THOUS

	2014	2013
Maximum amount available[1]	800,000	800,000
Balance outstanding	341,750	351,250

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria.*

The company also had letters of credit outstanding under the A/R Facility in the amount of $66,622 at December 31, 2014 and $65,622 at December 31, 2013. These letters of credit were not included above as part of the balance outstanding at December 31, 2014; however, they reduce available borrowings under the A/R Facility.

Under the A/R Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the company's consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2014 was 1.052%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2014 and 2013, in conjunction with certain acquisitions and investments, the company had pending payments of purchase considerations totaling approximately $34,973 and $94,084, respectively, of which $31,369 and $60,036, respectively, were classified as the current portion of long-term debt.

Annual payments

Aggregate annual payments applicable to the amended 2012 credit agreement, senior notes, the convertible bonds, the A/R Facility, capital leases and other borrowings for the five years subsequent to December 31, 2014 and thereafter are:

T. 4.24 ANNUAL PAYMENTS

in $ THOUS

	2015	2016	2017	2018	2019	Thereafter	**Total**
Annual payments	313,607	701,714	1,099,976	1,120,753	3,089,452	3,116,570	**9,442,072**

12. EMPLOYEE BENEFIT PLANS

General

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the company. The company's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The company currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The company has two major defined benefit plans, one funded plan in the U.S. and an unfunded plan in Germany.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the company's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefits obligations and the return on plan assets for that year. The company's pension liability is impacted by these actuarial gains or losses.

Under defined contribution plans, the company pays defined contributions to an independent third party as directed by the employee during the employee's service life, which satisfies all obligations of the company to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the company paid contributions upon leaving the company. The company has a defined contribution plan in the U.S.

Defined benefit pension plans

During the first quarter of 2002 FMCH, the company's U.S. subsidiary, curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The company has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2014, FMCH's minimum funding requirement was $21,000. In addition to the compulsory contributions, the company voluntarily provided $21,365 to the defined benefit plan. Expected funding for 2015 is $20,370.

The benefit obligation for all defined benefit plans at December 31, 2014, was $877,722 (2013: $660,860) which consists of the gross benefit obligation of $494,269 (2013: $378,170) for the U.S. plan, which is funded by plan assets, and the benefit obligation of $383,453 (2013: $282,690) for the German unfunded plan.

The following table shows the changes in benefit obligations, the changes in plan assets, the funded status of the pension plans and the net pension liability. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from the company's funded benefit plan.

T. 4.25 **FUNDED STATUS OF EMPLOYEE BENEFIT PLANS**

in $ THOUS

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	660,860	655,447
Foreign currency translation	(46,505)	11,998
Other adjustments	–	2,203
Service cost	18,617	15,900
Interest cost	29,513	26,859
Transfer of plan participants	220	(32)
Actuarial (gain) loss	234,199	(34,698)
Benefits paid	(19,182)	(16,817)
▸ **BENEFIT OBLIGATION AT END OF YEAR**	**877,722**	**660,860**
Change in plan assets		
Fair value of plan assets at beginning of year	248,495	228,393
Actual return on plan assets	(3,600)	23,058
Employer contributions	42,365	11,339
Benefits paid	(16,402)	(14,295)
▸ **FAIR VALUE OF PLAN ASSETS AT END OF YEAR**	**270,858**	**248,495**
▸ **FUNDED STATUS AT END OF YEAR**	**606,864**	**412,365**
▸ **BENEFIT PLANS OFFERED BY OTHER SUBSIDIARIES**	**41,990**	**29,321**
▸ **NET PENSION LIABILITY**	**648,854**	**441,686**

Benefit plans offered by the U.S. and Germany contain a pension liability of $606,864 and $412,365 at December 31, 2014 and 2013, respectively. The pension liability consists of a current portion of $4,151 (2013: $4,221) which is recognized as a current liability in the line item "accrued expenses and other current liabilities" in the balance sheet. The non-current portion of $602,713 (2013: $408,144) is recorded as non-current pension liability in the balance sheet. Approximately 80% of the beneficiaries are located in the U.S. with the majority of the remaining 20% located in Germany.

The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $811,359 and $614,576 at December 31, 2014 and 2013, respectively; the related plan assets had a fair value of $270,858 and $248,495 at December 31, 2014 and 2013, respectively.

Benefit plans offered by other subsidiaries outside of the U.S. and Germany contain separate benefit obligations. The total net pension liability for these other plans was $41,990 and $29,321 at December 31, 2014 and 2013 respectively and consists of a pension asset of $68 (2013: $77) recognized as "other non-current assets and notes receivables" and a current pension liability of $2,453 (2013: $1,684), which is recognized as a current liability in the line item "accrued expenses and other current liabilities". The non-current pension liability of $39,605 (2013: $27,714) for these plans is recorded as "non-current pension liability" in the balance sheet.

At December 31, 2014 the weighted average duration of the defined benefit obligation was 18 years (2013: 18 years).

The table below reflects pre-tax effects of actuarial (gains) losses in other comprehensive income (OCI) relating to pension liabilities. At December 31, 2014, there are no cumulative effects of prior service costs included in other comprehensive income.

T. 4.26 **OTHER COMPREHENSIVE (INCOME) LOSS RELATED TO PENSION LIABILITIES**

in $ THOUS

	Actuarial (gains) losses
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2012**	**287,956**
Actuarial (gain) loss for the year	(44,118)
Other adjustments	563
Amortization of unrealized losses	(25,418)
Foreign currency translation	3,984
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2013**	**222,967**
Actuarial (gain) loss for the year	253,969
Other adjustments	–
Amortization of unrealized losses	(17,147)
Foreign currency translation	(21,661)
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2014**	**438,128**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $37,869.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. The company's discount rates at December 31, 2014 and at December 31, 2013 are the weighted average of these plans based upon their benefit obligations. The following weighted-average assumptions were utilized in determining benefit obligations at December 31:

T. 4.27 **WEIGHTED-AVERAGE ASSUMPTIONS FOR BENEFIT OBLIGATIONS**

in %

	2014	*2013*
Discount rate	3.23	4.55
Rate of compensation increase	3.28	3.29

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2014 as follows:

T. 4.28 **SENSITIVITY ANALYSIS**

in $ THOUS

	0.5% increase	*0.5% decrease*
Discount rate	(76,765)	88,257
Rate of compensation increase	10,266	(10,164)
Rate of pensions increase	28,010	(25,325)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2014. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately.

The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for each of the years ended December 31:

T. 4.29 COMPONENTS OF NET PERIODIC BENEFIT COST

in $ THOUS

	2014	2013
Service cost	18,617	15,900
Interest cost	29,513	26,859
Expected return on plan assets	(16,169)	(13,638)
Amortization of unrealized losses	17,147	25,418
▸ **NET PERIODIC BENEFIT COSTS**	**49,108**	**54,539**

Net periodic benefit cost is allocated as personnel expense within costs of revenues, selling, general and administrative expense or research and development expense. This is depending 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:

T. 4.30 WEIGHTED-AVERAGE ASSUMPTIONS FOR NET PERIODIC BENEFIT COSTS

in %

	2014	2013
Discount rate	4.55	4.14
Expected return of plan assets	6.00	6.00
Rate of compensation increase	3.29	3.32

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

T. 4.31 EXPECTED BENEFIT PAYMENTS

in $ THOUS

	2015	2016	2017	2018	2019	2020–2024
Expected benefit payments	19,752	21,633	23,461	25,154	27,271	170,331

Plan assets

The following table presents the fair values of the company´s pension plan assets at December 31, 2014 and 2013.

T. 4.32 **PLAN ASSETS**

in $ THOUS

Asset category	Total	Fair value measurements 2014: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements 2014: Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	69,485	(310)	69,795
Fixed income investments			
Government securities[2]	1,629	850	779
Corporate bonds[3]	181,132	–	181,132
Other bonds[4]	4,573	–	4,573
U.S. treasury money market funds[5]	7,989	7,989	–
Other types of investments			
Cash, money market and mutual funds[6]	6,050	6,050	–
▸ **TOTAL**	**270,858**	**14,579**	**256,279**

Asset category	Total	Fair value measurements 2013: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements 2013: Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	62,003	205	61,798
Fixed income investments			
Government securities[2]	4,913	3,735	1,178
Corporate bonds[3]	155,389	–	155,389
Other bonds[4]	1,437	–	1,437
U.S. treasury money market funds[5]	19,150	19,150	–
Other types of investments			
Cash, money market and mutual funds[6]	5,603	5,603	–
▸ **TOTAL**	**248,495**	**28,693**	**219,802**

[1] *This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.*
[2] *This category comprises fixed income investments by the U.S. government and government sponsored entities.*
[3] *This category primarily represents investment grade bonds of U.S. issuers from diverse industries.*
[4] *This category comprises private placement bonds as well as collateralized mortgage obligations.*
[5] *This category represents funds that invest in treasury obligations directly or in treasury backed obligations.*
[6] *This category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.*

The methods and inputs used to measure the fair value of plan assets are as follows:

- Common stocks are valued at their market prices at the balance sheet date.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes at the balance sheet date.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy

For the U.S. funded plan, the company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the company's expected rate of return on pension plan assets was 6.00% for 2014.

The company´s overall investment strategy is to achieve a mix of approximately 98% of investments for long-term growth and income and 2% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the investment policy and include well diversified index funds or funds targeting index performance.

The investment policy, utilizing a revised target investment allocation in a range around 30% equity and 70% long-term U.S. corporate bonds, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The Plan policy does not allow investments in securities of the company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index and Barclays Capital Long-Corporate Bond Index.

Defined contribution plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $17.5 if under 50 years old ($23 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2014 and 2013 was $41,560 and $38,999, respectively.

13. NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

The company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

At December 31, 2014 and 2013 the company's potential obligations under these put options were $824,658 and $648,251, respectively. At December 31, 2014 and 2013, put options with an aggregate purchase obligation of $123,846 and $119,148, respectively, were exercisable. In the last three fiscal years ending December 31, 2014, six such put provisions have been exercised for a total consideration of $16,439.

The following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31, 2014 and 2013:

T. 4.33 **NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS**

in $ THOUS

	2014	2013
▸ **BEGINNING BALANCE AT JANUARY 1**	**648,251**	**523,260**
Contributions to noncontrolling interests	(142,696)	(122,179)
Purchase/sale of noncontrolling interests	83,252	6,723
Contributions from noncontrolling interests	16,064	17,767
Changes in fair value of noncontrolling interests	89,767	108,575
Net income	133,593	113,156
Other comprehensive income (loss)	(3,573)	949
▸ **ENDING BALANCE AT DECEMBER 31**	**824,658**	**648,251**

14. SHAREHOLDERS' EQUITY

Capital stock

The general partner has no equity interest in the company and, therefore, does not participate in either the assets or the profits and losses of the company. However, the general partner is compensated for all outlays in connection with conducting the company's business, including the remuneration of members of the management board and the supervisory board see note 3.

The general meeting of a partnership limited by shares may approve authorized capital (genehmigtes Kapital). The resolution creating authorized capital requires the affirmative vote of a majority of three quarters of the capital represented at the vote and may authorize the management board to issue shares up to a stated amount for a period of up to five years. The nominal value of any proposed increase of the authorized capital may not exceed half of the issued capital stock at the time of the authorization.

In addition, the general meeting of a partnership limited by shares may create conditional capital (bedingtes Kapital) for the purpose of issuing (i) shares to holders of convertible bonds or other securities which grant a right to shares, (ii) shares as the consideration in a merger with another company, or (iii) shares offered to management or employees. In each case, the authorizing resolution requires the affirmative vote of a majority of three quarters of the capital represented at the vote. The nominal value for any proposed increase of the conditional capital may not exceed half or, in the case of conditional capital created for the purpose of issuing shares to management and employees, 10% of the company's issued capital at the time of the resolution.

All resolutions increasing the capital of a partnership limited by shares also require the consent of the general partner in order for the resolutions to go into effect.

Following the conversion of all 3,975,533 outstanding preference shares into ordinary shares (approved at FMC AG & CO. KGAA's annual general meeting (AGM) and preference shareholder meeting held on May 16, 2013) in the amount of €3,976 ($4,465) on a 1:1 basis, subscribed capital at December 31, 2013 comprised solely ordinary shares. In addition, 32,006 options associated with the preference shares were converted into options associated with ordinary shares. At the time of preference share conversion, there were no dividend arrearages.

On July 5, 2013, the company received a €27,000 ($34,784) premium from the largest former preference shareholder, a European financial institution, for the conversion of their preference shares to ordinary shares. This amount was recorded as an increase in equity.

Authorized capital

By resolution of the AGM on May 11, 2010, the general partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the company's share capital until May 10, 2015 up to a total of €35,000 through issue of new bearer ordinary shares for cash contributions, "authorized capital 2010/I". Additionally, the newly issued shares may be taken up by financial institutions nominated by the general partner with the obligation to offer them to the shareholders of the company (indirect pre-emption rights). The general partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such an exclusion of pre-emption rights will be permissible for fractional amounts. No authorized capital 2010/I has been issued at December 31, 2014.

In addition, by resolution of the AGM of shareholders on May 11, 2010, the general partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the share capital of the company until May 10, 2015 up to a total of €25,000 through the issue of new bearer ordinary shares for cash contributions or contributions in kind, "authorized capital 2010/II". The general partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such exclusion of pre-emption rights will be permissible only if (i) in case of a capital increase against cash contributions, the nominal value of the issued shares does not exceed 10% of the nominal share value of the company's share capital and the issue price for the new shares is at the time of the determination by the general partner not significantly lower than the stock price in Germany of the existing listed shares of the same class and with the same rights or, (ii) in case of a capital increase against contributions in kind, the purpose of such increase is to acquire an enterprise, parts of an enterprise or an interest in an enterprise. No authorized capital 2010/II has been issued at December 31, 2014.

Authorized capital 2010/I and authorized capital 2010/II became effective upon registration with the commercial register of the local court in Hof an der Saale on May 25, 2010.

Conditional capital

By resolution of the company's AGM on May 12, 2011, the company's share capital was conditionally increased with regards to the 2011 stock option plan (2011 SOP) by up to €12,000 subject to the issue of up to 12 M no par value bearer ordinary shares with a nominal value of €1.00 each. For further information, see note 17.

By resolution of the company's AGM on May 9, 2006, as amended by the AGM on May 15, 2007, resolving a three-for-one share split, the company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a nominal value of €1.00. This conditional capital increase can only be effected by the exercise of stock options under the company's stock option plan 2006 with each stock option awarded exercisable for one ordinary share see note 17. The company has the right to deliver ordinary shares that it owns or purchases in the market in place of increasing capital by issuing new shares.

Through the company's other employee participation programs, the company has issued convertible bonds and stock option/subscription rights (Bezugsrechte) to employees and the members of the management board of the general partner and employees and members of management of affiliated companies that entitle these persons to receive shares. At December 31, 2014, 9,189,631 convertible bonds or options remained outstanding with a remaining average term of 4.59 years under these programs. For the year ending December 31, 2014, 2,108,521 options had been exercised under these employee participation plans see note 17.

As the result of the company's three-for-one stock split for both then-outstanding preference and ordinary shares, which was approved by the shareholders at the AGM on May 15, 2007, on June 15, 2007 the company's conditional capital was increased by $6,557 (€4,454). Conditional capital available for all programs at December 31, 2014 is $25,932 (€21,359) which includes $14,569 (€12,000) for the 2011 SOP, $7,007 (€5,771) for the 2006 plan and $4,356 (€3,588) for the 2001 plan see note 17.

Treasury stock

By resolution of the company's AGM on May 12, 2011, the company was authorized to conduct a share buy-back program to repurchase ordinary shares. On April 4, 2013, the company issued an ad hoc announcement of a share buy-back program in the aggregate value of up to €385,000 (approximately $500,000). The buy-back started on May 20, 2013 and was completed on August 14, 2013 after 7,548,951 shares had been repurchased in the amount of €384,966 ($505,014). These shares are restricted treasury stock which means there are no associated dividends or voting rights. These treasury shares will be used solely to either reduce the registered share capital of the company by cancellation of the acquired shares, or to fulfill employee participation programs of the company.

The following tabular disclosure provides the monthly detail of shares repurchased during the buy-back program, which ended on August 14, 2013:

T. 4.34 **SHARE BUYBACK**

	Average price paid per share		*Total number of shares purchased as part of publicly announced plans or programs*	*Total value of shares repurchased*	
	in €	*in $[1]*		*in €[3]*	*in $[2, 3]*
				in THOUS	
May 2013	52.96	68.48	1,078,255	57,107	73,842
June 2013	53.05	69.95	2,502,552	132,769	175,047
July 2013	49.42	64.63	2,972,770	146,916	192,124
August 2013	48.40	64.30	995,374	48,174	64,001
▸ **TOTAL**	**51.00**	**66.90**	**7,548,951**	**384,966**	**505,014**

[1] *The dollar value is calculated using the daily exchange rate for the share repurchases made during the month.*
[2] *The value of the shares repurchased in dollar is calculated using the total value of the shares purchased in Euro converted using the daily exchange rate for the transactions.*
[3] *This amount is inclusive of fees (net of taxes) paid in the amount of approximately $106 (€81) for services rendered.*

Dividends

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius Medical Care AG & Co. KGaA as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch). In addition, the payment of dividends by FMC AG & CO. KGAA is subject to limitations under the amended 2012 credit agreement see note 11.

Cash dividends of $317,903 for 2013 in the amount of €0.77 per ordinary share were paid on May 16, 2014. Cash dividends of $296,134 for 2012 in the amount of €0.77 per then-outstanding preference share and €0.75 per ordinary share were paid on May 17, 2013.

15. SOURCES OF REVENUE

Below is a table showing the sources of our U.S. patient service revenue (net of contractual allowance and discounts but before patient service bad debt provision), included in the company's health care revenue, for the years ended December 31, 2014 and 2013. Outside of the U.S., the company does not recognize patient service revenue at the time the services are rendered without assessing the patient's ability to pay. Accordingly, the additional disclosure requirements introduced with ASU 2011-07 only apply to the U.S. patient service revenue.

T. 4.35 **U.S. PATIENT SERVICE REVENUE**

in $ THOUS

	2014	2013
Medicare program	4,677,053	4,411,285
Private/alternative payors	4,278,847	3,841,473
Medicaid and other government sources	433,092	392,908
Hospitals	568,859	411,340
▸ **TOTAL PATIENT SERVICE REVENUE**	**9,957,851**	**9,057,006**

16. EARNINGS PER SHARE

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for 2014 and 2013:

T. 4.36 **RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE**

in $ THOUS, except share data

	2014	2013
Numerators		
Net income attributable to shareholders of FMC AG & Co. KGaA	1,045,266	1,109,890
Denominators		
Weighted average number of		
Ordinary shares outstanding	302,339,124	301,877,303
Preference shares outstanding[1]	–	1,937,819
▸ **TOTAL WEIGHTED AVERAGE SHARES OUTSTANDING**	**302,339,124**	**303,815,122**
Potentially dilutive ordinary shares	528,772	673,089
▸ **TOTAL WEIGHTED AVERAGE ORDINARY SHARES OUTSTANDING ASSUMING DILUTION**	**302,867,896**	**302,550,392**
Basic earnings per share	3.46	3.65
Fully diluted earnings per share	3.45	3.65

[1] *As of the preference share conversion on June 28, 2013, the company no longer has two classes of shares.*

17. STOCK OPTIONS

Fresenius Medical Care AG & Co. KGaA stock options and other share-based plans

In connection with its equity-settled stock option programs, the Company incurred compensation expense of $6,307 and $13,593 for the years ending December 31, 2014 and 2013, respectively. There were no capitalized compensation costs in any of the three years presented. The Company also recorded a related deferred income tax of $1,384 and $3,828 for the years ending December 31, 2014 and 2013, respectively.

At December 31, 2014, the company has various stock-based compensation plans as follows:

Fresenius Medical Care AG & Co. KGaA long term incentive program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA stock option plan 2011 (2011 SOP) was established by resolution of the company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the general partner's management and supervisory boards, forms the company's long term incentive program 2011 (2011 incentive program). Under the 2011 incentive program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 incentive program will be

granted over a five year period and can be granted on the last Monday in July and/or the first Monday in December each year. Generally, and prior to the respective grants, participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. For grants made in 2014 and for participants not belonging to the general partner's management board, the grant ratio was predefined at 50:50. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following the company's AGM and with respect to the grants made in December, on the first Monday in October. Awards under the 2011 incentive program are subject to a four-year vesting period. Vesting of the awards granted is subject to achievement of performance targets. The 2011 incentive program was established with a conditional capital increase up to €12,000 subject to the issue of up to 12 M non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

The management board, members of the management boards of the company's affiliated companies and the managerial staff members of the company and of certain affiliated companies are entitled to participate in the 2011 incentive program. With respect to participants who are members of the management board, the general partner's supervisory board has sole authority to make plan interpretations, decide on certain adjustments and to grant awards under the 2011 incentive program. The general partner has such authority with respect to all other participants in the 2011 incentive program.

The exercise price of stock options granted under the 2011 incentive program shall be the average stock exchange price on the Frankfurt Stock Exchange of the company's shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 incentive program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 incentive program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock awards under the 2011 incentive program entitle the holders to receive payment in Euro from the company upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the share price on the Frankfurt Stock Exchange of one of the company's shares on the exercise date. Phantom stock awards have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date, however a shorter period may apply for certain exceptions. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

During 2014, under the 2011 incentive program, the company awarded 1,677,360 stock options, including 273,900 stock options granted to the management board, at a weighted average exercise price of $61.14 (€50.35), a weighted average fair value of $12.21 each and a total fair value of $20,479 which will be amortized over the four-year vesting period. The company also awarded 299,547 shares of phantom stock, including 24,950 shares of phantom stock granted to members of the management board at a measurement date weighted average fair value of $70.62 (€58.17) each and a total fair value of $21,155, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2013, the company awarded 2,141,076 stock options under the 2011 incentive program, including 328,680 stock options granted to the management board at a weighted average exercise price of $68.61 (€49.75), a weighted average fair value of $11.88 each and a total fair value of $25,431, which will be amortized over the four-year vesting period. The company awarded 186,392 phantom shares, including 25,006 phantom shares granted to the management board at a measurement date weighted average fair value of $66.50 (€48.22) each and a total fair value of $12,395 which will be revalued if the fair value changes, and amortized over the four year vesting period.

Incentive plan

In 2014, the management board was eligible for performance–related compensation that depended upon achievement of targets. The targets are measured by reference to operating income margin, net income growth and free cash flow (net cash provided by operating activities after capital expenditures before acquisitions and investments) in percentage of revenue, and are derived from the comparison of targeted and actually achieved current year figures. Targets are divided into group level targets and those to be achieved in individual regions and areas of responsibility.

Performance-related bonuses for fiscal year 2014 will consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component will be paid after the end of 2014. The share-based component is subject to a three- or four-year vesting period, although a shorter period may apply in special cases. The amount of cash for the payment relating to the share-based component shall be based on the share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise. The amount of the achievable bonus for each of the members of the management board is capped.

Share-based compensation related to this plan for years 2014 and 2013 was $1,040 and $1,110, respectively.

Fresenius Medical Care AG & Co. KGaA stock option plan 2006

The Fresenius Medical Care AG & Co. KGaA stock option plan 2006 (amended 2006 plan)was established with a conditional capital increase up to €12,800, subject to the issue of up to 5 M no par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. In connection with the share split affected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to €15,000 by the issue of up to 15 M new non-par value bearer ordinary shares. After December 2010, no further grants were issued under the amended 2006 plan. Options granted under this plan are exercisable through December 2017.

Options granted under the amended 2006 plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the amended 2006 plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

Fresenius Medical Care 2001 international stock option plan

Under the Fresenius Medical Care 2001 international stock incentive plan (the 2001 plan), options in the form of convertible bonds with a principal of up to €10,240 were issued to the management board and other employees of the company representing grants for up to 4 M non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split affected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate.

Based on the resolution of the annual general meeting and the separate meeting of the preference shareholders on May 16, 2013 regarding the conversion of all preference shares into ordinary shares, the 2001 plan was amended accordingly. The partial amount of the capital increase which was formerly referred to as the issuance of bearer preference shares will now be referred exclusively to the issuance of bearer ordinary shares.

Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under this plan after 2005. The outstanding options will expire before 2016.

Additional stock option plans information

At December 31, 2014, the management board held 1,485,076 stock options and employees of the company held 7,704,555 stock options under the various stock-based compensation plans of the company. No stock options for preference shares were outstanding, due to the preference share conversion during the second quarter of 2013.

At December 31, 2014, the management board held 66,960 phantom shares and employees of the company held 666,038 phantom shares under the 2011 incentive plan.

The table below provides reconciliations for stock options outstanding at December 31, 2014, as compared to December 31, 2013.

T. 4.37 **RECONCILIATION OF OPTIONS OUTSTANDING**

	Options	*Weighted average exercise price*	
	in THOUS	*in €*	*in $*
Stock options for shares			
▸ **BALANCE AT DECEMBER 31, 2013**	**10,791**	**45.83**	**55.64**
Granted	1,677	50.35	61.14
Exercised	2,109	35.17	42.70
Forfeited	1,170	51.81	62.90
▸ **BALANCE AT DECEMBER 31, 2014**	**9,189**	**48.34**	**58.69**

The following table provides a summary of fully vested options outstanding and exercisable at December 31, 2014:

T. 4.38 **FULLY VESTED OUTSTANDING AND EXERCISABLE OPTIONS**

	Number of options	*Weighted average remaining contractual life*	*Weighted average exercise price*		*Aggregate intrinsic value*	
	in THOUS	*in years*	*in €*	*in $*	*in €*	*in $*
Options for ordinary shares	2,539	1.84	37.38	45.38	62,139	75,443

At December 31, 2014, there was $32,040 of total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted-average period of 1.95 years.

During the years ended December 31, 2014 and 2013, the Company received cash of $98,523 and $102,418, respectively, from the exercise of stock options see note 14. The intrinsic value of convertible bonds and stock options exercised for the twelve-month periods ending December 31, 2014 and 2013 was $47,396 and $52,203, respectively. The Company recorded a cash inflow for income taxes from stock option exercises of $8,529 and $8,882 for the years ending December 31, 2014 and 2013, respectively. The excess tax benefit allocated to additional paid-in capital for the twelve-month periods ending December 31, 2014 and 2013 was $4,056 and $3,897, respectively.

In connection with cash-settled share based payment transactions under the 2011 Incentive Program the Company recognized expense of $5,389 and $3,559 for the years ending December 31, 2014 and 2013, respectively.

Fair value information

The company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the amended 2006 plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. The assumptions used to determine the fair value of the 2014 and 2013 grants are as follows:

T. 4.39 **ASSUMPTIONS**

	2014	2013
Expected dividend yield *in %*	1.99	2.02
Risk-free interest rate *in %*	0.83	1.33
Expected volatility *in %*	22.16	22.44
Expected life of options *in years*	8	8
Weighted average exercise price *in €*	50.35	49.75
Weighted average exercise price *in $*	61.14	68.61

Subsidiary stock incentive plans

Subsidiary stock incentive plans were established during 2014 in conjunction with two acquisitions made by the company. Under these plans, two of the company's subsidiaries are authorized to issue a total of 396,044,859 Incentive units. The incentive units have two types of vesting conditions – a service condition and a performance condition. Of the total incentive units granted, 80% vest ratably over a four year period and twenty percent vest upon the achievement of certain of the relevant subsidiary's performance targets over the next 6 years (the performance units).

Fifty percent of the performance units will vest upon achievement of performance targets in 2017. The remaining 50%, plus any unvested performance units, will vest upon achievement of performance targets in 2019. All of the performance units will vest upon achievement of performance targets in 2020, if not previously vested. Additionally, for one of the subsidiaries, all performance units not previously vested will vest upon successful completion of an initial public offering.

As of December 31, 2014, there was $20,005 of total unrecognized compensation cost related to unvested incentive units under the plans. That cost is expected to be recognized over a weighted average period of six years.

The company used the Monte Carlo pricing model in determining the fair value of the awards under this incentive plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries.

18. INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

T. 4.40 **INCOME BEFORE INCOME TAXES**
in $ THOUS

	2014	2013
Germany	243,684	234,336
United States	1,262,570	1,254,690
Other	337,152	358,609
▸ **TOTAL**	**1,843,406**	**1,847,635**

Income tax expense (benefit) for the years ended December 31, 2014 and 2013, consisted of the following:

T. 4.41 **EXPENSE (BENEFIT) FOR INCOME TAXES**

in $ THOUS

	2014	2013
Current		
Germany	72,613	81,117
United States	270,676	387,017
Other	141,291	116,186
▸ **TOTAL CURRENT**	**484,580**	**584,320**
Deferred		
Germany	(22,651)	(33,106)
United States	152,423	47,298
Other	(30,754)	(6,500)
▸ **TOTAL DEFERRED**	**99,018**	**7,692**
▸ **TOTAL**	**583,598**	**592,012**

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The German combined statutory tax rates were 29.20%, and 29.16% for the fiscal years ended December 31, 2014 and 2013, respectively.

T. 4.42 **RECONCILIATION OF INCOME TAXES**

in $ THOUS

	2014	2013
Expected corporate income tax expense	538,275	538,770
Tax free income	(39,441)	(64,141)
Income from equity method investees	(5,476)	(4,869)
Tax rate differentials	148,294	132,977
Non-deductible expenses	25,161	20,564
Taxes for prior years	(25,247)	(6,389)
Change in valuation allowance	6,284	3,154
Noncontrolling partnership interests	(81,594)	(55,023)
Other	17,342	26,969
▸ **ACTUAL INCOME TAX EXPENSE**	**583,598**	**592,012**
▸ **EFFECTIVE TAX RATE**	**31.7%**	**32.0%**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2014 and 2013, are presented below:

T. 4.43 **DEFERRED INCOME TAX ASSETS AND LIABILITIES**

in $ THOUS

	2014	*2013*
Deferred tax assets		
Accounts receivable	7,007	8,789
Inventory	9,424	9,731
Property, plant and equipment, intangible and other non-current assets	29,144	20,093
Accrued expenses and other liabilities	285,333	305,664
Pensions	170,659	97,958
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	138,934	141,727
Derivatives	10,912	2,169
Stock-based compensation	11,934	22,710
Other	12,407	13,632
▸ **TOTAL DEFERRED TAX ASSETS**	**675,754**	**622,473**
Less: valuation allowance	(49,479)	(48,563)
▸ **NET DEFERRED TAX ASSETS**	**626,275**	**573,910**
Deferred tax liabilities		
Accounts receivable	40,453	43,031
Inventory	10,316	12,264
Property, plant and equipment, intangible and other non-current assets	867,677	776,254
Accrued expenses and other liabilities	10,368	17,197
Derivatives	4,177	2,274
Other	146,274	117,255
▸ **TOTAL DEFERRED TAX LIABILITIES**	**1,079,265**	**968,275**
▸ **NET DEFERRED TAX ASSETS (LIABILITIES)**	**(452,990)**	**(394,365)**

The valuation allowance increased by $916 in 2014 and increased by $4,372 in 2013.

The net operating losses included in the table below reflect U.S. federal tax, German corporate income tax, and other tax loss carryforwards in the various countries in which we operate:

T. 4.44 **NET OPERATING LOSS CARRYFORWARDS**

in $ THOUS

2015	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024 and thereafter*	*Without expiration date*	***Total***
12,083	16,516	23,223	24,469	40,685	10,150	7,216	11,811	9,434	33,367	101,003	**289,957**

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2014.

The company provides for income taxes and foreign withholding taxes on the cumulative earnings of foreign subsidiaries that will not be reinvested. At December 31, 2014, the company provided for $11,426 (2013: $8,396) of deferred tax liabilities associated with earnings that are likely to be distributed in 2015 and the following years. Provision has not been made for additional taxes on $6,622,324 (2013: $6,269,794) undistributed earnings of foreign subsidiaries as these earnings are considered indefinitely reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends; however calculation of such additional tax is not practicable. These taxes would predominantly comprise foreign withholding tax on dividends of foreign subsidiaries, and German income tax of approximately 1.5% on all dividends and capital gains.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, the tax audit for the years 2002 through 2005 was completed during 2014 and resulted in payments totaling €76,232 ($101,274 for the period ended December 31, 2014), which had been previously provided for. The tax years 2006 through 2012 are currently under audit by the tax authorities. Fiscal years 2013 until 2014 are open to audit.

In the U.S., the tax years 2011 and 2012 are currently under audit by the tax authorities. Fiscal years 2013 until 2014 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the financial statements.

The company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions for civil settlement payments taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately $126,000. On December 22, 2008, the company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of $95,000. On May 31, 2013, the District Court entered final judgment for FMCH in the refund amount of $50,400. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston). On August 13, 2014, the United States Court of Appeals for the First Circuit (Boston) affirmed the District Court's order. The District Court judgment became final upon the government's decision not to seek a writ of certiorari from the United States Supreme Court. Accordingly, the company recorded a net tax benefit of approximately $23,000 in the fourth quarter of 2014.

Subsidiaries of FMC AG & CO. KGAA in a number of countries outside of Germany and the U.S. are also subject to tax audits. The company estimates that the effects of such tax audits are not material to these consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

T. 4.45 **RECONCILIATION OF UNRECOGNIZED TAX BENEFITS (NET OF INTEREST)**

in $ THOUS

	2014	*2013*
▸ **BALANCE AT JANUARY 1**	**199,924**	**225,198**
Increases in unrecognized tax benefits prior periods	35,584	25,260
Decreases in unrecognized tax benefits prior periods	(21,143)	(11,445)
Increases in unrecognized tax benefits current period	12,600	10,062
Changes related to settlements with tax authorities	(60,872)	(52,325)
Foreign currency translation	15	3,174
▸ **BALANCE AT DECEMBER 31**	**166,108**	**199,924**

Included in the balance at December 31, 2014 were $156,368 of unrecognized tax benefits which would affect the effective tax rate if recognized. The company is currently not in a position to forecast the timing and magnitude of changes in unrecognized tax benefits.

During the year ended December 31, 2014 the Company recognized benefits of $13,986 and in 2013 expenses of $2,155 in interest and penalties. At December 31, 2014 and December 31, 2013 the Company had a total accrual of tax related interest and penalties of $1,397 and $17,580, respectively.

19. OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2047. Rental expense recorded for operating leases for the years ended December 31, 2014 and 2013 was $729,387 and $670,963, respectively. For information regarding intercompany operating leases, see note 3a.

Future minimum rental payments under non-cancelable operating leases for the five years succeeding December 31, 2014 and thereafter are:

T. 4.46 **FUTURE MINIMUM RENTAL PAYMENTS**

in $ THOUS

	2015	*2016*	*2017*	*2018*	*2019*	*Thereafter*	***Total***
Future minimum rental payments	661,366	583,491	477,370	396,689	329,722	1,130,293	**3,578,931**

20. COMMITMENTS AND CONTINGENCIES

Legal and regulatory matters

The company is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the company currently deems to be material or noteworthy are described below. For the matters described below in which the company believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the company's view of the merits can occur. The company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

On August 27, 2012, Baxter Health International Inc. (Baxter) filed suit in the U.S. District Court for the Northern District of Illinois, styled Baxter International Inc., et al., v. Fresenius Medical Care Holdings, Inc., Case No. 12-CV-06890, alleging that the company's Liberty® cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. The company believes it has valid defenses to these claims, and will defend this litigation vigorously.

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed and anticipated to be filed in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and Granuflo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts, styled In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts subsequently established a similar consolidated litigation for such cases filed in Massachusetts county courts, styled In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O (Massachusetts Superior Court, Middlesex County). These lawsuits allege generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases have been filed in several state courts outside Massachusetts, in some of which the judicial authorities have established consolidated proceedings for their disposition. The attorneys general of Louisiana and Mississippi have also filed complaints under their state deceptive practice statutes and in their state courts based on allegations similar to those advanced in the personal injury litigation. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

Other litigation and potential exposures

On February 15, 2011, a whistleblower action under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that the company seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a subpoena seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH has cooperated fully in responding to the subpoena, and will vigorously contest the relator's complaint.

Subpoenas or search warrants have been issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Eastern Virginia and Rhode Island to American Access Care LLC (AAC), which the company acquired in October 2011, and to the company's subsidiary, Fresenius Vascular Care, Inc., which now operates former AAC centers as well as its own original facilities. Subpoenas have also been issued to certain of the company's outpatient hemodialysis facilities for records relating to vascular access treatment and monitoring. The company is cooperating fully in these investigations. Communications with certain of the investigating United States Attorney Offices indicate that the inquiry encompasses invoicing and coding for procedures commonly performed in vascular access centers and the documentary support for the medical necessity of such procedures. The AAC acquisition agreement contains customary indemnification obligations with respect to breaches of representations, warranties or covenants and certain other specified matters. As of October 18, 2013, a group of the prior owners of AAC exercised their right pursuant to the terms of the acquisition agreement to assume responsibility for responding to certain of the subpoenas. Pursuant to the AAC acquisition agreement the prior owners are obligated to indemnify the company for certain liabilities that might arise from those subpoenas. On February 9, 2015, the company reached an agreement in principle with the United States Attorney for the Southern District of Florida to resolve the Southern Florida (Miami) investigation, which arose from allegations made in whistleblower actions filed under seal in July 2011. Under the settlement, which remains contingent on judicial approval, the company will pay $1.2 M to the United States. The settlement and whistleblower complaint relate to actions prior to the company's acquisition of AAC by a physician no longer associated with the company.

The company has received communications alleging conduct in countries outside the U.S. and Germany that may violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Audit and Corporate Governance Committee of the company's supervisory board is conducting an investigation with the assistance of independent counsel. The company voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). The company's investigation and dialogue with the SEC and DOJ are ongoing. The company has received a subpoena from the SEC requesting additional documents and a request from the DOJ for copies of the documents provided to the SEC. The company is cooperating with the requests.

Conduct has been identified that may result in monetary penalties or other sanctions under the FCPA or other anti-bribery laws. In addition, the company's ability to conduct business in certain jurisdictions could be negatively impacted. The company has previously recorded a non-material accrual for an identified matter. Given the current status of the investigation and remediation activities, the company cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigation or remediation activities.

The company's independent counsel, in conjunction with the company's Compliance Department, has reviewed the company's anti-corruption compliance program, including internal controls related to compliance with international anti-bribery laws, and appropriate enhancements are being implemented. The company is fully committed to FCPA and other anti-bribery law compliance.

In December 2012, FMCH received a subpoena from the United States Attorney for the District of Massachusetts requesting production of a broad range of documents related to products manufactured by FMCH, electron-beam sterilization of dialyzers and the Liberty peritoneal dialysis cycler. FMCH has cooperated fully in the government's investigation. In December 2014, FMCH was advised that the government's investigation was precipitated by a whistleblower, who first filed a complaint under seal in June 2013. In September 2014, the government declined to intervene in the whistleblower's actions.

In January 2013, FMCH received a subpoena from the United States Attorney for the Western District of Louisiana requesting discovery responses relating to the Granuflo® and NaturaLyte® acid concentrate products that are also the subject of personal injury litigation described above. FMCH has cooperated fully in the government's investigation.

On June 13, 2014, the Ministry of Commerce of the People's Republic of China, (MOFCOM) launched an anti-dumping investigation into producers of hemodialysis equipment in the European Union and Japan, which includes certain of the company's subsidiaries. On December 17, 2014 the MOFCOM announced the termination of the investigation after the complaint had been withdrawn by the petitioner.

The company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions for civil settlement payments taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately $126,000. On December 22, 2008, the company filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of $95,000. On May 31, 2013, the District Court entered final judgment for FMCH in the refund amount of $50,400. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston). On August 13, 2014, the United States Court of Appeals for the First Circuit (Boston) affirmed the District Court's order. The District Court judgment became final upon the government's decision not to seek a writ of certiorari from the United States Supreme Court.

In August 2014, FMCH received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians, including contracts relating to the management of inpatient acute dialysis services. FMCH is cooperating in the investigation.

From time to time, the company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The company, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the company could be subject to significant adverse regulatory actions by the FDA and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the company to expend significant time and resources in order to implement appropriate corrective actions. If the company does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the U.S., these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the company's products and/or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to three pending FDA warning letters. The company must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, the company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the company's compliance with applicable laws and regulations. The company may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

The company operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the company's policies or violate applicable law. The actions of such persons may subject the company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the company's reputation and business.

The company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the company's reputation and business.

In addition to the contingent liabilities mentioned above, as well as in note 4 and 19, the amount of the company's other known contingent liabilities is immaterial.

21. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the company's non-derivative financial instruments at December 31, 2014, and December 31, 2013.

T. 4.47 **CARRYING AMOUNT AND FAIR VALUE OF NON-DERIVATIVE FINANCIAL INSTRUMENTS**

in $ THOUS, December 31

		2014		2013	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	1	633,855	633,855	682,777	682,777
Accounts receivable[1,2]	2	3,431,672	3,431,672	3,220,518	3,220,518
Available for sale financial assets	1	171,917	171,917	38,949	38,949
Notes receivables	3	180,250	180,308	165,807	175,768
Liabilities					
Accounts payable[1]	2	713,915	713,915	666,526	666,526
Short-term borrowings[1]	2	138,050	138,050	158,990	158,990
Long term debt, excluding amended 2012 credit agreement, senior notes, convertible bonds and euro notes	2	527,062	527,062	679,847	679,847
Amended 2012 credit agreement	2	2,900,222	2,900,222	2,707,145	2,710,270
Senior notes	2	5,514,947	5,992,859	4,824,753	5,348,679
Convertible bonds	2	451,653	531,193	–	–
Euro notes	2	–	–	46,545	47,423
Noncontrolling interests subject to put provisions	3	824,658	824,658	648,251	648,251

[1] *Also includes amounts from related parties.*
[2] *Includes long-term accounts receivable, which are included in "other assets and notes receivables" in the consolidated balance sheets.*

The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions or, in the case of long-term debt, in the captions shown in note 11.

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

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

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date.

The valuation of notes receivable was determined using significant unobservable inputs. They were valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates and that are within the company's industry. The company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value. See note 8 for further information on the long-term notes receivable.

The fair values of major long-term financial liabilities are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the company as of the balance sheet data are used.

The valuation of noncontrolling interests subject to put provisions is determined using significant unobservable inputs. See note 13 for a discussion of the company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

Derivative financial instruments

The company is exposed to market risk from changes in foreign exchange rates and interest rates. In order to manage the risk of currency exchange rate and interest rate fluctuations, the company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the company's general partner. On a quarterly basis, the company performs an assessment of its counterparty credit risk. The company currently considers this risk to be low. The company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The company does not use financial instruments for trading purposes.

The company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

To reduce the credit risk arising from derivatives the company concluded master netting agreements with banks. Through such agreements, positive and negative fair values of the derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

The company elects not to offset the fair values of derivative financial instruments subject to master netting agreements in the consolidated balance sheets.

At December 31, 2014 and December 31, 2013, the company had $26,820 and $18,334 of derivative financial assets subject to netting arrangements and $52,380 and $16,371 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of $13,856 and $12,169 as well as net liabilities of $39,416 and $10,207 at December 31, 2014 and December 31, 2013, respectively.

In connection with the issuance of the convertible bonds, the company purchased share options. Any increase of the company's share price above the conversion price would be offset by a corresponding value increase of the share options see note 11.

Foreign exchange risk management

The company conducts business on a global basis in various currencies, though a majority of its operations are in Germany and the United States. For financial reporting purposes, the company has chosen the U.S. dollar as its reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of the company's international operations are maintained affect its results of operations and financial position as reported in its consolidated financial statements.

The company's exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. The company has significant amounts of sales of products invoiced in euro from its European manufacturing facilities to its other international operations and, to a lesser extent, sales of products invoiced in other non-functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the company enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. At December 31, 2014 and December 31, 2013 the company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in AOCI. Additionally, in connection with intercompany loans in foreign currency, the company uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenues for those contracts that hedge product purchases or as an adjustment of interest income/expense for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled $401,555 and $238,983 at December 31, 2014 and December 31, 2013, respectively.

The company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currency that do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totaled $1,568,928 and $1,512,559 at December 31, 2014 and December 31, 2013, respectively.

Interest rate risk management

The company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The euro-denominated interest rate swaps expire between 2016 and 2019 and have a weighted average interest rate of 0.68%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

At December 31, 2014 and December 31, 2013, the notional amount of the euro-denominated interest rate swaps in place was €394,000 and €100,000 ($478,355 and $137,910 at December 31, 2014 and December 31, 2013, respectively). These interest rate swaps include swaps with a notional amount of €294,000 which became effective on January 30, 2015.

In addition, the company also enters into interest rate hedges (pre-hedges) in anticipation of future debt issuance, from time to time. These pre-hedges are used to hedge interest rate exposures with regard to interest rates which are relevant for the future debt issuance and which could rise until the debt is actually issued. These pre-hedges were settled at the issuance date of the corresponding debt with the settlement amount recorded in AOCI amortized to interest expense over the life of the pre-hedges. At December 31, 2014 and December 31, 2013, the company had $85,675 and $118,844, respectively, related to such settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

The following table shows the carrying amounts of the company's derivatives at December 31, 2014 and December 31, 2013.

T. 4.48 **DERIVATIVE FINANCIAL INSTRUMENTS VALUATION**

in $ THOUS, December 31

	2014		2013	
	Assets[2]	*Liabilities*[2]	*Assets*[2]	*Liabilities*[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	2,659	(24,509)	4,985	(2,719)
Non-current				
Foreign exchange contracts	–	(77)	759	(374)
Interest rate contracts	–	(4,779)	–	(4,392)
▸ **TOTAL**	**2,659**	**(29,365)**	**5,744**	**(7,485)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	25,582	(29,295)	11,679	(22,982)
Non-current				
Foreign exchange contracts	–	(137)	1,060	(820)
Derivatives embedded in the convertible bonds	–	(65,767)	–	–
Share options to secure the convertible bonds	65,767	–	–	–
▸ **TOTAL**	**91,349**	**(95,199)**	**12,739**	**(23,802)**

[1] *At December 31, 2014 and December 31, 2013, the valuation of the company's derivatives was determined using significant other observable inputs (level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.*
[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in prepaid expenses and other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in Accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the consolidated balance sheets in Other assets or Other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency. The fair value of the embedded derivative of the convertible bonds is calculated using the difference between the market value of the convertible bond and the market value of an adequate straight bond discounted with the market interest rates as of the reporting date.

The company includes its own credit risk for financial instruments deemed liabilities and counterparty-credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments.

T. 4.49

THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in $ THOUS

	Amount of gain or (loss) recognized in AOCI on derivatives (effective portion) for the year ended Dec. 31,		*Location of gain or (loss) reclassified from AOCI in income (effective portion)*	*Amount of gain or (loss) reclassified from AOCI in income (effective portion) for the year ended Dec. 31,*	
	2014	*2013*		***2014***	*2013*
Derivatives in cash flow hedging relationships					
Interest rate contracts	19,550	(6,601)	Interest income/expense	26,571	28,111
Foreign exchange contracts	(23,123)	3,684	Costs of revenue	2,549	(3,251)
Foreign exchange contracts			Interest income/expense	–	589
▸ **TOTAL**	**(3,573)**	**(2,917)**		**29,120**	**25,449**

	Location of (gain) or loss recognized in income on derivatives	*Amount of (gain) or loss recognized in income on derivatives for the year ended Dec. 31,*	
		2014	*2013*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	(83,901)	(15,190)
Foreign exchange contracts	Interest income/expense	6,483	7,161
▸ **TOTAL**		**(77,418)**	**(8,029)**

For foreign exchange derivatives, the company expects to recognize $13,840 of losses deferred in AOCI at December 31, 2014, in earnings during the next twelve months.

The company expects to incur additional interest expense of $22,332 over the next twelve months which is currently deferred in AOCI. This amount reflects the projected amortization of the settlement amount of the terminated swaps and the current fair value of the additional interest payments resulting from the interest rate swaps maturing between 2016 and 2019 at December 31, 2014.

At December 31, 2014, the company had foreign exchange derivatives with maturities of up to 17 months and interest rate swaps with maturities of up to 58 months.

22. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2014 and 2013 are as follows:

T. 4.50 — **OTHER COMPREHENSIVE INCOME (LOSS)**

in $ THOUS

	Pretax	*Tax effect*	*Net, before non-controlling interests*	*Non-controlling interests*	*Other comprehensive income (loss), net of tax*
2014					
Other comprehensive income (loss) relating to cash flow hedges					
Changes in fair value of cash flow hedges during the period	(3,573)	1,417	(2,156)	–	(2,156)
Reclassification adjustments	29,120	(8,385)	20,735	–	20,735
Total other comprehensive income (loss) relating to cash flow hedges	25,547	(6,968)	18,579	–	18,579
Foreign currency translation adjustment	(415,703)	–	(415,703)	(6,086)	(421,789)
Defined benefit pension plans					
Actuarial (loss) gain on defined benefit pension plans	(232,308)	81,476	(150,832)	–	(150,832)
Reclassification adjustments	17,147	(6,347)	10,800	–	10,800
Total other comprehensive income (loss) relating to defined benefit pension plans	(215,161)	75,129	(140,032)	–	(140,032)
▸ OTHER COMPREHENSIVE INCOME (LOSS)	**(605,317)**	**68,161**	**(537,156)**	**(6,086)**	**(543,242)**
2013					
Other comprehensive income (loss) relating to cash flow hedges					
Changes in fair value of cash flow hedges during the period	(2,917)	1,346	(1,571)	–	(1,571)
Reclassification adjustments	25,449	(7,393)	18,056	–	18,056
Total other comprehensive income (loss) relating to cash flow hedges	22,532	(6,047)	16,485	–	16,485
Foreign–currency translation adjustment	(112,395)	–	(112,395)	(2,044)	(114,439)
Defined benefit pension plans					
Actuarial (loss) gain on defined benefit pension plans	39,571	(17,828)	21,743	–	21,743
Reclassification adjustments	25,418	(9,725)	15,693	–	15,693
Total other comprehensive income (loss) relating to defined benefit pension plans	64,989	(27,553)	37,436	–	37,436
▸ OTHER COMPREHENSIVE INCOME (LOSS)	**(24,874)**	**(33,600)**	**(58,474)**	**(2,044)**	**(60,518)**

Changes in AOCI by component for the years ended December 31, 2014 and 2013 are as follows:

T. 4.51 **CHANGES IN AOCI BY COMPONENT**

in $ THOUS

	Gain (loss) related to cash flow hedges	*Actuarial gain (loss) on defined benefit pension plans*	*Gain (loss) related to foreign currency translation*	*Total, before non-controlling interests*	*Non-controlling interests*	***Total***
▸ **BALANCE AT DECEMBER 31, 2012**	**(138,341)**	**(179,423)**	**(174,349)**	**(492,113)**	**2,869**	**(489,244)**
Other comprehensive income before reclassifications	(1,571)	21,743	(112,395)	(92,223)	(2,044)	(94,267)
Amounts reclassified from AOCI	18,056	15,693	–	33,749	–	33,749
Net current-period other comprehensive income	16,485	37,436	(112,395)	(58,474)	(2,044)	(60,518)
▸ **BALANCE AT DECEMBER 31, 2013**	**(121,856)**	**(141,987)**	**(286,744)**	**(550,587)**	**825**	**(549,762)**
Other comprehensive income before reclassifications	(2,156)	(150,832)	(415,703)	(568,691)	(6,086)	(574,777)
Amounts reclassified from AOCI	20,735	10,800	–	31,535	–	31,535
Net current-period other comprehensive income	18,579	(140,032)	(415,703)	(537,156)	(6,086)	(543,242)
▸ **BALANCE AT DECEMBER 31, 2014**	**(103,277)**	**(282,019)**	**(702,447)**	**(1,087,743)**	**(5,261)**	**(1,093,004)**

Reclassifications out of AOCI for the years ended December 31, 2014 and 2013 are as follows:

T. 4.52 **RECLASSIFICATIONS OUT OF AOCI**

in $ THOUS

	Amount of (gain) loss reclassified from AOCI in income		*Location of (gain) loss reclassified from AOCI in income*
Details about AOCI components	***2014***	*2013*	
(Gain) loss related to cash flow hedges			
Interest rate contracts	26,571	28,111	Interest income/expense
Foreign exchange contracts	2,549	(3,251)	Costs of revenue
Foreign exchange contracts	–	589	Interest income/expense
	29,120	25,449	Total before tax
	(8,385)	(7,393)	Tax expense or benefit
	20,735	18,056	Net of tax
Actuarial (gain) loss on defined benefit pension plans			
Actuarial (gain) loss	17,147	25,418	[1]
	17,147	25,418	Total before tax
	(6,347)	(9,725)	Tax expense or benefit
	10,800	15,693	Net of tax
Total reclassifications for the period	31,535	33,749	Net of tax

[1] *Included in the computation of net periodic pension cost (see note 12 for additional details).*

23. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to the consolidated statements of cash flows:

T. 4.53 **SUPPLEMENTARY CASH FLOW INFORMATION**
in $ THOUS

	2014	2013
Supplementary cash flow information		
Cash paid for interest	379,978	374,648
Cash paid for income taxes[1]	689,954	542,625
Cash inflow for income taxes from stock option exercises[2]	8,529	8,882
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(2,505,027)	(417,669)
Liabilities assumed	450,808	31,335
Noncontrolling interest subject to put provisions	95,015	15,460
Noncontrolling interest	328,997	9,104
Pending payments for purchase considerations	18,253	66,917
Cash paid	(1,611,954)	(294,853)
Less cash acquired	132,433	6,858
▸ **NET CASH PAID FOR ACQUISITIONS**	**(1,479,521)**	**(287,995)**
Cash paid for investments	**(274,913)**	**(195,921)**
Cash paid for intangible assets	**(24,624)**	**(11,809)**
▸ **TOTAL CASH PAID FOR ACQUISITIONS AND INVESTMENTS, NET OF CASH ACQUIRED, AND PURCHASES OF INTANGIBLE ASSETS**	**(1,779,058)**	**(495,725)**

[1] *Net of tax refund.*
[2] *Thereof the excess tax benefit allocated to additional paid-in capital for the twelve-month periods ending December 31, 2014 and 2013 was $4,056 and $3,897, respectively.*

24. SEGMENT AND CORPORATE INFORMATION

The company has identified three operating segments, North America segment, EMEALA and Asia-Pacific, which were determined based upon how the company manages its businesses. All segments are primarily engaged in providing health care services and the distribution of products and equipment for the treatment of ESRD. For reporting purposes, the company has aggregated the EMEALA and Asia-Pacific operating segments as the International segment. The segments are aggregated due to their similar characteristics such as the same services provided and products sold, the same type of patient population and similar methods of distribution of products and services. The general partner's management board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the segments are the same as those the company applies in preparing the consolidated financial statements under U.S. GAAP.

Management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate U.S. GAAP measures are revenue, operating income and operating income margin. The company does not include income taxes as it believes this is outside the segments' control. Financing is a corporate function, which the company's segments do not control. Therefore, the company does not include interest expense relating to financing as a segment measurement. Similarly, the company does not allocate certain costs, which relate primarily to certain headquarters overhead charges, including accounting and finance (Corporate), because the company believes that these costs are also not within the control of the individual segments. Production of products, production asset management, quality management and procurement are centrally managed at Corporate by Global

Manufacturing Operations. The company's Global Research and Development is also centrally managed at Corporate. These Corporate activities do not fulfill the definition of a segment. Products are transferred to the segments at cost; therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as Corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as Corporate.

Information pertaining to the Company's segment and Corporate activities for the twelve-month periods ended December 31, 2014 and 2013 is set forth below.

T. 4.54 **SEGMENT AND CORPORATE INFORMATION**

in $ THOUS

	North America segment	*International segment*	*Segment total*	*Corporate*	***Total***
2014					
Net revenue external customers	10,500,095	5,265,011	15,765,106	66,507	15,831,613
Inter-segment revenue	8,992	343	9,335	(9,335)	–
▸ **REVENUE**	**10,509,087**	**5,265,354**	**15,774,441**	**57,172**	**15,831,613**
Depreciation and amortization	(364,137)	(190,698)	(554,835)	(144,493)	(699,328)
▸ **OPERATING INCOME**	**1,642,911**	**970,456**	**2,613,367**	**(358,834)**	**2,254,533**
Income (loss) from equity method investees	18,457	6,381	24,838	–	24,838
Segment assets	16,925,685	6,130,597	23,056,282	2,390,819	25,447,101
Thereof investments in equity method investees	291,118	385,704	676,822	–	676,822
Capital expenditures, acquisitions and investments[1]	2,006,585	413,124	2,419,709	290,976	2,710,685
2013					
Net revenue external customers	9,606,111	4,970,319	14,576,430	33,297	14,609,727
Inter-segment revenue	7,045	–	7,045	(7,045)	–
▸ **REVENUE**	**9,613,156**	**4,970,319**	**14,583,475**	**26,252**	**14,609,727**
Depreciation and amortization[2]	(331,397)	(188,104)	(519,501)	(128,724)	(648,225)
▸ **OPERATING INCOME**[3]	**1,623,071**	**897,191**	**2,520,262**	**(264,066)**	**2,256,196**
Income (loss) from equity method investees[4]	16,388	9,717	26,105	–	26,105
Segment assets	14,698,039	6,177,482	20,875,521	2,244,385	23,119,906
Thereof investments in equity method investees	268,370	396,076	664,446	–	664,446
Capital expenditures, acquisitions and investments[5]	789,340	286,420	1,075,760	167,903	1,243,663

[1] *North America and International acquisitions exclude $35,656 and $172,018, respectively, of non-cash acquisitions and investments for 2014.*
[2] *Depreciation in the amount of $3,560 relating to research and development has been reclassified between the North America Segment, the International Segment and Corporate to conform to the current year's presentation.*
[3] *Certain items, in the net aggregate amount of $37,970 relating to research and development, compensation expense and income from equity method investees have been reclassified between the North America Segment, the International Segment and Corporate to conform to the current year's presentation as applicable.*
[4] *Income (loss) from equity method investees in the amount of $5,136 has been reclassified between the North America Segment, the International Segment and Corporate to conform to the current year's presentation.*
[5] *North America and International acquisitions exclude $48,231 and $18,686, respectively, of non-cash acquisitions and investments for 2013.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the company's geographic operations is set forth in the table below:

T. 4.55 **GEOGRAPHIC DIVISION**

in $ THOUS

	2014		*2013*	
	Net revenue	*Long-lived assets*	*Net revenue*	*Long-lived assets*
Germany	456,937	543,184	437,459	609,040
North America	10,500,095	14,790,265	9,606,111	12,891,384
Rest of the world	4,874,581	3,182,123	4,566,157	3,226,779
▸ **TOTAL**	**15,831,613**	**18,515,572**	**14,609,727**	**16,727,203**

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The company's internal control over financial reporting is a process designed by or under the supervision of the company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2014, management conducted an assessment of the effectiveness of the company's internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment follows the guidance for management of the evaluation of internal controls over financial reporting released by the Securities and Exchange Commission on May 23, 2007. Based on this assessment, management has determined that the company's internal control over financial reporting is effective as of December 31, 2014.

The company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that the company's transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the company's receipts and expenditures are being made only in accordance with authorizations of the company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the company's financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's internal control over financial reporting as of December 31, 2014 has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included on page 236.

February 25, 2015

Fresenius Medical Care AG & Co. KGaA a partnership limited by shares, represented by:
Fresenius Medical Care Management AG, its general partner

RICE POWELL
Chief executive officer and chairman
of the management board of the general partner

MICHAEL BROSNAN
Chief financial officer and member
of the management board of the general Partner

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

TO THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the internal control over financial reporting of Fresenius Medical Care AG & Co. KGaA and subsidiaries ("Fresenius Medical Care" or the "Company") as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Fresenius Medical Care's management is responsible for maintaining effective internal control over financial reporting and its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresenius Medical Care maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresenius Medical Care as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 25, 2015 expressed an unqualified opinion on those consolidated financial statements.

Frankfurt am Main, Germany
February 25, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the company) as of December 31, 2014 and 2013 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

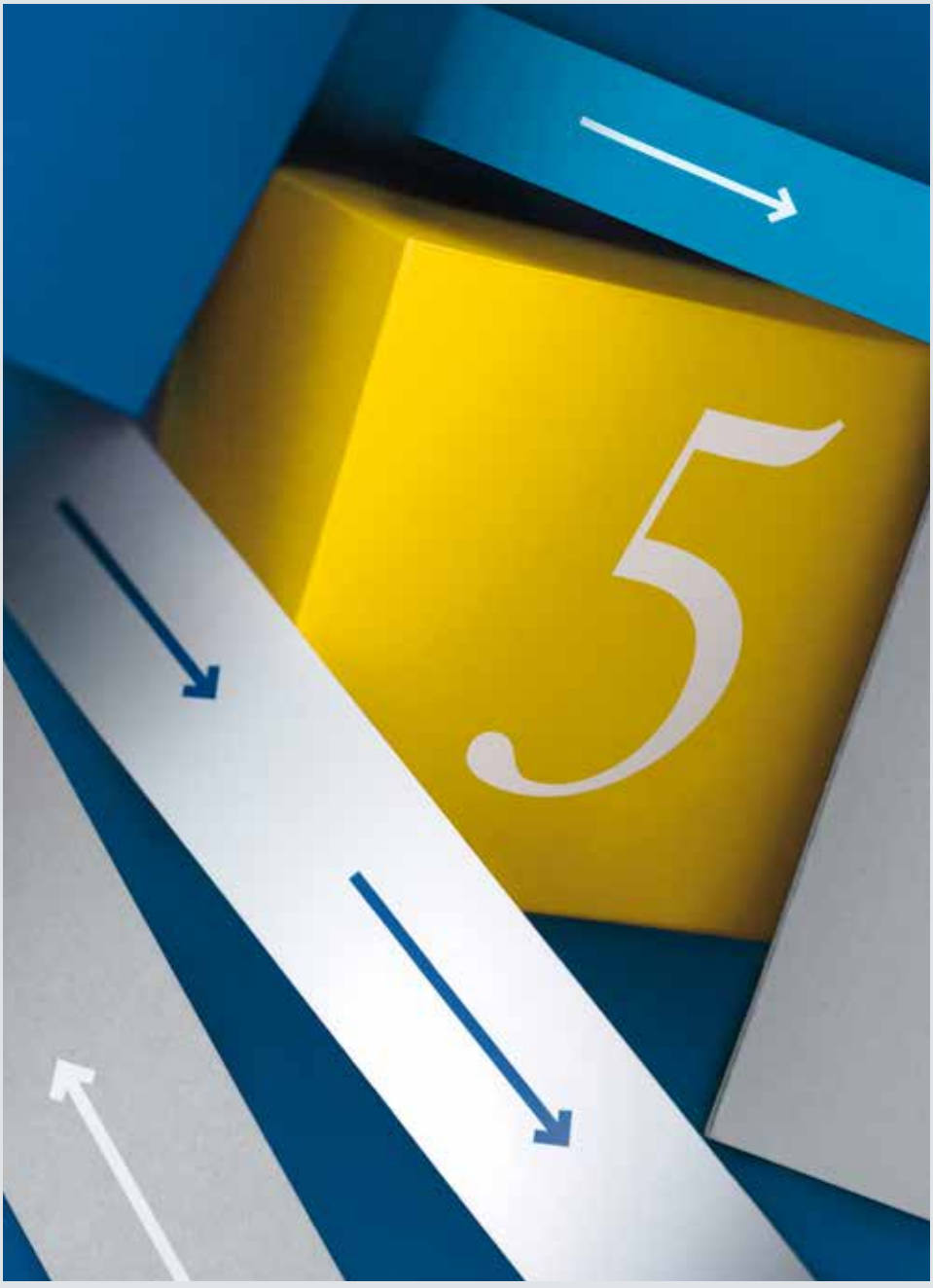
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresenius Medical Care as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresenius Medical Care's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015 expressed an unqualified opinion on the effectiveness of the company's internal control over financial reporting.

Frankfurt am Main, Germany
February 25, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Further information



CHAPTER 5

Further information

DIRECTORSHIPS

Fresenius Medical Care AG & Co. KGaA

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman

Supervisory board
Fresenius Management SE (Chairman)
Fresenius SE & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice chairman
Attorney and tax advisor

Supervisory board
Fresenius Management SE (Vice chairman)
Fresenius Medical Care Management AG (Vice chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice chairman)
TOPTICA Photonics AG (Chairman)

Board of administration
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Walter L. Weisman
Former chairman and chief executive officer of American Medical International, Inc.

Supervisory board
Fresenius Medical Care Management AG

Board of trustees
California Institute of Technology, U.S. (Senior trustee)
Los Angeles County Museum of Art, U.S. (Life trustee)
Oregon Shakespeare Festival (Trustee)
Sundance Institute, U.S. (Chairman, until October 1, 2014)

William P. Johnston
Former chairman of the board of directors of Renal Care Group, Inc.

Supervisory board
Fresenius Medical Care Management AG

Board of directors
The Hartford Mutual Funds, Inc., U.S.
HCR-Manor Care, Inc., U.S.

Others
The Carlyle Group, U.S. (Operating executive)

Prof. Dr. Bernd Fahrholz
Attorney

Supervisory board
SMARTRAC N.V., The Netherlands (Chairman, until June 30, 2014)

Rolf A. Classon
Chairman of the board of directors of Hill-Rom Holdings, Inc.

Supervisory board
Fresenius Medical Care Management AG

Board of directors
Auxilium Pharmaceuticals, Inc., U.S. (Chairman, until January 29, 2015)
Tecan Group Ltd., U.S. (Chairman)
Catalent, Inc., U.S. (since August 1, 2014)

Dr. Ben J. Lipps
Honorary chairman

SUPERVISORY BOARD COMMITTEES

Audit and Corporate Governance Committee
Dr. Walter L. Weisman (Chairman)
Prof. Dr. Bernd Fahrholz (Vice chairman)
William P. Johnston
Dr. Gerd Krick

Nomination Committee
Dr. Gerd Krick (Chairman)
Dr. Dieter Schenk
Dr. Walter L. Weisman

Joined Committee[1]
William P. Johnston
Dr. Gerd Krick[2]
Dr. Walter L. Weisman

Ad-hoc Committee
Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Prof. Dr. Bernd Fahrholz

[1] *Dr. Ulf M. Schneider is an additional member of the Joint Committee of Fresenius Medical Care Management AG. He is not a member of the supervisory board of Fresenius Medical Care AG & Co. KGaA.*
[2] *Member of the Joint Committee as representative of Fresenius Medical Care Management AG.*

Fresenius Medical Care Management AG
General partner of Fresenius Medical Care AG & Co. KGaA

SUPERVISORY BOARD

Dr. Ulf M. Schneider
Chairman

Management board
Fresenius Management SE,
General partner of Fresenius
SE & Co. KGaA
(Chairman)

Supervisory board
Fresenius Kabi AG
(Chairman)
HELIOS Kliniken GmbH
(Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Medical Care Groupe
France S.A.S., France (Chairman,
until December 31, 2014)
FPS Beteiligungs AG (Chairman)

Board of directors
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi U.S., Inc., U.S.
E.I. Du Pont de Nemours and
Company, U.S.
(since October 22, 2014)

Dr. Dieter Schenk
Vice chairman

Dr. Gerd Krick

Dr. Walter L. Weisman

William P. Johnston

Rolf A. Classon

Dr. Ben J. Lipps
Honorary chairman

MANAGEMENT BOARD

Rice Powell
Chairman and chief executive
officer

Management board
Fresenius Management SE,
general partner of Fresenius
SE & Co. KGaA

Board of directors
Fresenius Medical Care Holdings,
Inc., U.S.
(Chairman)

Board of administration
Vifor Fresenius Medical Care Renal
Pharma Ltd., Switzerland
(Vice chairman)

Michael Brosnan
Chief financial officer

Board of directors
Fresenius Medical Care Holdings,
Inc., U.S.

Board of administration
Vifor Fresenius Medical Care Renal
Pharma Ltd., Switzerland

Roberto Fusté
Chief executive officer for
Asia-Pacific

Ronald Kuerbitz
Chief executive officer for
North America

Board of directors
Fresenius Medical Care Holdings,
Inc., U.S.
SCSG EA Acquisition Co., Inc., U.S.

Dr. Olaf Schermeier
Chief executive officer for Research and Development

Kent Wanzek
Chief executive officer for Global Manufacturing Operations

Board of directors
Fresenius Medical Care Holdings, Inc., U.S.

Dominik Wehner
Chief executive officer for Europe, Middle East and Africa and labor relations director for Germany (since April 1, 2014)

Board of administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Prof. Emanuele Gatti
Chief executive officer for Europe, Latin America, Middle East and Africa, global chief strategist (until March 31, 2014)

Management board
Fresenius Medical Care España S.A., Spain
(Chairman)
National Medical Care of Spain S.A., Spain

Supervisory board
Fresenius Medical Care Groupe France S.A.S., France
(Vice chairman)

Others
Italian Chamber of Commerce for Germany
(President)

Dr. Rainer Runte
Chief administrative officer for Global Law, Compliance and Intellectual Property, Corporate Business Development and labor relations director for Germany (until March 31, 2014)

Board of directors
Fresenius Medical Care Holdings, Inc., U.S.
(until March 31, 2014)

Supervisory board
Fresenius Medical Care Groupe France S.A.S., France
(until March 31, 2014)
Fresenius Medical Care SGPS, S.A., Portugal
(until March 31, 2014)
Fresenius Medical Care Japan, K.K., Japan
(until March 28, 2014)
Fresenius-Kawasumi Co., Ltd., Japan
(until March 28, 2014)

Board of administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (until May 20, 2014)

SUPERVISORY BOARD COMMITTEES

Human Resources Committee
Dr. Ulf M. Schneider
(Chairman)
Dr. Gerd Krick
(Vice chairman)
Dr. Walter L. Weisman
William P. Johnston

Regulatory and Reimbursement Assessment Committee
William P. Johnston
(Chairman)
Rolf A. Classon
(Vice chairman)
Dr. Dieter Schenk

NOMINATION COMMITTEE

Dr. Ulf M. Schneider (Chairman)
Dr. Gerd Krick
Dr. Walter L. Weisman

T. 5.1

EUROPE/MIDDLE EAST/AFRICA

Germany	FMC Deutschland GmbH	Bad Homburg v.d.H.	100%
France	FMC France S.A.S.	Créteil	100%
Great Britain	FMC (U.K.) Ltd.	Nottinghamshire	100%
Serbia	FMC Srbija d.o.o.	Vršac	100%
Italy	FMC Italia S.p.A.	Cremona	100%
Spain	NMC of Spain S.A.U.	Madrid	100%
South Africa	FMC South Africa (Pty.) Ltd.	Johannesburg	100%
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100%
Belgium	FMC Belgium N.V.	Antwerp	100%
Morocco	FMC Nord Ouest et Centre Afrique S.A.	Casablanca	100%
Ireland	FMC (Ireland) Ltd.	Dublin	100%
Poland	FMC Polska S.A.	Poznań	100%
Portugal	NephroCare Portugal S.A.	Lisbon	100%
Romania	FMC Romania S.r.l.	Bucharest	100%
United Arab Emirates	FMC Gulf FZ LLC	Dubai	100%
Croatia	Euromedical d.o.o.	Zagreb	100%
Russia	ZAO Fresenius S.P.	Moscow	100%
Slovakia	FMC Slovensko, spol. s.r.o.	Pieštany	100%
Slovenia	FMC Slovenija d.o.o.	Zreče	100%
Czech Republic	FMC DS s.r.o.	Prague	100%
Hungary	FMC Dializis Center Kft.	Budapest	100%
Sweden	FMC Sverige AB	Stockholm	100%
Ukraine	FMC Ukraine TOV	Kiev	100%
Finland	FMC Suomi OY	Helsinki	100%
Lebanon	FMC Lebanon S.a.r.l.	Beirut	99%
The Netherlands	FMC Nederland B.V.	Nieuwkuijk	100%
Austria	FMC Austria GmbH	Vienna	100%
Denmark	FMC Danmark A/S	Taastrup	100%
Switzerland	FMC (Schweiz) AG	Oberdorf	100%
Bosnia & Herzegovina	FMC BH d.o.o.	Sarajevo	100%
Estonia	FMC Estonia OÜ	Tartu	100%
Bulgaria	FMC Bulgaria EOOD	Gabrovo	100%
Kazakhstan	FMC Kazakhstan LLP	Almaty	100%

NORTH AMERICA

U.S.	FMC Holdings Inc.	New York	100%
Mexico	FMC de México S.A. de C.V.	Guadalajara	100%

LATIN AMERICA

Argentina	FMC Argentina S.A.	Buenos Aires	100%
Colombia	FMC Colombia S.A.	Bogotá	100%
Brazil	FMC Ltda.	São Paulo	100%
Chile	FMC Chile S.A.	Santiago de Chile	100%
Venezuela	FMC de Venezuela C.A.	Caracas	100%
Peru	FMC del Perú S.A.	Lima	100%
Ecuador	Nefrocontrol S.A.	Quito	100%
The Netherlands Antilles	Caribbean Medic Healthcare N.V.	Curaçao	100%

ASIA-PACIFIC

Australia	FMC Australia Pty. Ltd.	Sydney	100%
Japan	Fresenius-Kawasumi Co. Ltd.	Tokyo	70%
China	FMC (Shanghai) Co. Ltd.	Shanghai	100%
Hong Kong	FMC Hong Kong Ltd.	Hong Kong	100%
Singapore	Asia Renal Care (SEA) Pte. Ltd.	Singapore	100%
Taiwan	FMC Taiwan Co. Ltd.	Taipei	100%
India	FMC India Pvt. Ltd.	New Delhi	100%
Indonesia	PT FMC Indonesia	Jakarta	100%
Malaysia	FMC Malaysia Sdn. Bhd.	Kuala Lumpur	100%
Philippines	FMC Philippines, Inc.	Makati City	100%
South Korea	FMC Korea Ltd.	Seoul	100%
Thailand	FMC (Thailand) Ltd.	Bangkok	100%
Pakistan	FMC Pakistan (Private) Ltd.	Lahore	100%
Vietnam	FMC Vietnam LLC	Ho Chi Minh City	100%

Production *Sales* *Services*

Simplified chart of Fresenius Medical Care's regional organization. Line of business in respective country in 2014. We use FMC for Fresenius Medical Care. Some percentages represent direct and indirect shareholdings.

T. 5.2 **MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE 2014**

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[3]
Europe/Middle East/Africa						
Germany	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	2,220.0	0	699.7	3,287
	FMC GmbH, Bad Homburg v.d.H.	100	364.3	0	60.1	337
France	FMC France S.A.S., Créteil	100	161.1	2.9	24.2	195
	FMC SMAD S.A.S., Savigny	100	180.9	11.4	76.7	421
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	106.5	7.8	46.1	183
Italy	FMC Italia S.p.A., Cremona	100	162.1	11.0	81.0	233
	SIS-TER S.p.A., Cremona	100	132.1	2.9	25.2	293
Spain	FMC España, S.A.U., Madrid	100	138.6	8.9	66.9	184
	National Medical Care of Spain, S.A.U., Madrid	100	0.7	(1.5)	76.2	1,333
South Africa	FMC South Africa (PTY) Ltd., Johannesburg	100	53.5	1.6	18.4	590
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	67.3	(1.0)	56.6	174
Belgium	FMC Belgium N.V., Antwerp	100	47.7	2.8	12.3	40
Morocco	FMC Nord Ouest et Centre Afrique S.A., Casablanca	100	18.1	0.3	11.2	67
Serbia	FMC Srbija d.o.o., Vrsac	100	66.9	6.0	50.4	722
Poland	FMC Polska S.A., Poznan	100	63.7	4.6	198.0	74
	Fresenius Nephrocare Polska Sp.z.o.o., Poznan	100	123.6	2.4	18.2	1,027
Portugal	FMC Portugal, S.A., Maia	100	55.2	4.5	25.6	46
	NephroCare Portugal, S.A., Lisbon	100	145.2	16.0	107.5	972
Romania	FMC Romania Srl, Bucharest	100	40.9	3.1	24.5	67
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	22.7	1.6	11.1	24
Slovenia	FMC Slovenija d.o.o., Zrece	100	8.0	0.3	3.0	11
	NEFRODIAL d.o.o., Zrece	100	13.2	(0.7)	0.8	93
Czech Republic	FMC CR, s.r.o., Prague	100	53.0	3.2	10.3	60
Hungary	FMC Magyarország Egészségügyi Kft., Budapest	100	24.7	0.0	21.8	42
	FMC Dializis Center Egészségügyi Kft., Budapest	100	42.0	(0.5)	0.0	628
Denmark	FMC Danmark A/S, Taastrup	100	14.0	0.7	3.2	23
Finland	FMC Suomi OY, Helsinki	100	21.9	1.2	6.2	22
Lebanon	FMC Lebanon s.a.r.l., Beirut	99	5.1	0.2	1.0	14
Netherlands	FMC Nederland B.V., Nieuwkuijk	100	27.9	2.8	7.8	40
	RKZ Dialysecentrum B.V., Beverwijk	90	2.3	(0.2)	2.9	11
Austria	FMC Austria GmbH, Vienna	100	35.9	0.8	3.7	37
Russia	ZAO Fresenius SP, Moscow	100	129.2	(24.3)	36.2	183
Sweden	FMC Sverige AB, Stockholm	100	32.9	0.3	19.3	36
Switzerland	FMC (Schweiz) AG, Oberdorf	100	40.0	4.2	10.5	51
Estonia	OÜ FMC Estonia, Tartu	100	3.8	0.1	0.9	31
Ukraine	FMC Ukraine TOV, Kiev	100	2.7	(5.1)	(4.8)	76

[1] *Direct and indirect interest.*

[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated financial statements. Shareholders` equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*

[3] *Full-time equivalents.*

T. 5.2 **MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE 2014**

in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[3]
North America						
U.S.	FMC Holdings Inc., New York	100	10,352.9	649.2	7,588.1	59,392
Mexico	FMC de México, S.A. de C.V., Guadalajara, Jalisco[4]	100	188.4	3.5	56.0	1,852
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	208.3	16.5	93.2	2,713
Colombia	FMC Colombia S.A., Bogotá	100	163.3	19.1	147.3	1,540
Brazil	FMC Ltda., São Paulo	100	151.6	5.6	81.8	736
Chile	Pentafarma S.A., Santiago	100	19.1	2.2	15.0	70
Venezuela	FMC de Venezuela, C.A., Caracas	100	54.1	6.5	21.7	640
Peru	FMC del Perú S.A., Lima	100	7.9	0.7	5.4	75
Ecuador	Manadialisis S.A., Quito	100	18.8	1.2	3.9	550
Asia-Pacific						
Australia	FMC Australia PTY Ltd., Sydney	100	137.0	4.9	77.3	335
Japan	FMC Japan K.K., Tokyo	100	70.5	6.8	95.9	640
	Fresenius-Kawasumi Co. Ltd., Tokyo	70	17.8	0.6	18.5	60
China	FMC (Shanghai) Co. Ltd., Shanghai	100	281.1	34.3	120.6	401
	FMC (Jiangsu) Co. Ltd., Changshu	100	63.5	4.1	52.4	920
Hong Kong	FMC Hong Kong Ltd., Hong Kong	100	32.4	0.2	63.0	55
	Biocare Technology Company Ltd., Hong Kong	100	45.8	(4.8)	11.4	14
	Excelsior Renal Service Co. Ltd., Hong Kong	51	30.9	1.4	25.2	881
Singapore	Asia Renal Care (SEA) Pte. Ltd., Singapore	100	35.2	0.2	0.1	284
Taiwan	FMC Taiwan Co. Ltd., Taipei	100	65.5	2.8	19.0	100
	Jiate Excelsior Co. Ltd., Taipei	51	2.7	(0.2)	1.4	14
India	FMC India Private Ltd., New Delhi	100	40.4	0.6	7.2	176
Indonesia	PT FMC Indonesia, Jakarta	100	18.7	1.9	14.3	44
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	32.3	1.3	32.3	251
Philippines	FMC Philippines, Inc., Makati City	100	24.5	2.5	16.3	52
	FMC Renalcare Corp., Makati City	100	1.7	(0.5)	(0.9)	50
South Korea	FMC Korea Ltd., Seoul	100	144.8	11.8	97.3	197
	NephroCare Korea Inc., Seoul	100	7.1	0.5	5.3	14
Thailand	FMC (Thailand) Ltd., Bangkok	100	19.0	1.2	13.7	6
	NephroCare (Thailand) Co. Ltd., Bangkok	100	17.5	0.1	3.0	41
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	9.5	0.7	3.4	38
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	4.1	0.5	1.1	21

[1] *Direct and indirect interest.*
[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated financial statements. Shareholders` equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*
[3] *Full-time equivalents.*
[4] *Included in the consolidated financial statement (U.S. GAAP) of FMC Holdings Inc.*

T. 5.3

FIVE-YEAR SUMMARY

$ in THOUS, except share data

	2014	2013	2012	2011	2010
Statements of income					
Net revenue[1]	15,831,613	14,609,727	13,800,282	12,570,515	11,844,194
Costs of revenue[2]	10,835,767	9,871,330	9,199,029	8,418,474	8,009,132
Gross profit[1, 2]	4,995,846	4,738,397	4,601,253	4,152,041	3,835,062
Selling, general and administrative expenses[1, 2]	2,644,660	2,391,927	2,224,715	2,001,825	1,823,674
Gain on sale of dialysis clinics	623	9,426	36,224	4,551	
Research and development expenses	122,114	125,805	111,631	110,834	96,532
Income from equity method investees	24,838	26,105	17,442	30,959	8,949
Other operating expenses			100,000		
Operating income	2,254,533	2,256,196	2,218,573	2,074,892	1,923,805
Investment gain			139,600		
Interest expenses, net	411,127	408,561	426,060	296,533	280,064
Income before income taxes	1,843,406	1,847,635	1,932,113	1,778,359	1,643,741
Income tax expense	583,598	592,012	605,136	601,097	578,345
Net income attributable to noncontrolling interests	214,542	145,733	140,168	106,108	86,879
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,045,266**	**1,109,890**	**1,186,809**	**1,071,154**	**978,517**
Basic earnings per ordinary share	3.46	3.65	3.89	3.54	3.25
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,953,861	2,904,421	2,821,469	2,632,175	2,427,029
Personnel expenses	5,822,949	5,199,723	4,871,606	4,362,315	3,967,732
Depreciation	600,845	555,125	515,455	479,438	432,930
Amortization	98,483	93,100	87,441	77,845	70,294
Balance sheet					
Current assets	6,724,710	6,286,716	6,127,456	5,695,019	5,152,594
Non-current assets	18,722,391	16,833,190	16,198,542	13,837,831	11,942,067
▸ **TOTAL ASSETS**	**25,447,101**	**23,119,906**	**22,325,998**	**19,532,850**	**17,094,661**
Short-term debt	451,657	670,360	456,570	1,716,590	1,569,885
Other current liabilities	3,025,634	2,883,613	2,713,421	2,546,021	2,219,838
Total current liabilities	3,477,291	3,553,973	3,169,991	4,262,611	3,789,723
Long-term debt	9,080,277	7,746,920	7,841,914	5,494,810	4,309,676
Other non-current liabilities	2,036,504	1,685,742	1,583,573	1,303,921	1,191,642
Total non-current liabilities	11,116,781	9,432,662	9,425,487	6,798,731	5,501,318
Total liabilities	14,594,072	12,986,635	12,595,478	11,061,342	9,291,041
Noncontrolling interests subject to put provisions	824,658	648,251	523,260	410,491	279,709
Equity	10,028,371	9,485,020	9,207,260	8,061,017	7,523,911
▸ **TOTAL LIABILITIES AND EQUITY**	**25,447,101**	**23,119,906**	**22,325,998**	**19,532,850**	**17,094,661**
Total debt	9,531,934	8,417,280	8,298,484	7,211,400	5,879,561
Working capital[3]	3,699,076	3,518,103	3,529,035	3,263,998	3,047,756

[1] *Revenues have been restated in 2012 to reflect the retrospective adoption of Accounting Standards Update 2011-07, Health Care Entities. Bad debt expense was reclassified from selling, general and administrative expenses as a reduction of revenue (2011: $225 M; 2010: $209 M).*

[2] *Freight expense was reclassified in 2012 from selling, general and administrative expenses to costs of revenue to harmonize the presentation for all segments (2011: $144 M; 2010: $100 M).*

[3] *Current assets less current liabilities (excluding short-term debt and accruals for special charge recorded in accrued expenses and other current liabilities until 2013).*

T. 5.3

FIVE-YEAR SUMMARY

$ in THOUS, except share data

	2014	2013	2012	2011	2010
Credit rating					
Standard & Poor's					
Corporate credit rating[4]	BB+	BB+	BB+	BB	BB
Secured debt	BBB–	BBB–	BBB–	BBB–	BB
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba1	Ba1
Secured debt	Baa3	Baa3	Baa3	Baa3	Ba3
Fitch					
Corporate credit rating	BB+	BB+	BB+	BB+	BB
Secured debt	BBB–	BBB–	BBB	BBB	B+
Cash flow					
Net cash provided by (used in) operating activities	1,861,392	2,034,805	2,039,063	1,446,482	1,368,125
Capital expenditures, net	(919,954)	(728,091)	(665,643)	(570,530)	(507,521)
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	941,438	1,306,714	1,373,420	875,952	860,604
Acquisitions and investments	(1,779,058)	(495,725)	(1,878,908)	(1,785,329)	(764,338)
Proceeds from divestitures	8,257	18,276	263,306	9,990	146,835
Share data					
Year-end share price Frankfurt, Xetra *in €*					
Ordinary shares	61.85	51.73	52.31	52.50	43.23
Preference shares[5]			42.24	42.95	35.21
Year-end share price (ADR) New York *in $*					
Ordinary shares	37.14	35.58	34.30	33.99	28.85
Preference shares[5]			27.60	27.50	24.00
Weighted average number of ordinary shares	302,339,124	301,877,303	301,139,652	299,012,744	296,808,978
Weighted average number of preference shares		1,937,819	3,969,307	3,961,617	3,912,348
Total dividend amount *in € THOUS*	236,773	232,114	230,114	209,929	196,533
Dividend per share[6] *in €*	0.78	0.77	0.75	0.69	0.65
Employees					
Full-time equivalents	99,895	90,690	86,153	79,159	73,452
Operational ratios in %					
EBITDA margin	18.7	19.9	20.4	20.9	20.5
Operating income margin	14.2	15.4	16.1	16.5	16.2
Growth in basic earnings per share	(5.4)	(6.1)	10.0	8.7	8.9
Organic revenue growth (currency-adjusted)	5.3	4.6	4.9	2.2	5.6
Return on invested capital (ROIC)[7]	6.8	7.7	7.7	8.7	8.8
Return on operating assets (ROOA)[7]	9.7	10.5	10.8	12.0	12.5
Return on equity before taxes[8]	19.5	20.0	21.6	22.5	22.3
Return on equity after taxes[8]	11.1	12.0	13.3	13.6	13.3
Cash flow return on invested capital (CFROIC)[7]	12.6	12.7	13.7	14.3	14.5
Debt/EBITDA ratio[7,9]	3.1	2.8	2.8	2.7	2.4
Gearing ((total debt – cash)/equity)	0.9	0.8	0.8	0.8	0.7
EBITDA/Interest expenses, net	7.2	7.1	6.6	8.9	8.7
Net cash provided by (used in) operating activities in % of revenue[1]	11.8	13.9	14.8	11.5	11.6
Equity ratio (equity/total assets)	39.4	41.0	41.2	41.3	44.0
Dialysis care data					
Treatments *in M*	42.7	40.5	38.6	34.4	31.7
Patients	286,312	270,122	257,916	233,156	214,648
Clinics	3,361	3,250	3,160	2,898	2,744

[4] *Standard & Poor's upgraded the corporate credit rating from BB+ to BBB– with a stable outlook in January, 2015.*
[5] *As of the preference share conversion on June 28th, 2013, the company no longer has two classes of shares.*
[6] *2014: Proposal to be approved by the annual general meeting on May 19, 2015.*
[7] *2014: Adjusted for largest acquisitions made during the year; 2012: Pro forma numbers including Liberty Dialysis Holdings Inc., after FTC mandated divestitures.*
[8] *Return on equity has been calculated based on net income attributable to shareholders of FMC AG & CO. KGAA and the total FMC AG & CO. KGAA shareholders' equity.*
[9] *EBITDA adjusted for other non-cash charges (2014: $57 M; 2013: $68 M; 2012: $64 M; 2011: $54 M; 2010: $45 M).*

A

Albumin

A protein that has two important functions. On the one hand, it binds water and therefore contributes to the fact that the liquid contained in the blood remains in the bloodstream and does not penetrate the arterial walls into the surrounding tissue. On the other hand, it is an important transport protein for various substances. Among others, many drugs, but also free fatty acids and hormones are bound to albumin and are transported in the blood throughout the body. The level of this protein provides information on the general nutritional condition of a patient.

American depositary receipt (ADR)

A physical certificate representing indirect ownership instead of the shares themselves in a non-U.S. company. Fresenius Medical Care's shares are listed on the New York Stock Exchange (NYSE) in the form of ADR.

Anemia

Reduced oxygen transport capacity of the blood, measured as reduced hemoglobin content in the blood.

Anticoagulant

Agents (e.g. heparin) that prevent blood coagulation.

Arteriovenous (AV) vascular access

A direct surgically created connection between an artery (blood vessel carrying blood from the heart to the body) and a vein (blood vessel carrying blood to the heart) in the patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for hemodialysis. Adequate vascular access is a prerequisite for hemodialysis.

Automated peritoneal dialysis (APD)

Machine-supported version of peritoneal dialysis treatment usually performed at night.

B

BCM – Body Composition Monitor

Device that can be used to precisely measure the composition of the human body and its fluid status and hence to determine the level of overhydration in dialysis patients.

biBag

Dry bicarbonate concentrate for online production of liquid bicarbonate concentrate used in bicarbonate hemodialysis with our hemodialysis machines of the 4008 and 5008 series ONLINEplus system.

Biofine

Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

Blood

Fluid circulating in the body consisting of plasma and cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

Blood cells, red (erythrocytes)

Blood cells responsible for transporting oxygen. They are produced by erythropoietin, a hormone formed in the kidneys.

Blood cells, white (leukocytes)

Blood cells that defend the human body against infection. They are involved in allergic reactions and destroy damaged, old or dead cells in the body.

Blood coagulation

A complex process during which blood forms solid clots. It is an important part of hemostasis whereby a damaged blood vessel wall is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Disorders in coagulation can lead to increased hemorrhaging and/or thrombosis and embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

Bloodline system

Tubing system connecting a patient's blood circulation with a dialyzer during the dialysis treatment.

C

Calcimimetics

An extension of the therapy options to more effectively influence the bone and mineral metabolism in patients with chronic kidney disease. Calcimimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level of the bones.

Catheter

A flexible tube inserted by surgery through the skin into a blood vessel or cavity to transport fluid into or out of the body. In peritoneal dialysis, a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. In hemodialysis, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

Continuous ambulatory peritoneal dialysis (CAPD)

A treatment method where the dialysis solution is exchanged manually, generally four times a day.

D

Days sales outstanding (DSO)

Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

DAX

Acronym for "German stock index" – calculated on the basis of the weighted prices of the 30 largest (by market capitalization and market turnover) German stock corporations.

Debt/EBITDA ratio

Important indicator in corporate management. It compares a company's debt to earnings before interest, tax, depreciation and amortization and other non-cash charges.

Diabetes

An increased blood glucose (sugar) level resulting from the body's inability to use glucose efficiently. As the main regulatory hormone in sugar metabolism, insulin is normally used to control this condition.

Dialysis

Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer – is used to clean a patient's blood.

Dialysis solution (dialysate)

Fluid used in dialysis in order to remove the filtered substances and excess water from the blood.

Dialyzer

Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes and excess water from the blood. The dialyzer is sometimes referred to as an "artificial kidney".

Dialyzer membrane

Semi-permeable barrier in the dialyzer to separate the blood from the dialysis solution.

Dividend

Portion of a company's profits. The profit to be distributed divided by the number of outstanding shares shows the dividend per share, which is paid to shareholders usually once a year in the form of cash.

E

EBIT (Earnings before interest and taxes)

Operating result before interest and taxes. Key performance figure, which is used to assess the company's profitability, irrespective of regional taxation and different forms of financing.

EBITDA (Earnings before interest, taxes, depreciation and amortization)

Key performance figure to assess the operating performance before investments.

EBT (Earnings before taxes)

An indicator of a company's earning power, irrespective of regional differences in taxation.

Erythropoiesis-stimulating agents (ESA)

Recombinant human EPO that is commonly prescribed to patients on dialysis who suffer from anemia.

Erythropoietin (EPO)

Hormone that stimulates the production of red blood cells.

EuCliD

European clinical database for ensuring the quality of dialysis treatment. The database records the treatment data of dialysis patients and allows an efficient comparison of treatment quality among individual dialysis clinics.

F

FDA

U.S. Food and Drug Administration.

Free float

The total amount of a company's shares that is available for trading. According to the definition of Deutsche Börse, all shares which are not held by major shareholders (at least five percent of the registered share capital) form part of the free float, to be acquired and traded by the broad public.

G

Glomerular filtration rate (GFR)

The GFR indicates the volume of liquid that the kidneys filter from the blood per minute (primary urine). This ranges from more than 90 ml/min in healthy kidneys (stage 1) to less than 15 ml/min (stage 5) when dialysis or a kidney transplant is needed. Persons with stage 4 chronic kidney disease (CKD) have advanced kidney damage (GFR of 15 to 29 ml/min); it is highly likely that these patients will need dialysis or a kidney transplant in the near future.

Stages of chronic kidney disease according to the U.S. National Kidney Foundation:

Stage 1 – kidney damage with normal or increased GFR
≥ 90 GFR (ml/min/1.73 M)

Stage 2 – slightly decreased GFR
60 – 89 GFR (ml/min/1.73 M)

Stage 3 – moderately decreased GFR
30 – 59 GFR (ml/min/1.73 M)

Stage 4 – severely decreased GFR
15 – 29 GFR (ml/min/1.73 M)

Stage 5 – kidney failure
< 15 (or dialysis) GFR (ml/min/1.73 M)

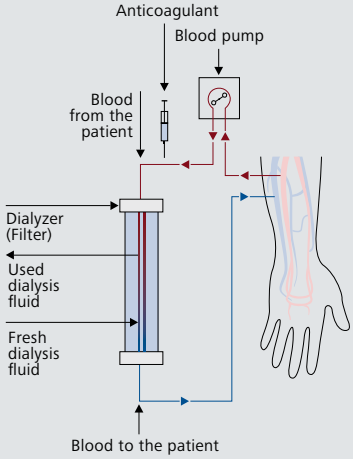
H

Hemodiafiltration (HDF)

Hemodiafiltration is a process that combines hemodialysis and hemofiltration. The theoretical starting point for combining these two processes is the fact that low-molecular substances such as urea and creatinine are predominantly removed by diffusive transportation such as in hemodialysis, whereas the larger molecules are to be predominantly removed by convective transportation as in hemofiltration. In hemodiafiltration (HDF), the total amount of removed toxins is higher than in the individual processes, since convection and diffusion do not add up, but run in parallel and influence each other. The more permeable synthetic membranes ("high-flux dialyzers") with superior ultrafiltration performance are used for hemodiafiltration. As in hemofiltration, the ultrafiltrate is replaced by a sterile solution (substitution solution) in hemodiafiltration.

Hemodialysis (HD)

Treatment method for dialysis patients where the patient's blood flows outside the body through disposable bloodlines into a special filter, the dialyzer. The dialysis solution carries away waste products and excess water, and the purified blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anti-coagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.



Hemofiltration (HF)

A type of treatment for patients with chronic kidney failure that does not use dialysis solution. The solutes are removed by using convective forces to filter plasma water through a semi-permeable membrane. Substitution fluid is used to replace the volume removed by filtration.

Hemoglobin

Substance in red blood cells that carries oxygen throughout the body.

Heparin

Universal anticoagulant substance that is administered during hemodialysis to inhibit the blood coagulation.

HighVolumeHDF

A therapy system of the hemodiafiltration (HDF). With HighVolumeHDF the substitution volume by convective transport is higher than with HDF. Recent studies proof that the HighVolumeHDF therapy significantly improves patient survival rates compared to conventional dialysis treatments.

I

Index

Indicates the development of the stock market as a whole and/or of individual stock groups (e.g. DAX, DOW JONES, STOXX). Share indices act as a guide for investors to help them identify trends in the stock market. The index calculation is based on a weighted value for the average performance of the stock corporations that are included in the respective index.

Iron compound

Iron product for the treatment of anemia resulting from iron deficiency in dialysis patients. An example is the product Venofer.

ISO

International organization for standardization.

K

Kidneys

The kidneys are located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. These vital organs are approximately 10 to 12 cm long and weigh only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,700 liters of blood normally pass through an adult's kidneys every 24 hours.

Kidney failure, acute

Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help completely restore kidney function in many patients.

Kidney failure, chronic (endstage renal disease, ESRD)

Permanent failure of the kidney (terminal kidney failure) resulting from slow and progressive final loss of kidney function (no longer detoxification of the body) over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i.e. kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

Kidney transplantation

A surgical procedure to implant a kidney from a donor.

Kommanditgesellschaft auf Aktien (KGaA)

A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

Kt/V

Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance (K) and the duration of treatment (dialysis time, t) by the filtration rate of certain toxins (the urea distribution volume in the patient, V).

L

Lean Six Sigma

Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

Liberty Cycler

Innovative device with PIN technology (automatic inline-closing system to eliminate the risk of contamination during disconnection from peritoneal dialysis systems) for automated peritoneal dialysis marketed exclusively in the U.S. The Liberty Cycler automatically regulates the exchange of used and fresh dialysis solution. It is equipped with a state-of-the-art pumping mechanism, is easy to set-up and also has integrated patient data management software.

M

Market capitalization

Total value of all outstanding shares of a company calculated by the number of shares multiplied by the share price.

Medicare/Medicaid

A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure (end-stage renal disease, ESRD) or the disabled.

O

ONLINEplus SYSTEM

A system for our 4008 and 5008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Online means that the dialysis machine automatically produces the infusion solution for treatment. The online method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

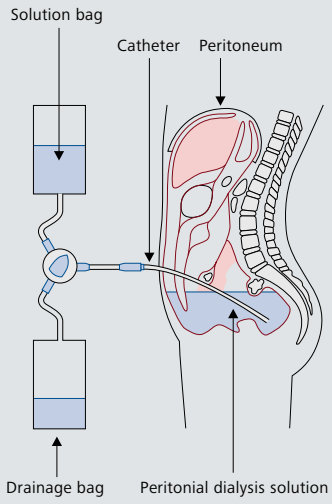
Operating margin

Earnings before interest and taxes (EBIT) divided by revenues.

P

Peritoneal dialysis (PD)

Dialysis treatment method using the patient's peritoneum, i.e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and excess water. Most treatments are supported by a machine, the cycler, and are administered by the patients at home or at work several times a day or during the night.



Phosphate binder

Phosphate binders bind excess phosphate obtained via food within the intestine. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced in patients with chronic kidney failure by dialysis. Too much phosphate in the blood can cause numerous adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo, OsvaRen or Velphoro (PA21) are examples of phosphate binders for patients with chronic kidney disease.

Polysulfone

A polymer (plastic) used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

Prevalence

Number of patients who suffer from a specific disease within a defined period.

R

Rating

The rating is a classification of the creditworthiness of a company accepted in the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

Return on equity (ROE)

The return on equity is an indicator of company profitability related to the shareholders' equity.

Return on invested capital (ROIC)

The return on a Company's invested capital divided by average invested capital. Invested capital consists of current and noncurrent assets plus accumulated goodwill amortization, net of cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and other liabilities (including income tax provisions).

Return on operating assets (ROOA)

EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current and noncurrent assets, less noncurrent deferred tax assets and accounts payable (including those due to related parties).

S

Sarbanes-Oxley Act (SOX)

A law aimed at corporations and their auditors designed to improve financial accounting. The intention of sox is to strengthen the confidence of shareholders and other stakeholders by extending regulations which relate to financial reporting and internal monitoring systems. sox requirements include strict obligations for a company's management regarding the provision of complete and correct information. The rules apply for all u.s. exchange-listed companies.

Securities and exchange commission (SEC)

A federal agency that regulates and monitors the u.s. financial markets.

sleep.safe

Automated peritoneal dialysis system offering the full range of peritoneal dialysis options as well as a maximum of safety and comfort for the patient, physician and nursing staff. Compared to previous models, sleep.safe harmony, launched in the year under review, is even easier to operate and offers tailor-made solutions to meet patient's requirements.

Supply chain management

Management of all tasks along the supply chain, ranging from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

U

U.S. GAAP

United States generally accepted accounting principles.

V

Volatility

Price fluctuation of a security or currency. This is often calculated in terms of the standard deviation from the share price history or implicit from a price-setting formula.

W

Working Capital

Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity.

CONTACTS

FRESENIUS MEDICAL CARE
61346 Bad Homburg v.d.H.
Germany
Tel. +49 6172 609 0
www.freseniusmedicalcare.com

INVESTOR RELATIONS
Oliver Maier
Head of Investor Relations & Corporate Communications
Tel. +49 6172 609 25 25
Fax +49 6172 609 23 01
E-Mail: ir@fmc-ag.com

TRANSFER AGENT
BNY Mellon shareowner services
P.O. box 30170
College Station, TX 77842-3170, U.S.
Tel. +1 888 269 2377
(toll-free number in the U.S.)
Tel. +1 201 680 6825
(international)
E-Mail:
shrrelations@cpushareownerservices.com
www.mybnymdr.com

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This annual report is also available in German and may be obtained from the company upon request.

Annual reports, interim reports, and further information on the company are also available on our website: www.freseniusmedicalcare.com

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Chairman of the supervisory board:
Dr. Gerd Krick

General partner:
Fresenius Medical Care Management AG

Registered seat and commercial register:
Hof an der Saale (Germany), HRB 3894

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The production of and the paper used for the Fresenius Medical Care annual report 2014 are certified in accordance with the criteria of the Programme for the Endorsement of Forest Certification (PEFC). Furthermore, the annual report 2014 has been produced in a carbon-neutral manner. The CO_2 emissions caused by its production were compensated for by certified climate protection projects.

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Financial Calendar

SUBJECT TO CHANGE

April 30, 2015
Report on the
first quarter 2015

May 19, 2015
Annual general meeting
FRANKFURT AM MAIN, GERMANY

May 20, 2015
Payment of dividend
SUBJECT TO THE APPROVAL OF THE ANNUAL GENERAL MEETING

July 30, 2015
Report on the
second quarter 2015

October 29, 2015
Report on the
third quarter 2015

Important Fairs

April 25 – 28, 2015
American Society for Pediatric Nephrology Annual Meeting
SAN DIEGO, U.S.

May 28 – 31, 2015
52nd Congress of the European Renal and the European Dialysis and Transplantation Association (ERA-EDTA)
LONDON, GREAT BRITAIN

September 3 – 5, 2015
48th Annual Scientific Meeting of the European Society for Paediatric Nephrology (ESPN)
BRUSSELS, BELGIUM

September 13 – 16, 2015
9th Congress of the International Society for Hemodialysis (ISHD)
KUALA LUMPUR, MALAYSIA

September 26 – 29, 2015
44th International Conference of the European Dialysis & Transplant Nurses Association and European Renal Care Association (EDTNA / ERCA)
DRESDEN, GERMANY

October 2 – 5, 2015
12th European Peritoneal Dialysis Meeting (EuroPD)
KRAKOW, POLAND

November 3 – 8, 2015
ASN Kidney Week 2015
The American Society of Nephrology
SAN DIEGO, U.S.

FRESENIUS MEDICAL CARE
Else-Kröner-Str. 1
61352 Bad Homburg v. d. H., Germany
www.freseniusmedicalcare.com