ANNUAL REPORT
2013

PERSPECTIVES

FRESENIUS
MEDICAL CARE

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 2.5 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 270,000 patients in our global network of 3,250 dialysis clinics. At the same time, we operate more than 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 more than 90,000 employees in more than 50 countries. Our strategy is geared toward sustainable growth. We aim to continuously improve the quality of life of patients with kidney disease by offering innovative products and treatment concepts of the highest quality.

Operating data/key figures

in $ M

	2013	*2012*	*Change*
Selected key figures			
Net revenue	14,610	13,800	6%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2,904	2,821	3%
Operating income (EBIT)	2,256	2,219	2%
Net income[1]	1,110	1,187	–6%
Net cash provided by (used in) operating activities	2,035	2,039	–
Free cash flow[2]	1,307	1,373	–
Capital expenditures, net	728	666	–
Acquisitions and investments, net	478	1,615	–
Basic earnings per ordinary share *in $*	3.65	3.89	–6%
Dividend per ordinary share[3] *in €*	0.77	0.75	3%
Operating income margin *in %*	15.4	16.1	–
Return on invested capital (ROIC)[4] *in %*	7.7	7.7	–
Equity ratio (equity/total assets)[5] *in %*	41.0	41.2	–
Other details			
Employees (full-time equivalents)[5]	90,690	86,153	5%
Patients[5]	270,122	257,916	5%
Clinics[5]	3,250	3,160	3%
Treatments *in M*	40.5	38.6	5%

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments.*
[3] *2013: Proposal to be approved by the Annual General Meeting on May 15, 2014.*
[4] *2012: Pro forma numbers including Liberty Dialysis Holdings Inc., after FTC mandated divestitures.*
[5] *As of December 31 of the respective year.*

ANNUAL REPORT
2013

P E R S P E C T I V E S

WE OFFER PERSPECTIVES

WHAT REALLY MAKES FRESENIUS MEDICAL CARE STAND OUT? CERTAINLY, ONE THING THAT PARTICULARLY MOTIVATES US IS OUR PATIENTS' QUALITY OF LIFE.

IN ADDITION, WE OFFER OUR EMPLOYEES OPPORTUNITIES TO DEVELOP. ADD TO THIS THE FACT THAT WE DO NOT STAND STILL WHEN IT COMES TO IMPROVING OUR PROCESSES AND ATTAINING RESPONSIBLE TARGETS. AND, OF COURSE, A COMBINATION OF ALL THESE THINGS.

FOR PATIENTS

We offer reliable dialysis services, ever better products at a high technical level,
a wealth of medical expertise and even greater compassion
to patients who still expect a lot from life, even with this chronic disease.

FOR EMPLOYEES

A strong employer provides security. A strong employer like Fresenius Medical Care also offers its employees wide-ranging opportunities for personal development, not just in their current position. And it does this in a company where employees are aware of their responsibility, use their freedom and work with passion toward a common goal.

FOR
THE COMPANY

We can do even better. That is why we are constantly working to simplify and harmonize the processes at all our sites, and to find the perfect balance between central management and decentralized service at the local level.

FOR SHAREHOLDERS

We target our investments so that they pay off both for the Company and our shareholders. Furthermore, we only cut costs when this does not compromise quality. At a time of growing cost pressure in healthcare systems, we are aware of our responsibility, creating added value for customers, investors, and patients.

BY COMBINING ALL THESE ASPECTS IN THE BEST POSSIBLE WAY, WE PROVIDE A WIDE RANGE OF PERSPECTIVES BOTH INSIDE AND OUTSIDE THE COMPANY FOR A SECURE, PROMISING FUTURE.




Content

1 TO OUR SHAREHOLDERS

Interview with Rice Powell
13

Management Board
18

Report of the Supervisory Board
22

Capital market and shares
28

2 OUR FISCAL YEAR

Operations and strategy
39

Business environment
49

Results of operations, financial situation, assets and liabilities
62

Research and development
72

Procurement and production
78

Our product business
82

Our dialysis services business
87

Employees
92

Responsibility
98

Risk and opportunities report
106

Subsequent events
120

Outlook
121

Corporate governance report and declaration on corporate governance
128

3 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Critical accounting policies
159

Results of operations, financial positions and balance sheet structure
169

Quantitative and qualitative disclosures about market risk
187

4 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statements of income
195

Consolidated statements of comprehensive income
196

Consolidated balance sheets
196

Consolidated statements of cash flows
198

Consolidated statement of shareholders' equity
200

Notes to consolidated financial statements
202

Management's annual report on internal control over financial reporting
269

Report of independent registered public accounting firm on internal control over financial reporting
270

Report of independent registered public accounting firm
272

5 FURTHER INFORMATION

Directorships
275

Regional organization
278

Major subsidiaries
279

Five-year summary
281

Glossary
283

Index of tables
290

Subject index
293

Contacts and Imprint
294

Financial calendar and important fairs
at the end of the report

OUR VISION

CREATING A FUTURE WORTH LIVING. FOR DIALYSIS PATIENTS. WORLDWIDE. EVERY DAY.

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

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

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

13 – 36

TO OUR SHAREHOLDERS

1.1
Interview with Rice Powell
13

1.2
Management Board
18

1.3
Report of the Supervisory Board
22

1.4
Capital market and shares
28

Interview with Rice Powell

12 MONTHS – 12 QUESTIONS

In this interview, Rice Powell looks back on his first twelve months as CEO of Fresenius Medical Care. He talks about what the Company has achieved in 2013, how the dialysis market has developed, and Fresenius Medical Care's strategic and financial perspectives.

1

2013 WAS THE FIRST YEAR UNDER YOUR STEWARDSHIP. HAVE YOUR EXPECTATIONS BEEN FULFILLED?

Yes, they have. I certainly could have wished for a smoother start, but that's not something I could influence. The situation in 2013 was difficult, both in operational terms and as a result of the seemingly endless discussions about legislation concerning the adjustment process for reimbursement in the U.S. Even so, things ultimately worked out well for Fresenius Medical Care, at least with regard to operations. We had to specify our earnings target range more precisely in the course of the year, and made it clear that we were likely to be at the lower end of this range. We managed that, and continued on our growth path. Consolidated revenue rose by 6%, setting a new record of $14.61 billion. Our net income for 2013 amounted to $1.11 billion. As we posted special income in the previous year, that meant a 6% reduction in net income in 2013. Adjusted for this effect, earnings would have increased by 6%.

2

DOES THAT MEAN THAT SHAREHOLDERS SHOULD EXPECT A LOWER DIVIDEND IF REPORTED EARNINGS FELL BY 6%?

No. As we normally aim for profit-oriented dividend growth, we should be proposing a dividend reduction to the Annual General Meeting. However, we won't be doing that. Instead, we will deviate from our actual dividend policy, and intend to propose to the Annual General Meeting a dividend increase of 3% to €0.77 per share despite the reported decrease in earnings. Subject to a corresponding resolution, our shareholders can look forward to a dividend increase for the 17th consecutive time.

3

FRESENIUS MEDICAL CARE'S SHARE PRICE PERFORMED RATHER MODERATELY IN 2013. WHY DO YOU THINK THAT IS?

It's true that our share price failed to keep pace with the strong performance of the DAX last year. That is partly down to the nature of things, as investors don't necessarily invest in defensive stocks like ours when markets are on the rise. But on the other hand,it is particularly due to the protracted discussions I mentioned earlier about cutting the reimbursement rates for dialysis treatments in the U.S., which is such a crucial market for us. For a long time, it was not clear to our investors how much reimbursement changes would affect our Company. The final decisions hit us hard, and will significantly impact our earnings growth again at least in 2014. Despite this, I am confident that we have achieved a strategic position for the Company that will allow us to successfully continue on our growth path and increase Fresenius Medical Care's corporate value in the longer term. However, for this to be possible under the current conditions, a great deal of effort and a far-reaching focus on being as efficient as we can possibly be, is required. But one thing is certain: This must not affect the quality of our products and services.

"Our consolidated revenue rose by 6%, setting a new record of $14.61 billion."

"Although 2014 will not be an easy year for Fresenius Medical Care, I feel positive about the way we are developing. Our business is built on strong foundations: In 2013 alone, we performed more than 40 million dialysis treatments at our 3,250 proprietary centers worldwide."

4

YOU MENTIONED REDUCTIONS IN THE REIMBURSEMENT RATES FOR DIALYSIS TREATMENTS. WHAT EXACTLY DOES THIS MEAN?

The legal environment in which healthcare and reimbursement systems are embedded is particularly important to our Company. In many markets, these conditions remained largely unchanged in 2013. However, we are also increasingly operating in an environment in which inflation and rising costs are not adequately taken into account in reimbursement rates. For instance, last year, our business in the U.S. was negatively impacted by the automatic 2% budget cuts to reduce the government debt, as these cuts also affected the reimbursement rates regarding dialysis treatment for state-insured patients. This is even more of a financial blow, as several parameters of this system were changed with effect from January 1, 2014. Consequently, although the reimbursement rate will be at a similar level in 2014 and 2015 compared with 2013, it will no longer cover the increase in treatment costs caused by inflation.

5

WHAT WILL FRESENIUS MEDICAL CARE'S FORECAST BE FOR THE 2014 FINANCIAL YEAR AS A RESULT OF THIS?

I think I have made it clear that 2014 holds particular challenges for us, which is why we envisage only moderate growth. In the current financial year, we expect to generate revenue of around $15.2 billion. That would correspond to a 4% increase compared with the reporting year. Net income is likely to total $1.00 billion to $1.05 billion in 2014, 5 to 10% below the figure for 2013. We have initiated a global efficiency program to further boost our profitability in the years ahead. Potential cost savings from this are not taken into account in the outlook for the 2014 financial year. We plan to spend around $1.3 billion on capital expenditures and acquisitions in 2014.

6

DOES THIS DEVELOPMENT GIVE ANY CAUSE FOR CONCERN?

Although 2014 will not be an easy year for Fresenius Medical Care, I feel positive about the way we are developing. Our business is built on strong foundations: In 2013 alone, we performed more than 40 million dialysis treatments at our 3,250 proprietary centers worldwide; more than half of all dialysis machines and almost half of all dialyzers sold worldwide in the reporting year were made by Fresenius Medical Care. We will have to look carefully at where and how we invest and how to become even more efficient. Moreover, we will need to work even harder in future to develop innovative approaches for the holistic care of dialysis patients. That is the only way to master the challenges we face in the future.

7

DOES THIS ALSO INVOLVE A CHANGE OF DIRECTION IN THE COMPANY'S STRATEGY?

Continuously improving the quality of life of people with chronic kidney failure is and will always be a key pillar of our strategy. The number of dialysis patients worldwide is constantly growing. However, at the same time, there is an increasing shortage of public funds to provide care for them. It is not enough to merely react to changes. We need to play an even more active part in shaping change. Fresenius Medical Care has the expertise to do this. As a provider of high-quality dialysis products and services, we can develop innovative solutions to deliver holistic care for patients in conjunction with our partners in the healthcare industry. As well as doing our part toward boosting treatment quality even more, this enables us to contribute towards achieving a long-term reduction in treatment costs.

8

WHAT FORM MIGHT THESE INNOVATIVE SOLUTIONS TAKE? DO YOU HAVE ANY SPECIFIC IDEAS YET?

Different structures and systems require different solutions. To be able to provide holistic care to patients with chronic kidney failure, it is very important to consider all aspects of their care and to forge close links between all those involved in providing treatment. With this in mind, we have started a network of dialysis-related services such as vascular access and our own pharmacy to serve our patients in the U.S., which we plan to expand in the future. We also see potential for this holistic care approach outside the U.S., along with the systematic expansion of our portfolio with effective services for optimum holistic care.

9

WHAT OTHER MEASURES ARE IN THE PIPELINE FOR POSITIONING FRESENIUS MEDICAL CARE IN LINE WITH MARKET DEVELOPMENTS?

One of Fresenius Medical Care's key strengths is our proximity to our patients and the widely varying markets, as well as our in-depth knowledge of their different requirements. However, to an increasing extent, there are areas where we aim to converge even more closely to create further synergies. Consequently, in 2013, we reorganized the Research and Development department and created a new position on the Management Board to account for this. The aim is to bundle our global research and development activities and promote technology exchange between the regions in an even more targeted manner. We also intend to examine and consistently improve the efficiency of our processes and structures throughout the entire Group. Most importantly, these steps must enable us to permanently strengthen Fresenius Medical Care's position and thus have an impact beyond 2014. And, as I said earlier, they must not affect the high quality of our products and services. I am confident that on this basis, Fresenius Medical Care will remain a reliable partner.

"Continuously improving the quality of life of people with chronic kidney failure is and will always be a key pillar of our strategy."

"Every change means uncertainty at first. However, to achieve success, it is important to regard these changes as an opportunity."

10

WHAT DO YOU MISS IN YOUR NEW POST?

Nothing. On the contrary, I have gained a huge amount here, and in the last twelve months have had the opportunity to get to know lots of great people all over the world. I really enjoy that.

11

WHAT ARE YOUR PERSONAL IMPRESSIONS OF 2013? WHAT PARTICULARLY IMPRESSED YOU?

I've been working for Fresenius Medical Care for over 17 years now, and it's a year since I took on my new role as CEO. Heading a company like Fresenius Medical Care makes me proud, and I see it both as a motivation and an obligation. I am well aware of the importance of my role and the great responsibility that I bear for our 90,690 employees. Their passion and the commitment with which they overcame the challenges last year impressed me a lot. Therefore, on behalf of the entire Management Board, I would like to take this opportunity to say a big thank-you to all our employees for their hard work.

12

AND FINALLY, ONE LAST QUESTION: WHY IS THE 2013 ANNUAL REPORT ENTITLED "PERSPECTIVES"?

Fresenius Medical Care offers a lot of perspectives, especially for dialysis patients, who are our top priority and for whom we are creating a future worth living for every single day. That is what we aspire to. But we have also chosen the title "Perspectives" to emphasize that in a challenging and changing market environment, we see a lot of perspectives for Fresenius Medical Care to continue on its growth path and generate value for the Company in the long term. Every change means uncertainty at first. However, to achieve success, it is important to regard these changes as an opportunity. We need to set the right priorities. I am aware that our shareholders rightly have high expectations of us. We are working hard to meet them, and also to position our Company in the future so that we can capture the opportunities available to us.

"Heading a company like Fresenius Medical Care makes me proud, and I see it both as a motivation and an obligation. I am well aware of the importance of my role and the great responsibility that I bear for our 90,690 employees."

Management Board

Dr. Rainer Runte, Kent Wanzek, Ronald Kuerbitz, Michael Brosnan

Rice Powell, Dr. Olaf Schermeier, Roberto Fusté, Dr. Emanuele Gatti

Management Board

Our Management Board currently consists of eight members. The international composition and the varied responsibilities reflect our global operations.

RICE POWELL

Chairman

Rice Powell (58) 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 30 years of experience in the healthcare industry. From 1978 to 1996, he held various positions, among others at Baxter International Inc. and Biogen Inc. in the U.S.

MICHAEL BROSNAN

Finance

Michael Brosnan (58) 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 (61) 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.

DR. EMANUELE GATTI

Europe, Middle-East, Africa and Latin America, and Global Chief Strategist

Dr. Emanuele Gatti (58) is Chief Executive Officer for Europe, Middle East, Africa and Latin America (EMEALA). He is also Global Chief Strategist. After completing his studies in Bioengineering, he lectured at several biomedical institutions in Milan. He continues to be involved in research and development activities, including the Danube University in Krems, Austria, at which he holds a position as honorary senator. Emanuele Gatti has been with Fresenius Medical Care since 1989. Before being appointed to the Company's Management Board in 1997, he was responsible for its dialysis business in Southern Europe.

RONALD KUERBITZ

North America

Ronald Kuerbitz (54) is Chief Executive Officer for North America effective January 1, 2013. He joined Fresenius Medical Care in 1997 and served recently 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. RAINER RUNTE

Global Law, Compliance, Intellectual Property, Corporate Business Development, and Labor Relations Director Germany

Dr. Rainer Runte (54) is Member of the Management Board responsible for Global Law, Compliance, Intellectual Property and Corporate Business Development. He has also been appointed Labor Relations Director for Germany. He has worked for the Fresenius Group for more than 20 years. In 1997, he assumed the position of Senior Vice President for Law at Fresenius Medical Care and was appointed to the Management Board in 2002. Before joining the Company, he worked as a scientific assistant in the law department of Goethe University in Frankfurt and as an attorney in a firm specialized in economic law.

DR. OLAF SCHERMEIER

Research and Development

Dr. Olaf Schermeier (41) 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.

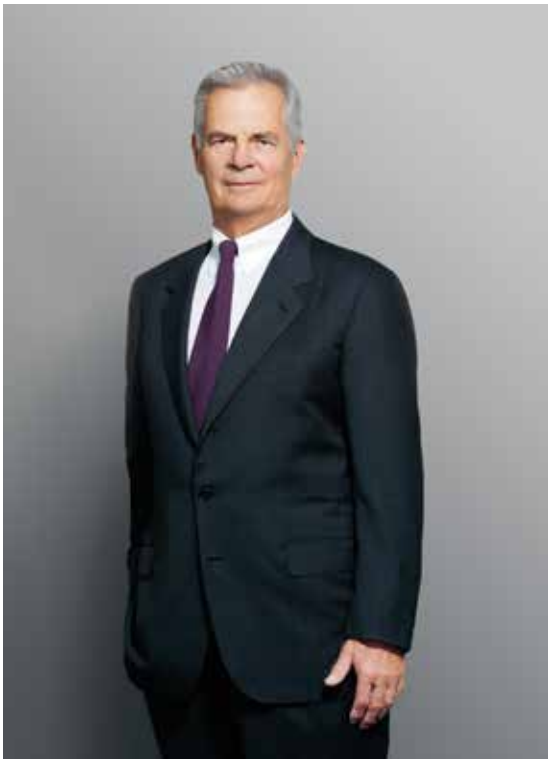
KENT WANZEK

Production

Kent Wanzek (54) 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.

Report of the Supervisory Board

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA dealt in the financial year 2013 again intensively with questions of the effects of the change to the cost reimbursement system in the U.S., with the expansion of the present business, with possibilities to expand business activities to include adjacent business areas and with questions of research and development. In addition to other topics, the further improvement of efficiency of production and service and cost-saving measures were discussed with the Management Board of the General Partner. The Supervisory Board also considered the conversion of the remaining preference shares into ordinary shares resolved on by the shareholders in May 2013 and the conduct of the share buyback program initiated in the financial year 2013.



Details

The Supervisory Board, in the expired financial year 2013, again dealt extensively with the situation and the perspectives of the Company and with various special issues and undertook the duties imposed on it by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. We regularly advised the Management Board of the General Partner, Fresenius Medical Care Management AG (Management), on the management of the Company and supervised the management within our responsibility as the Supervisory Board of the partnership limited by shares. The management informed us in written and oral reports regularly, promptly and comprehensively about all significant questions of 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. These and all business issues significant for the Company were discussed by us on the basis of reports of the Management Board of the General Partner in the committees and in full session comprehensively. The strategic direction of the Company was also discussed with the Management Board of the General Partner. In accordance with the procedure in previous years, we again reviewed the economic development of acquisitions of the previous years and compared them with the planning and prognoses at the time of each acquisition. The Supervisory Board passed resolutions within the scope of its responsibilities under statute and under the Articles of Association.

Meetings

In the financial year 2013, five meetings – some of which extended to more than one day – of the Supervisory Board and several 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 of the General Partner between the meetings.

Focus of the discussions in the Supervisory Board

In the expired financial year 2013, the Supervisory Board dealt again with the changed provisions of the reimbursement system in the U.S. and with their effects on the Company. The decisions now made by the responsible U.S. authority indicate a framework for state reimbursement in the U.S. for the medium-term. The Supervisory Board consulted with the Management Board of the General Partner a number of times on this issue. The developments in reimbursement systems outside the U.S. were also discussed.

The business development, the competitive situation and the planning of the Management Board in the respective regions were again at the centre of the discussions. The Supervisory Board has been informed about the planning of the Company 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 with the Management Board lawsuits filed and anticipated to be filed by plaintiffs in the U.S. alleging generally that inadequate labeling and warnings for two acid concentrate products (NaturaLyte® and Granuflo®) caused harm to patients.

The financing of the Company was again intensively discussed. The Supervisory Board also discussed the execution of the share buyback program and agreed thereto after comprehensive discussion with the Management Board of the General Partner.

At the ordinary general meeting 2013, it was decided to convert all remaining preference shares of the Company into ordinary shares. The Supervisory Board was intensively involved in this process.

The Audit and Corporate Governance Committee

Prof. Dr. Fahrholz, Mr. Johnston, Dr. Krick und Dr. Weisman were Members of the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee, under the chairmanship of Dr. Walter L. Weisman (independent financial expert according to section 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. 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 discussed the compliance of the Company, in particular communications received by the Company alleging certain conduct in certain 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 is conducting an internal review with assistance of outside counsel retained for such purpose, 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 year since at the end of the year under report no final results were available.

Representatives of the auditor attended all meetings of the Audit and Corporate Governance Committee and several 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 of the General Partner, 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 accounting process, the effectiveness of the internal control system, of the risk management system and of the internal audit system, as well as 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 accounting process and the establishment of the early risk recognition

system and raised no objections thereto. The Management Board of the General Partner provided periodic reports on larger individual risks. The Management Board of the General Partner also informed the committee regularly i.e. at all ordinary meetings of the Audit and Corporate Government Committee and sometimes in telephone conferences on the compliance situation of the Company. In addition, the head of internal audit reported at regular intervals to the committee.

In 2013, 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 February 25, 2014 an unqualified audit certificate of KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the implementation of the regulations of SOX 404 in the financial year 2013.

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, convened twice in 2013. The subject of both meetings of the Joint Committee was consideration of the approval of two contracts concluded by the Company or its Group Companies with group companies of Fresenius SE & Co. KGaA. One of these contracts concerned IT services and the other the supply of various products in particular in the area of plasma collection. The Joint Committee after detailed debate respectively decided unanimously to approve these contracts. In accordance with section 13e ss. 2 of the Articles of Association, the Joint Committee will report to the Annual General Meeting on its activity. The comprehensive report of the Joint Committee thereon is accessible on the website of the Company from the time of the convening of the Annual General Meeting.

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, prepares personnel proposals of the Supervisory Board and proposes to the Supervisory Board of the Company suitable candidates for its election proposals to the general meeting. In the year under report, the Nomination Committee did not meet as there was no requirement for it to do so.

Ad-hoc Committee in connection with the conversion of the remaining preference shares into ordinary shares.

The ordinary general meeting of May 16, 2013 and the special meeting of the preference shareholders of the same date decided, inter alia, to convert the remaining preference shares into ordinary shares and in this connection to adjust the conditional capital pursuant to section 4 ss. 5 of the Articles of Association. With regard to the registration of the conversion of the preference shares into ordinary shares and the adjustment of the conditional capital in the Commercial Register, the shareholders had authorised the Supervisory Board to up-date and/or replace, in the course of the registration notification to the Commercial Register, the figures and amounts not yet finally determined at the time of the relevant resolution. On the basis of these authorisations, the Supervisory Board formed, by resolution of June 10, 2013 passed in the circulation procedure, a temporary Ad-hoc Committee which, on June 24, 2013, conducted the above described up-dating and/or replacement.

The Ad-hoc Committee consisted of Dr. Dieter Schenk (Chairman), Dr. Gerd Krick and Prof. Dr. Bernd Fahrholz. In the financial year, the Ad-hoc Committee held one telephone conference.

Corporate governance

The Supervisory Board again reviewed the efficiency of its work and also dealt with the exchange of information between the Management Board of the General Partner 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 Classon, Johnston, Dr. Krick, Dr. Schenk and Dr. 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 vice chairman) which acts as general partner of Fresenius SE & Co. KGaA which holds approximately 31.3% 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; companies of the internationally operating law firm Noerr provided legal advice to Fresenius Medical Care AG & Co. KGaA and affiliated companies. In the year under report, Fresenius Medical Care paid approximately € 1.0 M (plus VAT) to the law firm Noerr or in December 2013 gave instructions for such payment (2012: approximately € 1.4 M). This is less than 2% of the legal and consultancy costs paid by Fresenius Medical Care worldwide. Concerning the amount paid or processed for payment in the year under report, it does not include payments which have been executed in the year under report, but had been instructed for payment in 2012 and had therefore been reported for fiscal year 2012 already. The Supervisory Board (and the Supervisory Board of the General Partner) approved the engagement and the payments after presentation of detailed information thereon and following 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 respective approvals of the Supervisory Board.

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

At its meeting on December 3, 2013, the Supervisory Board discussed and resolved on the Company's declaration of compliance under section 161 Stock Corporation Act on the German Corporate Governance Code. The version of the declaration of compliance of December 2013 as it appears at present permanently accessible on the website of the Company applies. The deviations 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 of the General Partner and the lack of setting concrete objectives regarding the composition of the Supervisory Board and, when making recommendations to the competent election bodies, take these objectives into account and reporting on their implementation. Since that would unduly limit the selection of qualified candidates for the Management Board and as the composition of the Supervisory Board needs to be aligned to the Company's interest and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the Company, 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 order, however, not to limit the selection of qualified candidates in a general way in the interest of the Company, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. Furthermore, the employment contracts of the Members of the Management Board of the General Partner do not contain severance payment arrangements for the reasons stated in the Company's declaration of compliance. The Company also deviates

from the recommendations of the Code newly introduced in 2013 to the extent that these recommendations relate to caps on compensation components for the Management Board and to the presentation of the compensation for each individual Member of the Management Board in the compensation report by using corresponding model tables. The performance-oriented short-term compensation (the variable bonus) is capped. As regards stock options and phantom stocks as compensation elements 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 elements would contradict the basic idea of the Members of the Management Board participating appropriately in the economic opportunities and risks 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. Since Fresenius Medical Care does not provide for caps regarding specific amounts for all compensation elements and, therefore, does not provide for caps regarding specific amounts for the overall compensation, the presentation of Management Board remuneration in the compensation report cannot meet all recommendations of the Code in the future.

The corporate governance report of the General Partner and of the Supervisory Board together with the declaration on corporate governance according to section 289a Commercial Code are on pages 128 ff. of the annual report. The declaration on corporate governance for the year under report was discussed by the Supervisory Board and approved at its meeting of March 12, 2014.

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 section 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 2013, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin which was elected as auditor by resolution of the Annual General Meeting of May 16, 2013 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 available to the Audit and Corporate Governance Committee and to 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 2013. 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 February 24, 2014, 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 U.S. dollar as the reporting currency. At its meeting on March 12, 2014, the Supervisory Board approved the annual financial statements and annual management report of Fresenius Medical Care AG & Co. KGaA for 2013 presented to it by the General Partner. The declaration on corporate governance for the reporting year 2013 was also a subject at that meeting and approved. At its meeting of March 12, 2014, the consolidated financial statements and the consolidated annual management report were also approved by the Supervisory Board. The Supervisory Board further approved the General Partner's proposal for the application of profit which provides for a dividend of €0.77 for each ordinary share.

Dependency report

The General Partner, Fresenius Medical Care Management AG, prepared a report on the relationships to affiliates in accordance with section 312 Stock Corporation Act for the financial year 2013. 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 February 25, 2014:

"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".

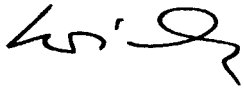
According to the final result of the review by the Supervisory Board also, no objections to the declaration of the General Partner at the foot of the report on the relationships to affiliates are to be raised.

Composition of the Management Board of the General Partner

As already reported last year, the Supervisory Board of the General Partner appointed the former vice chairman of the Management Board Mr. Rice Powell as chairman of the Management Board with effect from January 1, 2013 in succession to Dr. Lipps. Likewise with effect from January 1, 2013, Mr. Ronald Kuerbitz was nominated as a Member of the Management Board for the region of North America. Dr. Olaf Schermeier was appointed as an ordinary Member of the Management Board of Fresenius Medical Care Management AG for research and development with effect from March 1, 2013.

The Supervisory Board thanks the Members of the Management Board of the General Partner as well as all employees for their commitment and for the successful work performed in 2013.

Bad Homburg v.d.H., March 12, 2014
The Supervisory Board



DR. GERD KRICK
Chairman

Capital market and shares

Fresenius Medical Care's share price saw muted development over the past financial year. In a positive overall market environment, it closed the year at the same level at which it opened it. The sustained debate on reimbursement cuts for dialysis treatment in our most important market, the U.S., and elsewhere had an adverse effect on our share price performance and led to pronounced share price fluctuations. Despite this, we are confident that we have positioned the Company strategically in such a way that will allow us to successfully continue on our growth path and increase the shareholder value of Fresenius Medical Care in the longer term.

STOCK MARKET ON THE UPSWING

The financial markets continued to be affected by the international sovereign debt crisis at the beginning of 2013. However, growing confidence in economic development provided a boost to the stock markets from the start of the second quarter of 2013 onwards. Robust corporate figures and a further improvement in the economic outlook led to a steady upturn in the German DAX index, which closed the year at 9,552 points, up 25% on the end of the previous year. Further information on the performance of the world's leading stock indices can be found in table 1.4.1.

PERFORMANCE OF FRESENIUS MEDICAL CARE'S SHARE PRICE MUTED

Looking only at Fresenius Medical Care's share price at the start and end of 2013, it seems to have been a calm and uneventful year: The closing price of €51.73 at year-end 2013 was largely unchanged compared with the previous year. But this impression is misleading: Our share price saw considerable movement over the course of the year.

Fresenius Medical Care's shares recorded their high for the year on April 4, 2013 (€55.60) and their low on October 10, 2013 (€47.00). Significant factors influencing

T. 1.4.1 **Stock indices/shares**

	Country/ region	*31.12.2012*	*31.12.2013*	*Change*	*High*	*Low*
DAX	*GER*	7,612	9,552	25%	9,589	7,460
Dow Jones	*U.S.*	13,104	16,577	26%	16,577	13,104
Nikkei	*JP*	10,395	16,291	57%	16,291	10,395
CAC	*FR*	3,641	4,296	18%	4,321	3,596
FTSE	*GB*	5,898	6,749	14%	6,840	5,898
DJ EURO STOXX 50	*EUR*	2,636	3,109	18%	3,111	2,512
DJ EURO STOXX Healthcare	*EUR*	488	587	20%	587	488
Fresenius Medical Care ordinary shares *in €*	*GER*	52.31	51.73	–1%	55.60	47.00
Fresenius Medical Care ADR *in $*	*U.S.*	34.30	35.58	4%	36.07	31.02

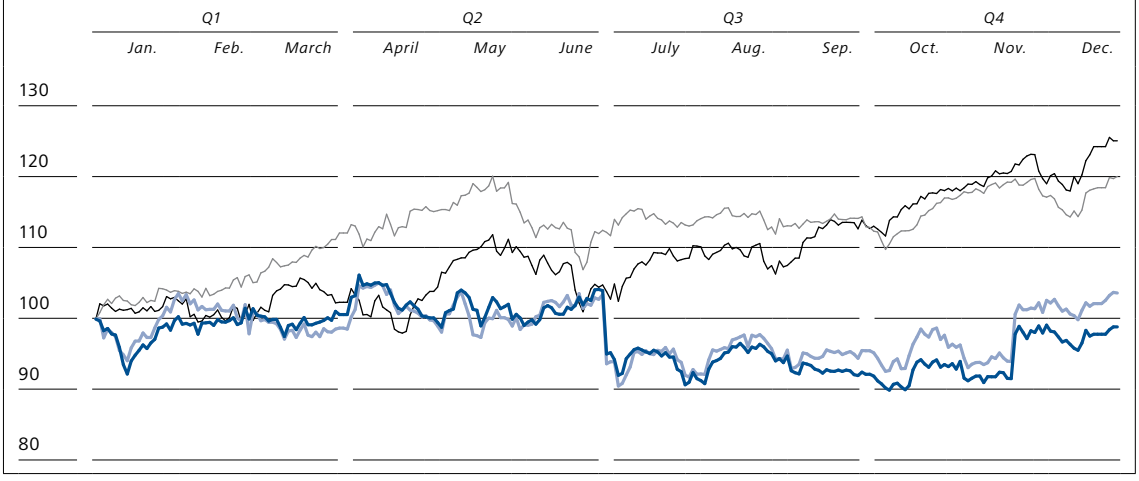
Source: Reuters data, own calculations

the development of our share price in 2013 included the debate on reimbursement cuts for dialysis treatment in our most important market, the U.S., and elsewhere.

Our share price performance was initially affected by the U.S. budget cuts (sequestration) that came into force in March 2013, which also led to cuts in reimbursements in the dialysis sector. In the second quarter of 2013 in particular, the proposal by the responsible authority CMS (Centers for Medicare and Medicaid Services) to lower the reimbursement rate for the dialysis treatment of state-insured patients by a greater margin than expected from 2014 onwards had a massive impact on our share price. However, this recovered substantially in the fourth quarter on the back of the final announcement of a less dramatic reduction in the basic reimbursement rate.

C. 1.4.2 **Index and share price performance, indexed December 31, 2012 – December 31, 2013**

in %

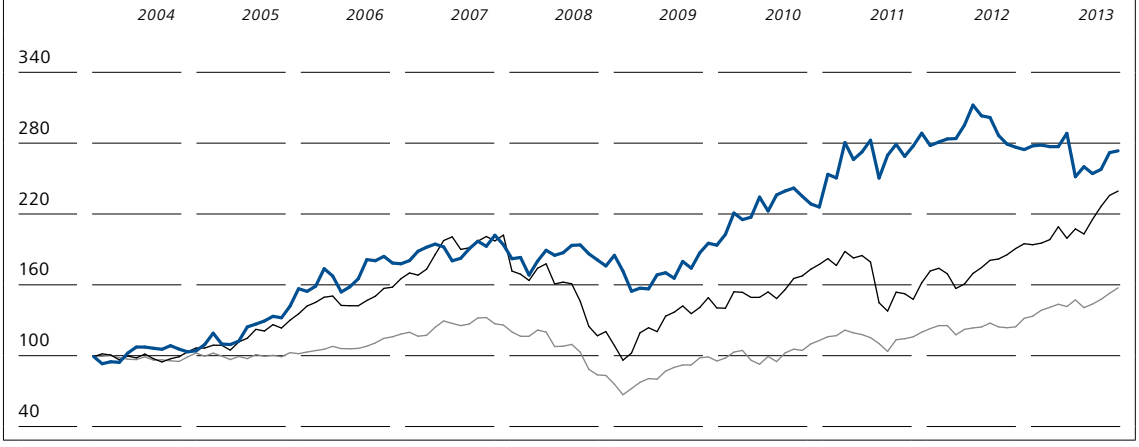


Fresenius Medical Care ordinary share (€) *Fresenius Medical Care ADR ($)* *DAX* *DJ Euro Stoxx Healthcare*

Source: Reuters data, own calculations

C. 1.4.3 **Index and share price performance on a ten-year comparison, indexed December 31, 2003 – December 31, 2013**

in %



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

Source: Reuters data, own calculations

A long-term comparison underlines the strength of Fresenius Medical Care's shares: Over the past ten years, the Company's share price has roughly trebled. An investor seeking long-term growth who invested €10,000 in Fresenius Medical Care shares ten years ago and reinvested the dividends would have had €27,516 in their account as of December 31, 2013. This corresponds to an average annual rate of return of around 11%. Over the same period, the German DAX and the Dow Jones index in the U.S., for example, posted substantially lower annual growth rates of 9 and 5% respectively.

The exchange rate of the euro against the U.S. dollar continued to play an important role in the development of our share price in 2013. The appreciation of local currencies (especially the euro) against the U.S. dollar is advantageous for Fresenius Medical Care in financial terms because we report in U.S. dollars. As a result, we benefit from higher values when our balance sheet items and earnings (in local currencies) are translated into U.S. dollars. However, the appreciation of the euro also means that several conventional valuations, which are usually calculated in U.S. dollars, are less favorable when translated into euros. This can be significant as many investors base their decisions first and foremost on the euro share price. In 2013, the price of Fresenius Medical Care's shares traded on the New York Stock Exchange (NYSE) in the form of American depositary receipts (ADRS) increased by 4%.

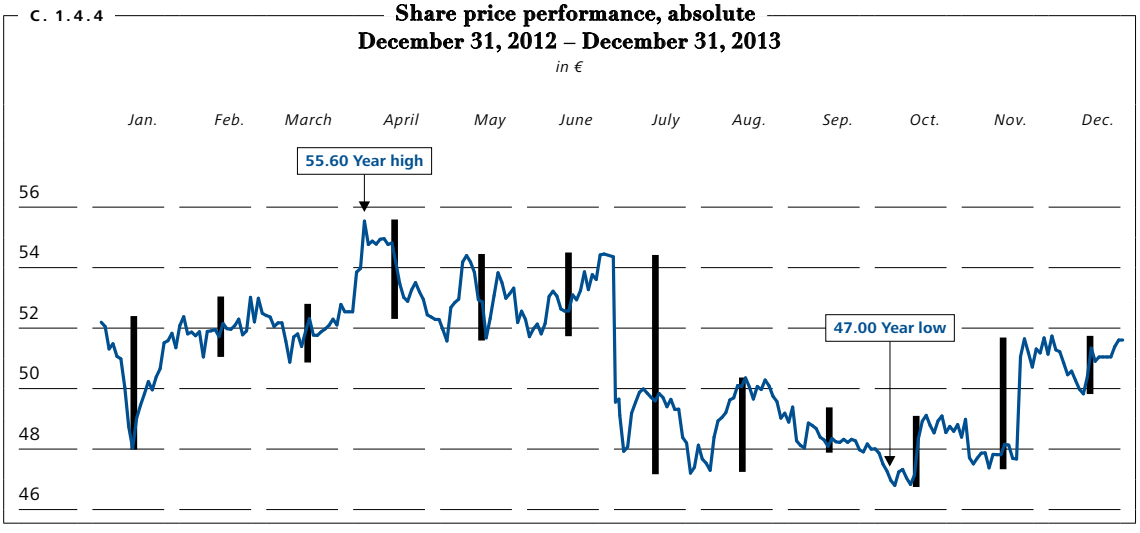
Preference shares converted into ordinary shares

At the Annual General Meeting in May 2013, the shareholders of Fresenius Medical Care resolved a mandatory conversion of the outstanding non-voting preference shares into ordinary voting shares at a ratio of 1:1. The stock exchange listing of the preference shares was suspended as a result. Since July 1, 2013, only the ordinary shares of Fresenius Medical Care have been listed on the stock exchange.

Share buyback program implemented

In the year under review, Fresenius Medical Care bought back treasury shares in the amount of around $500 M (approximately €385 M). In the period from May 20 to August 14, 2013, we acquired a total of around 7.55 M treasury shares at an average price

C. 1.4.4 **Share price performance, absolute**
December 31, 2012 – December 31, 2013
in €



Ordinary share *Price range in each month*
Source: Reuters data, own calculations

of €51 per share. The share buyback was financed from the Company's current cash flow and existing credit facilities.

Fresenius Medical Care will use these treasury shares solely to either reduce our registered share capital by cancellation of the acquired shares, or to fulfill our employee participation programs.

The number of outstanding ordinary shares declined by around 3.5 M in net terms as a result of the conversion of the preference shares and the share buyback program. It amounted to around 301.45 M at year-end.

Slight decrease in market capitalization

Fresenius Medical Care's market capitalization amounted to €15.59 BN as of December 31, 2013, around €400 M lower than the previous year's figure of €15.99 BN. In contrast, the trading volume increased year-on-year, averaging 0.82 M shares per trading day (2012: 0.68 M).

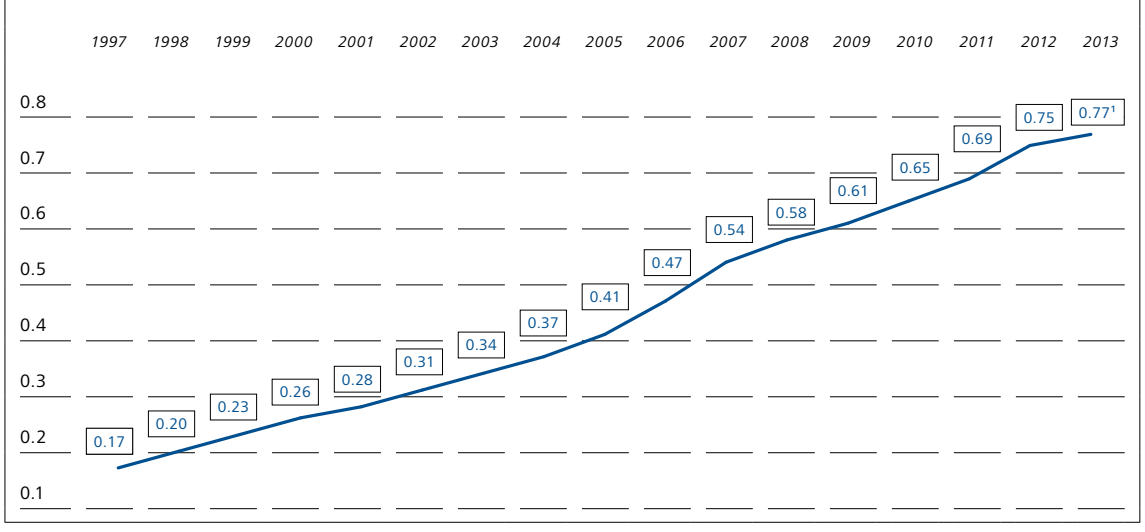
Good positioning in DAX rankings

At the end of the fiscal year, our shares essentially occupied an unchanged position in the rankings published by Deutsche Börse, which serve as a basis for determining the composition of the DAX. The rankings are compiled every month and are based on the trading volume and market capitalization in terms of the free float. At year-end 2013, our weighting in the DAX was 1.37% (2012: 1.64%). This primarily reflects the weaker relative performance of our shares compared with other DAX companies. At the end of the year, we were ranked 21st in the DAX in terms of market capitalization (2012: 19th) and 25th in terms of trading volume (2012: 28th).

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. For the fourth consecutive year, our shares were listed in the Dow Jones Euro Stoxx Sustainability Index, which takes into account ecological and social as well as economic criteria.

C. 1.4.5 **Development of the dividend**

in €



Ordinary share

¹ *Proposal to be approved by the Annual General Meeting on May 15, 2014.*

DIVIDEND CONTINUITY

In the year under review, Fresenius Medical Care confirmed that it would continue with its profit-oriented dividend policy with a slight modification. In future, the dividend will increase roughly in line with earnings per share, at the same time we intend to ensure the continuity of the dividend development. At the Annual General Meeting on May 15, 2014, a 3% increase in the dividend to €0.77 per share will be proposed. Subject to the approval of the Annual General Meeting, the shareholders can therefore expect the dividend to increase for the 17th year in a row since the foundation of Fresenius Medical Care in 1996.

Based on the proposed dividend and our closing share price at the end of 2013, the dividend yield for our shares would be around 1.5% (2012: 1.4%). This means that the dividend would have risen by an average of around 10% each year since 1997.

Based on the proposed dividend, the total payout for 2013 would amount to approximately €232 M. Applying the exchange rate at the end of the financial year, the total dividend works out at around $320 M. Based on our consolidated net income of $1.11 BN, this represents a payout ratio of about 25%.

SHAREHOLDER STRUCTURE REMAINS VERY BALANCED

Based on our latest shareholder structure analysis at the beginning of 2014, we were able to identify the owners of an extremely large proportion of around 96% (previous year: 97%) of the 301.5 M shares outstanding. As of December 31, 2013, the number of Fresenius Medical Care shares held by Fresenius SE & Co. KGaA remained unchanged at around 94.4 M. Fresenius SE & Co. KGaA is our largest shareholder with an interest in our share capital of 31.3%. In our shareholder structure analysis, we identified a further 13 institutional investors with an interest in our share capital of more than 1%.

Overall, we identified 831 institutional investors (previous year: 897) through the shareholder structure analysis. The top 20 institutional investors in our Company held around 47% of the identified shares in the free float (previous year: 45%). Nine of the top 20 investors are based in Great Britain, while six are in the U.S., two in Germany and one in each of Norway, France and Canada.

In terms of geographical distribution, 37.0% of the identified shares in the free float were held by institutional investors in North America. Another 51.2%

T. 1.4.6 **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, 2013	301.5	100.0	–
Identified shares	287.6	95.4	–
Unidentified shares	13.9	4.6	6.7
Shares in free float	207.1	68.7	–
▸ **Identified shares based on free float**	**193.2**	**–**	**93.3**

of the shares were held in Europe excluding Germany, with Great Britain accounting for the majority of these (33.6% of free float). Around 9.3% of our Company's shares were held in Germany.

The analysis conducted at the beginning of 2014 reveals a shareholder structure that, in our opinion, continues to be well balanced both from a geographical point of view and in terms of private and institutional investors. For 2014, we again see the regional focus of our investor relations activities on North America and Europe, as well as selected countries in Asia and the Middle East.

VOTING RIGHTS NOTIFICATIONS IN 2013

In 2013, we received three voting rights notifications in accordance with section 25 (1) of the German Securities Trading Act (WpHG), three voting rights notifications in accordance with section 25 (1a) WpHG and four voting rights notifications in accordance with section 21 (1) WpHG. All voting rights notifications are published in the investor relations section of our website at www.fmc-ag.com.

SHARES RATED AS NEUTRAL BY A MAJORITY OF ANALYSTS

Financial analysts continue to express great interest in our Company. This is reflected by the fact that we are actively tracked and covered by 35 equity analysts, known as sell-side analysts. As of the end of 2013, 13 analysts rated our shares as "buy", 20 analysts voted for "hold" and two analysts recommended investors to "sell" their shares. Some analysts changed their previous positive assessment in light of the intensified debate on reimbursement cuts for dialysis services.

SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

Our investor relations work in 2013 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 Medical Care, its operational and financial business developments and the Company's outlook

T. 1.4.7 **Geographical distribution of identified shares**

figures rounded in M

	2014[1]		*2013*[2]	
	Number of shares	*in %*	*Number of shares*	*in %*
North America	62.55	37.0	74.49	41.6
Germany	15.67	9.3	14.79	8.3
Great Britain	56.78	33.6	51.12	28.5
France	11.94	7.1	14.39	8.0
Norway	5.57	3.3	5.74	3.2
Rest of Europe	12.26	7.2	13.31	7.4
Rest of the world	4.32	2.5	5.28	3.0
▸ Shares attributable to regions	**169.09**	**100.0**	**179.12**	**100.0**
Private investors	24.12	–	24.44	–
▸ Identified shares based on free float	**193.21**	**–**	**203.56**	**–**

[1] *As per shareholder structure analysis, January 2014.*
[2] *As per shareholder structure analysis, January 2013.*

to a wide audience encompassing 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 doing so, we fulfil all of the statutory requirements and guidelines that apply to us in both the U.S. and Germany. These include the regulations of Deutsche Börse and the NYSE, as well as the German Securities Trading Act (WpHG), the German Corporate Governance Code and the Sarbanes-Oxley Act. More information on this and other corporate governance issues can be found in the "Corporate governance report" starting on page 128.

In 2013, we again maintained our contacts with financial analysts and institutional and private investors worldwide. We presented Fresenius Medical Care and answered questions about our business performance and the Company's future in around 750 one-on-ones with analysts and investors. In addition, we showcased the Company and its prospects at 15 roadshows and 26 investment conferences around the globe. Private investors also play an extremely important role. For this reason, we took part in events organized for private investors by the German Association for the Protection of Shareholders (Deutsche Schutzvereinigung für Wertpapierbesitz, DSW), among other things.

T. 1.4.8 **Basic share data**

Share type	No par value bearer ordinary 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

In 2014, we intend to inform our investors and analysts about current business developments, our strategy and the associated medium-term targets for the fourth time as part of the Capital Markets Day in New York. We previously welcomed numerous analysts and investors at this event in 2005, 2007 and 2010.

2013 was another successful year for the Investor Relations department of Fresenius Medical Care. Irrespective of its moderate share price performance over the course of the year, our Company was again recognized for its outstanding work. The Thomson Reuters news agency awarded Fresenius Medical Care its prize for best IR work in the "MedTech and Services" category for the eighth time in a row. A survey carried out by the U.S. magazine "Institutional Investor" ranked our Company highest in the "healthcare" category in Europe for the sixth year in succession.

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

- price information on our share 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 reporting, the Annual General Meeting and other events.

In addition, it is possible to contact us directly via e-mail on our website, e.g. to receive automatic updates on Company developments in the future.

T. 1.4.9 **Key figures for Fresenius Medical Care's share**

		2013	2012	2011	2010	2009
Number of shares[1]	*in M shares*	301.45	302.74	300.16	298.28	295.75
Share prices (Xetra trading)						
Year-high	*in €*	55.60	59.51	55.13	45.79	37.71
Year-low	*in €*	47.00	50.80	41.11	36.10	26.07
Year-end price	*in €*	51.73	52.31	52.50	43.23	36.94
Average daily trading volume	*in shares*	820,387	682,226	825,970	824,535	1,040,200
Share prices (ADR NYS)						
Year-high	*in $*	36.07	38.93	39.96	32.01	27.48
Year-low	*in $*	31.02	32.13	27.88	23.71	17.83
Year-end price	*in $*	35.58	34.30	33.99	28.85	26.51
Market capitalization						
Year-end	*in € M*	15,594	15,986	15,930	13,143	11,045
Year-end	*in $ M*	21,434	21,092	20,621	17,270	15,911
Exchange rate	*$ to €*	1.3745	1.3194	1.2945	1.3141	1.4406
Index weight						
DAX	*in %*	1.37	1.64	2.16	1.36	1.31
Dividend						
per share	*in €*	0.77[2]	0.75	0.69	0.65	0.61
Dividend yield[3]	*in %*	1.5	1.4	1.3	1.5	1.7
Total payout	*in € M*	232[2]	230	210	197	183
Basic earnings per ordinary share (EPS)						
Number of shares[4]	*in M shares*	301.88	301.14	299.01	296.81	294.42
Basic earnings per ordinary share (EPS)	*in $*	3.65	3.89	3.54	3.25	2.99

[1] *As of December 31 of the respective year.*
[2] *2013: Subject to the approval of the Annual General Meeting on May 15, 2014.*
[3] *Based on end of the respective year.*
[4] *Weighted average number of outstanding shares.*

39–156

OUR FISCAL YEAR

2.1 Operations and strategy 39

2.2 Business environment 49

2.3 Results of operations, financial situation, assets and liabilities 62

2.4 Research and development 72

2.5 Procurement and production 78

2.6 Our product business 82

2.7 Our dialysis services business 87

2.8 Employees 92

2.9 Responsibility 98

2.10 Risk and opportunities report 106

2.11 Subsequent events 120

2.12 Outlook 121

2.13 Corporate governance report and declaration on corporate governance 128

Operations and strategy

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

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. In the year under review, we further expanded our business with dialysis products and in particular our services business. We now care for more than 270,000 dialysis patients in 3,250 proprietary dialysis clinics in over 45 countries worldwide. We are continuously developing this network of clinics – the largest and most international in the world – to accommodate the ever growing number of dialysis patients. At the same time, we operate more than 40 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The Company's most important plants for dialyzer production are in St. Wendel (Germany), Ogden, Utah (U.S.) and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany) and, since merging our machine production with a distribution warehouse in 2013, in Concord, California (U.S.). We also maintain further manufacturing facilities worldwide which cover local demand for dialysis products as a rule. Further information on our production activities can be found in the "Procurement and production" chapter starting on page 78; a list of our major subsidiaries can be found on page 279.

Fresenius Medical Care is organized regionally and divided into the regions North America, EMEA (Europe, Middle East, Africa), Latin America and Asia-Pacific. Our business segments are grouped into North America and International, which in turn comprises the EMEA, Latin America and Asia-Pacific regions. Fresenius Medical Care's corporate headquarters are in Bad Homburg v. d. H., 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 2.1.1 on page 40.

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 128. The Members of the Management Board are presented starting on page 18; information on the positions of the Management Board and the Supervisory Board can be found starting on page 275.

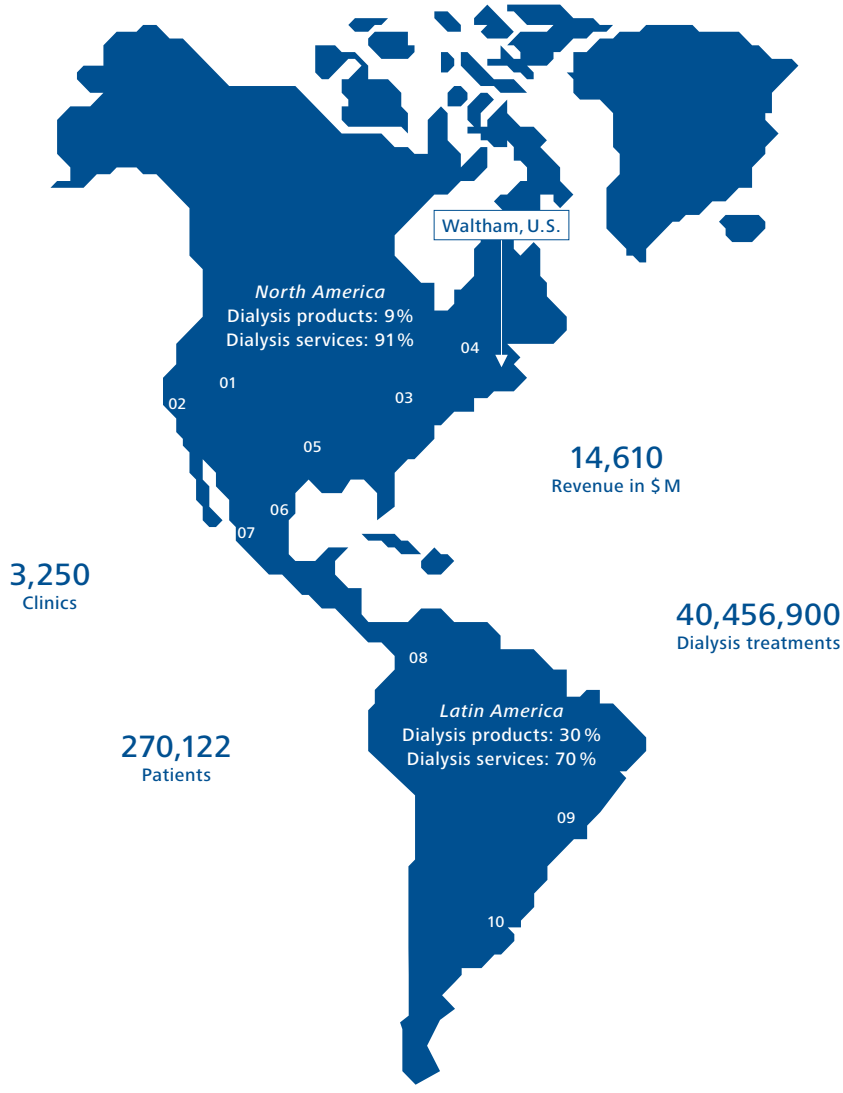
Reporting on the basis of U.S. GAAP

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. This is due to the Company's high business volume in the U.S. Furthermore, the Company prepares its reports in accordance with International Financial Reporting Standards (IFRS).

Our products, services and business processes

At the end of 2013, about 2.519 M patients regularly underwent dialysis worldwide. Dialysis is a vital blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. It removes toxins and surplus water from the body, which are normally discarded through urination in healthy individuals, 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 through a special filter, the dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business encompasses both therapy methods.

C. 2.1.1 **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
Tubing systems

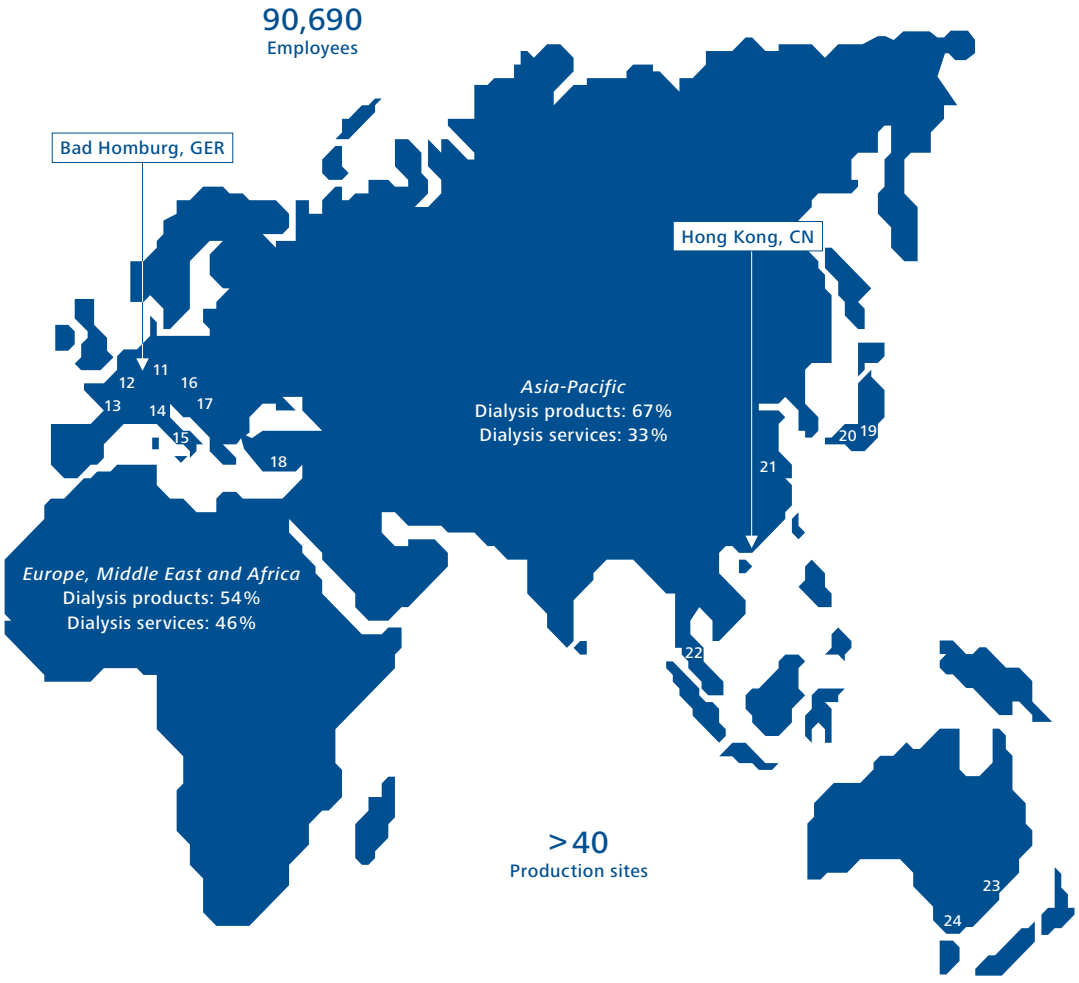
07 Guadalajara, MX
Dialysis solutions

08 Santafé de Bogotà, CO
Dialysis solutions

09 Jaguariúna, BR
Dialysis solutions

10 Pilar, AR
Hemodialysis concentrates & dialysis solutions

▽ *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 & bags for peritoneal dialysis

13 L'Arbresle, FR
Dialyzers & hemodialysis concentrates

14 Palazzo Pignano, IT
Tubing systems

15 Canosa, IT
Bags for peritoneal dialysis

16 Krems, AT
Adsorbers

17 Vršac, SRB
Dialyzers, dialysis solutions & tubing systems

18 Antalya, TR
Tubing systems

Asia-Pacific

Hong Kong, CN
Regional headquarters Asia-Pacific

19 Inukai, JP
Fiber bundles

20 Buzen, JP
Dialyzers & dialysis solutions

21 Changshu, CN
Tubing systems

22 Ipoh, MY
Water treatment systems

23 Smithfield, AU
Hemodialysis concentrates

24 Scoresby, AU
Dialysis chairs

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 that 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 51 and in the glossary on page 284.

Home dialysis: still a niche market

The two types of home dialysis are peritoneal dialysis (PD) – see glossary on page 287 – 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 2013, only around 0.6% of all dialysis patients received this treatment. We provided products to approximately 50,000 PD patients and more than 3,800 home hemodialysis patients by the end of 2013; as a result, around 19% of all PD patients and approximately 27% of all home hemodialysis patients use our dialysis products.

Acute dialysis: when the kidneys suddenly stop working

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 also offers products and services for acute dialysis.

Dialysis drugs: expanding our product range

Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism. This chiefly comprises agents to stimulate red blood cell production, known as ESAs (erythropoiesis-stimulating agents), iron compounds, phosphate binders, vitamin D preparations and calcimimetics; see glossary on page 286.

As well as using dialysis drugs in our own dialysis clinics, we sell them to third parties. We mainly source EPO and vitamin D from specialized providers. We produce phosphate binders and iron compounds ourselves and in a joint venture with the Swiss company Galenica. The phosphate binder Velphoro (PA21) was approved by the U.S. Food and Drug Administration in 2013 and will be introduced in the U.S. market by Fresenius Medical Care North America 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.

Laboratory services: complementing our range of services

Nephrologists rely on extensive laboratory tests to tailor dialysis to each patient. The laboratory results have a significant impact on the quality of patients' treatment and therefore their quality of life. In 2013, Spectra Laboratories, one of our subsidiaries in the U.S., provided around 62 M laboratory tests for some 215,000 patients in our own as well as in external dialysis clinics. Many of these tests are used to regularly check the water and electrolyte as well as the mineral balance and the hemoglobin needed for oxygen production in the blood. In 2013, Spectra Laboratories acquired the business of Shiel Medical Laboratory in the U.S. This laboratory service provider performed approximately 10 M laboratoy tests in 2013 for a broad base of over 4,000 physicians.

Fresenius Rx: the pharmacy service

Our pharmacy service in the U.S., Fresenius Rx, mainly provides drugs and diabetes tests for renal patients. Fresenius Rx sends the necessary drugs straight to the patient's home or to the responsible dialysis center. In addition to shipping products, Fresenius Rx coordinates the supply of drugs to patients in collaboration with the responsible clinic staff, notifies doctors and patients when new prescriptions have to be issued, and points out if ordered drugs are not compatible or if dosages have to be adjusted.

Fresenius Vascular Care: meeting vascular access needs

Hemodialysis treatment requires a permanent vascular access. Fresenius Vascular Care is one of the biggest clinic networks for interventional radiology in North America. It mainly deals with meeting dialysis patients' vascular access needs. By providing outpatient treatment, we help to minimize lengthy and cost-intensive stays in hospital and enable our patients to return to their normal surroundings as quickly as possible. We operate a total of 46 Fresenius Vascular Care clinics in the U.S., 33 of which are joint ventures. We also have three proprietary centers in Portugal specialized in vascular access treatment. In addition, we opened a center for vascular surgery services in Taiwan.

Dialysis: also possible on vacation and business trips

Usually, patients requiring regular dialysis are very constrained in their mobility. Vacations or business trips to other countries seem impossible. For patients on HD or PD who wish to travel, Fresenius Medical Care offers a complimentary reservation service for dialysis treatment outside their normal environment. We use not only our own global network of clinics for this, but also certified third-party dialysis providers, enabling dialysis patients to receive their vital treatment in many areas around the world.

Major markets and competitive position

Largest dialysis services provider in the world

Fresenius Medical Care is the world's leading provider of dialysis services with a market share of about 11% based on the number of patients treated. As well as providing services to most dialysis patients, we operate more dialysis clinics than any other company: In 2013, we ran 3,250 (2012: 3,160) clinics worldwide. We treated 63% of our patients in North America, 19% in Europe, 11% in Latin America and 7% in the Asia-Pacific region.

Market leader in dialysis products

Our dialysis products accounted for around 34% of the global market in 2013 (2012: 33%), which means that we are still the market leader in this area. The market share of our key products – dialyzers and dialysis machines – was even higher at around 43% (2012: 44%) and 55% (2012: 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 51.

Legal and economic conditions

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

Reimbursement schemes for dialysis treatments differ from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 45 countries with different economic conditions. Thanks to our international experience, we are able to support the efforts of national healthcare systems to create suitable remuneration structures, adapt our business to local conditions and therefore operate on a profitable basis. Further information can be found in the "Dialysis market" section starting on page 51.

As a life-saving treatment, dialysis is subject to the highest safety and quality standards. This applies to the production of our dialysis products as well as the implementation of dialysis treatments 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 chapter "Our dialysis services business" starting on page 87 and the chapter "Procurement and production" starting on page 78.

Demographic factors are one major reason why dialysis markets continue to grow. They include aging populations and an increasing incidence of diabetes and high blood pressure, two diseases that often precede the onset of chronic kidney failure. In recent years, forecasts of the occurrence of these two diseases have continuously been adjusted upwards. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

For Fresenius Medical Care, acting sustainably and responsibly is essential to enable us to continue investing successfully in our employees, research and development, production and in developing our fields of business now and in the future. We measure our success on the basis of clearly defined performance indicators and targets. Further information about our financial goals in 2014 can be found in the "Outlook" chapter starting on page 121.

Thanks to our financial stability, we 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 goal of consolidating our position in a financially responsible manner.

Long term strategy to increase the Company's value

As the world's leading provider of products and treatments for patients with chronic kidney failure, we gear our actions to our vision of creating a future worth living for dialysis patients worldwide, every day. That is what we aspire to and what motivates us. Fresenius Medical Care's corporate strategy is our blueprint for turning this vision into 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 this way, we intend to continuously increase Fresenius Medical Care's company value and create added value for patients, healthcare systems and investors worldwide.

The groundbreaking maxim of our corporate strategy is still to fully capture our potential as a vertically integrated company. This means that we systematically use 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:

▸ Increasing prevalence of lifestyle diseases

Diseases such as high blood pressure and diabetes are becoming increasingly common due to factors such as a lack of exercise, an unhealthy diet and obesity. In the long term, the damage that these diseases can cause in the human body also affects the kidneys.

▸ Demographic change and a growing world population

Average life expectancy is increasing, resulting in a growing share of elderly people in the population. However, kidney function deteriorates with age. In combination with harmful influences such as high blood pressure over many years, diabetes or lipid metabolism disorders, low kidney function can lead to chronic kidney failure. Demographic trends are therefore a major factor in the growing number of dialysis patients, which is expected to rise from 2.5 M in 2013 to 3.8 M worldwide in 2020.

▸ Improved access to medical care
In many countries, thanks to increasing wealth and ongoing efforts to establish and expand balanced and sustainable healthcare systems, a large number of patients now have access to suitable dialysis treatment 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 healthcare industry
The healthcare industry is in a process of transformation, not least due to the developments mentioned above. Calls for the healthcare industry to find new answers to rising cost pressure worldwide while safeguarding and enhancing the quality and scope of healthcare provision are getting louder. We firmly believe that demand for holistic care of kidney patients will continue to grow, and that the focus in future will no longer be on individual dialysis products or services, but on a combination of all areas of application related to dialysis.

Against this background, Fresenius Medical Care's corporate strategy is based on four pillars that will govern our actions in the years ahead:

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

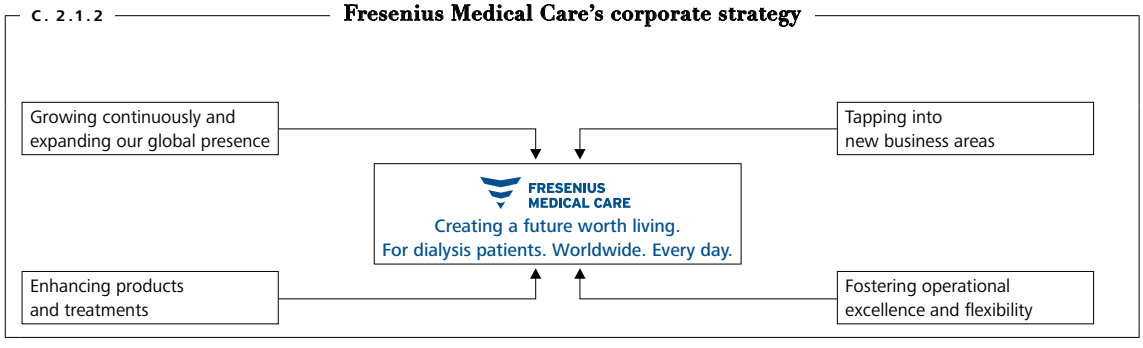
Based on these four pillars, we have devised specific measures that will form the main thrust of our corporate activities in the future.

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 do this, for example, by giving more and more people access to life-saving dialysis treatment and developing innovative products and therapies that improve our patients' quality of life. We play a part in the industry's development by entering into strategic alliances with various healthcare institutions, for example.

To strengthen our market position, we have developed various approaches ranging from organic growth to the continuous assessment of acquisitions. Our acquisition activities are focused on small to medium-sized enterprises that supplement our existing portfolio. For example, we regularly assess whether we can expand our network of dialysis clinics through purchases in markets that are particularly attractive for our business. In selecting acquisitions, we apply strict strategic and financial criteria.

C. 2.1.2 **Fresenius Medical Care's corporate strategy**



Another requirement for lasting, profitable growth is gearing our business activities to attractive future markets. One way of tapping into new markets and further expanding our presence is through public private partnerships (PPP) in the dialysis business. The public sector also benefits from a dialysis infrastructure in the form of high quality standards, enabling it to care for more patients more effectively and at a lower cost. Fresenius Medical Care is already involved in several PPP initiatives in Europe, Africa, Asia and Australia. We intend to expand strategic alliances such as these in future.

Tapping into new business areas

Fresenius Medical Care's main focus is on comprehensive care for dialysis patients and dialysis-related treatments. In many regions, in addition to our products, dialysis treatment itself and a wide range of dialysis drugs, we offer an increasing number of additional services for patient care. These include laboratory and pharmacy services as well as services relating to vascular access, an essential aspect of treatment for dialysis patients. Thanks to this integrated healthcare approach, we can tap into new business areas and meet the growing demand for comprehensive care of patients with kidney disease. It also enables us to integrate the individual treatment steps with the aim of further improving the quality of care for our patients and to relieve pressure on the healthcare system.

Enhancing products and treatments

Developing innovative products and continuously improving our dialysis treatments are integral parts of our sustainable growth strategy. As a vertically integrated company, we benefit from direct access to the opinions and experience of patients and experts at our own dialysis centers.

We operate a global network of research and development sites. This has the advantage of enabling us to familiarize ourselves 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 large number of synergies in the area of product development that we intend to leverage even more in future. In 2013, we reorganized our Research and Development department, giving it a more global focus to capture this potential and specifically promote the exchange of knowledge between regions. For further information, see the "Research and development" chapter starting on page 72.

The quality and safety of our products and services is given top priority at Fresenius Medical Care. We consider these aspects to be just as important as our patients' quality of life. Right from the development of products and treatments, we put our patients first. Confidence in the quality of our products and services makes us a reliable partner for patients, doctors and care staff alike. We will continue to focus on the quality of our products and services in the future.

Fostering operational excellence and flexibility

In a challenging economic environment, we also place importance on enhancing Fresenius Medical Care's profitability in the long term and positioning and managing the Company even more efficiently. In the future, we aim to further 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 right conditions to enable us to respond more flexibly to changes in the market.

However, at the same time, we also intend to use our decentralized structure in future to help us be a strong, reliable local partner, respond quickly to customers' specific needs and changes in our markets or in the regulatory environment, and gain access to new markets.

Financial strategy

Besides optimizing our financing costs, Fresenius Medical Care's financial strategy gives top priority to financial flexibility. The Company ensures this flexibility by using a wide range of financial instruments and diversifying its activities with investors and banks to a greater extent. Our financing profile is characterized by a wide spread of maturities up to 2022.

Our main financing instrument is the syndicated credit agreement with a revolving credit facility and a long-term loan. In addition, we use several other medium-term and long-term financing instruments.

In our long-term financial planning, we focus primarily on the debt/EBITDA ratio. Fresenius Medical Care holds a strong position in the growing dialysis market, which is generally considered to be non-cyclical. This sector is characterized by relatively stable cash flows. For further information on our financial strategy, see the "Financial situation" section starting on page 66.

Key performance indicators

To manage the Company, Fresenius Medical Care's Management Board uses various financial ratios that are geared to strategic and operating targets. The aim is to ensure the Company's long-term success. These key performance indicators are an essential component of forecast reporting. In addition, a large number of financial and non-financial performance indicators are compiled, checked and, in some cases, incorporated into forecast reporting.

An overview about the key performance indicators of Fresenius Medical Care can be found in table 2.1.3 on page 48.

Other performance indicators

In addition to the ratios listed in table 2.1.3 on page 48 we use other 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 2013 of 7.7% was at a comparable level as in the previous year (2012: 8.1%).

▸ ROOA (return on operating assets) expresses how efficiently the Company's total employed capital is managed by calculating profit in relation to total capital. Fresenius Medical Care's ROOA in 2013 of 10.5% was also at a similarly high level as in the previous year (2012: 11.4%).

▸ ROE (return on equity) provides an insight into a company's earning power. To calculate ROE, the Group's 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 12.0% in 2013, ROE (after tax) slightly decreased compared to 2012.

▸ 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 2013 was at 6.7%, after 6.8% in the previous year. Comparing the Company's WACC with its ROIC of 7.7% reveals that in 2013, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

We manage our investments by means of a detailed coordination and evaluation process. The Management Board sets the 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 required and potential return on investment. The investment projects are evaluated based on commonly used approaches 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 "Acquisitions and divestitures" on page 58, and "Financial situation" starting on page 66.

Details on the development of these indicators as well as other financial figures can also be found in the chapter "Results of operations, financial situation, assets and liabilities" starting on page 62.

T. 2.1.3 **Key performance indicators of Fresenius Medical Care**

	Definition	***2013***	*2012*
Revenue	Proceeds from the sale, letting or leasing of products and provision of services	$14,610 M	$13,800 M
Operating income (EBIT)	Indicator for assessing earnings power	$2,256 M	$2,219 M
Operating income margin (EBIT-margin)	Ratio of operating income to revenue; indicator for assessing profitability	15.5%	16.1%
Net income growth	Earnings after taxes and net income attributable to non-controlling interests; indicator for assessing earnings power	–6%	11%
Basic earnings per ordinary share growth	Net income divided by the weighted average number of shares outstanding during the year	–6%	10%
Capital expenditures	Ratio influencing the capital employed in the Company in the form of replacement and expansion investments	$728 M	$666 M
Net cash provided by operating activities in % of revenue	Net inflow of cash and cash equivalents from business operations in relation to revenue; indicator for a company's solvency and internal financing potential (funds available for replacement and expansion investments) relative to revenue	13.9%	14.8%
Free cash flow in % of revenue	Freely available cash flow after capital expenditures in relation to revenue; indicator for the funds available for acquisitions, dividends and loan repayments relative to revenue	8.9%	10.0%
Debt/EBITDA ratio	Debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for other non-cash expenditures; indicates how long it takes to repay debts from own funds	2.8	2.8

Business environment

The global economy picked up slightly in 2013. This was again largely due to impetus from emerging countries, supported by the economic recovery in Europe. The dialysis market is growing worldwide. At the end of 2013, approximately 2.5 M dialysis patients were being treated.

OVERALL ECONOMIC ENVIRONMENT

The global economy showed moderate growth in 2013. The outlook improved, especially in many of the more advanced economies. By contrast, the trend in most emerging countries remained constant. Consequently, the growth rate of the global gross domestic product (GDP) was virtually unchanged: In 2013, it amounted to 2.9%, compared to 3.1% in 2012.

Economic development in our North America and International segments

North America segment: The budget dispute in the U.S. regarding the lifting of the federal debt ceiling was an ongoing obstacle to all fiscal policy decisions in fall 2013. A compromise was reached at the last minute, averting the threat of sovereign default for the time being. This standoff had affected economic growth: GDP in the U.S. rose by just 1.6% in 2013, compared to a 2.8% increase in 2012.

International segment: The economies in our International segment developed at different rates. In the euro zone, the economy slowly emerged from recession for the first time in almost two years in 2013. The growth rate in emerging countries remained high in 2013, although it was slower than in previous years in some key markets such as Brazil, Russia, India and China. It was particularly of significance in China, which had set the pace for the global economy in the past decade with its strong growth. The economic performance of countries in the Latin America region varied considerably, as in the previous year: Some expanded, while in others growth was more modest. Overall, the GDP in the region was 2.7% in 2013, compared to the previous year's growth rate of 2.9%.

Energy prices still high, commodity prices lower

Energy costs, especially of oil, fuel and electricity, remained high on average. Prices for commodities fell sharply in some cases, especially in the first half of the year, characterized by sharp fluctuations. Prices

T. 2.2.1 **Real gross domestic product**

Change compared to the previous year in %

	Gross domestic product	
	2013	*2012*
U.S.	1.6	2.8
Germany	0.4	0.7
Euro zone	−0.4	−0.7
China	7.5	7.8
India	4.0	3.7
Asia	6.3	6.6
Latin America	2.7	2.9
▸ **Worldwide**	**2.9**	**3.1**

Source: Institute for the Global Economy at the University of Kiel "Weltkonjunktur im Winter 2013", December 19, 2013

stabilized somewhat in the second half of the year, but they were down on the previous year. For Fresenius Medical Care, an increase in commodity, transport and energy costs of 1% generally means a reduction in the Company's result after tax of approximately 0.9%. Fresenius Medical Care counters these price fluctuations by concluding long-term supply contracts. This allows us to limit the negative effects of short-term price rises on the Company's results.

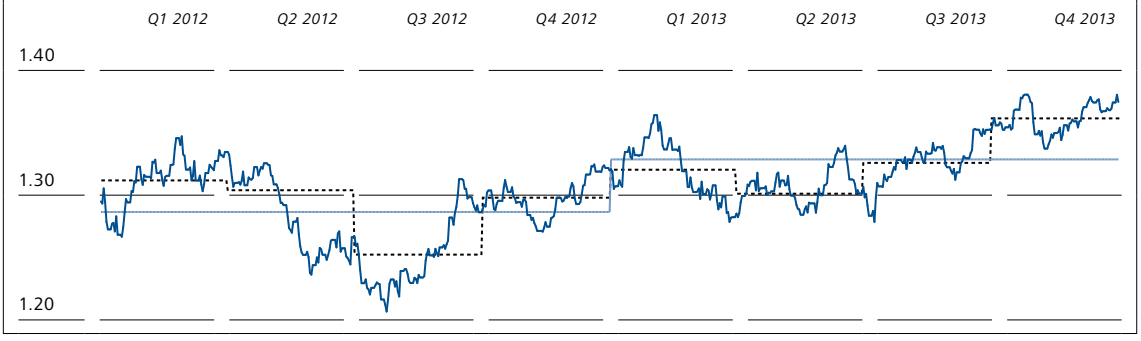
Fresenius Medical Care largely non-dependent on economic cycles

Compared with other industries, the dialysis market is only very slightly affected by macroeconomic impacts: Demand for medical care as a whole, including life-preserving products and services for kidney patients, is rising because of the aging population. Consequently, the dialysis market is a growth market. Fresenius Medical Care is therefore only dependent on economic cycles to a limited extent. Our business is rather impacted by government reimbursement rates and remuneration systems. Dialysis is a vital medical service, which is why it is usually paid for by the responsible healthcare system; see also the "Dialysis market" chapter starting on page 51.

Exchange rate development characterized by a stronger and stable euro

For Fresenius Medical Care, the changes in currency parity are relevant because we sell our products on global markets. We report in U.S. dollars. Most of our revenue is generated in U.S. dollars, and is therefore not subject to currency fluctuations. Our other business activities are affected by the development

C. 2.2.2 **Exchange rate development U.S. dollar/euro**



$/€ Annual average Quarterly average
Source: Reuters data, own calculations

T. 2.2.3 **Sensitivity analysis**

10% appreciation in currency against the U.S. dollar

	*Impact on sales of Fresenius Medical Care **2013***
Euro	~ 1.5%
Other European currencies	~ 0.5%
Renminbi and Hong Kong dollar	~ 0.3%
Japanese Yen	~ 0.1%
Other Asian currencies	~ 0.5%
South American currencies	~ 0.5%

Source: Company data and estimates

of the exchange rate not only against the U.S. dollar, but also against the euro, as some of the key production facilities are situated in the euro zone. We minimize our transaction risks, i.e. risks arising from foreign currency items or exchange rate fluctuations, through our global network of production facilities, which is geared towards meeting demand in our dialysis products business: Often, our production facilities are based in the markets that they serve, so that costs are incurred in the same currency in which we generate our sales. In our largest business area, our services business, the risk of exchange rate fluctuations is relatively low because we provide our services locally and therefore in the respective currency.

Currency translation effects particularly stem from the relative development of the U.S. dollar and the euro. After the U.S., Europe – particularly the euro zone – is one of the most important business regions for Fresenius Medical Care. Overall, translation effects on revenue and other key income items were of minor significance in 2013 as a result of the stronger and consistent euro against the U.S. dollar compared with the previous year, as well as the development of the other exchange rates.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section starting on page 59 and in the "Outlook" chapter starting on page 121.

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 expand our business further and consolidate our position as market leader.

Collecting and analyzing 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. We use this information as a basis for strategic decisions in the areas of 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 due to the entry of new providers, for example.

T. 2.2.4 **Patients with chronic kidney failure in 2013**

in M

Patients with chronic kidney failure	**3.194**	**100%**
of which on dialysis	2.519	79%
Hemodialysis (HD)	2.250	71%
Peritoneal dialysis (PD)	0.269	8%
of which with transplants	0.675	21%

Source: Company data and estimates

Industry-specific environment

Patient numbers rising worldwide

Chronic kidney failure is a global disease. At the end of 2013, approximately 3.194 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, measured in patients per million population (pmp), can be well below 100 in developing countries. On average, the figure in countries in the European Union is 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 has a rate of more than 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 incidence of risk factors for kidney disease such as diabetes and high blood pressure diverges.

▸ The genetic predisposition for kidney disease differs across the world.

▸ Access to dialysis is still limited in many countries. As a result, many kidney failure sufferers are not treated and thus do not appear in prevalence statistics.

▸ Cultural factors such as nutrition play a role.

The number of dialysis patients rose by around 7% in 2013. In the U.S., Japan, and Western and Central Europe, we again recorded below-average growth in the number of patients in 2013. 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 more precise recording of patient numbers, other factors contributing to a rise in global prevalence include 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 2.519 M patients who were undergoing dialysis treatment at the end of 2013, 2.250 M, or about 89%, were treated with hemodialysis and around

T. 2.2.5 **Dialysis patients: regional development**

	2013	*Change*
North America	**568,000**	**~5%**
U.S.	452,000	~4%
Europe/Middle East/Africa	**639,000**	**~4%**
EU	341,000	~2%
Asia-Pacific	**1,060,000**	**~10%**
Japan	318,000	~2%
Latin America	**252,000**	**~6%**
▸ Worldwide	**2,519,000**	**~7%**

Source: Company data and estimates

269,000 (11%) with peritoneal dialysis; see glossary on page 283. In a global comparison of treatment methods, hemodialysis is clearly the most commonly used.

Dialysis patients can be treated either in a dialysis center or in their own home. Treatment options available for home therapy are home hemodialysis, which is 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 675,000 patients were living with a transplanted kidney at the end of 2013. However, for many years now, 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 get more people to donate, the share of patients receiving kidney transplantation compared to 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 DaVita in the U.S. We generated around 1% of our revenue with DaVita in the last fiscal year.

Healthcare 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 healthcare system. The reimbursement systems for dialysis treatment – in other words, the schemes used by healthcare systems to pay for dialysis services – differ from one country to another 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 healthcare debate in some countries is currently focused on establishing reimbursement structures based on treatment quality (pay for performance). Here, more responsibility is transferred to the medical service provider, subject to transparency and quality criteria. The aim of such reimbursement models is to ensure high-quality treatment combined with lower overall costs for the healthcare system.

One example of a reimbursement model based on qualitative criteria is the bundled reimbursement system for dialysis introduced in 2011 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 products and services that used to be reimbursed according to the composite rate as well as services that were refunded separately in the old system, such as the administration of certain intravenous drugs and diagnostic laboratory tests, are now paid in a lump sum. This bundled reimbursement rate is

T. 2.2.6 **Regional breakdown of in-center dialysis and home dialysis**

	In-center dialysis	*Home dialysis*
Europe/Middle East/Africa	93 %	7 %
Latin America	88 %	12 %
Asia-Pacific	90 %	10 %
North America	82 %	18 %
▸ **Worldwide**	**89 %**	**11 %**

Source: Company data and estimates

adapted to patients' characteristics such as age and weight; it can also be adjusted for patients who require exceptional medical care, which is more costly. 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. With our vertical business model, we are very well-placed to work with reimbursement systems based on qualitative criteria, such as the system in the U.S., and are also well-equipped for any future adjustments.

Effective, January 1, 2014 some of the described parameters of the reimbursement system have been changed. As a consequence, the reimbursement rate will be stable in the next two years compared with 2013 but the raising costs due to inflation will not be covered anymore. This is another financial blow to our Company, after we were hit hard by the automatic budget cuts (sequestration) in the last financial year to reduce the government debt in the U.S., as they also affected the dialysis sector. More information can be found in the "Outlook" chapter starting on page 121 and in the "Results of operations" section starting on page 62.

Fresenius Medical Care in a global comparison

We estimate the volume of the global dialysis market to be around $75 BN for 2013. Measured in terms of U.S. dollar, there is no percentage change compared to the previous year due to strong exchange rate effects. In constant currency the market volume increased by 4%. We expect the following approximate breakdown for this market volume: dialysis products at around $14 BN and dialysis services (including dialysis drugs) at approximately $61 BN.

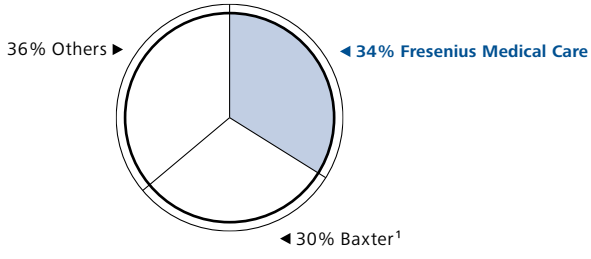
T. 2.2.7 **Market position relating to major product groups in 2013**

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

[1] *Baxter including the Gambro acquisition completed in September 2013.*
Source: Company data and estimates

C. 2.2.8 **Dialysis products in 2013**

Market share, based on revenue



[1] *Baxter including the Gambro acquisition completed in September 2013.*
Source: Company data and estimates

Two major providers in the dialysis product market

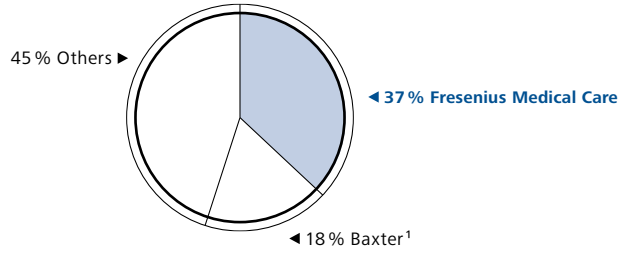
The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis; see glossary starting on page 283. In terms of revenue, the two largest manufacturers of dialysis products together accounted for approximately 64% of the worldwide market in 2013. With a market share of 34%, Fresenius Medical Care was the market leader in this segment, followed by Baxter with 30%. 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 around 250 M units in 2013. Around 106 M were made by Fresenius Medical Care, meaning that we comfortably held the largest market share in this segment. We set a new record in terms of unit sales in the U.S., our largest single market, with more than 41 M dialyzers sold in 2013. Hemodialysis machines constitute another key segment of our product business. Here, too, we are the clear market leader: Of the more than 80,000 dialysis machines sold worldwide in 2013, some 55% were produced by Fresenius Medical Care. The U.S. is our biggest sales market for dialysis machines. In the reporting year, more than 94% of the dialysis machines sold there were made by Fresenius Medical Care. Our 2008 series machine is the most common dialysis system in the U.S. with more than 119,000 units in use.

China was our second-largest market after the U.S. for sales of new hemodialysis machines in the reporting year: We delivered approximately 6,800 machines there in 2013. Over 40% of all hemodialysis machines currently in use in China are produced by Fresenius Medical Care.

C. 2.2.9 **Hemodialysis products in 2013**

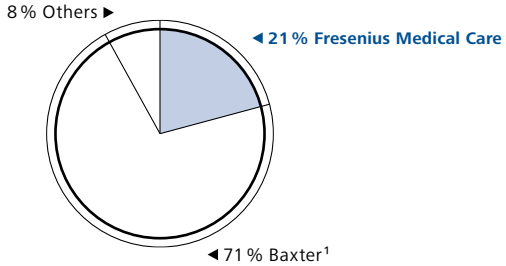
Market share, based on revenue



[1] *Baxter including the Gambro acquisition completed in September 2013.*
Source: Company data and estimates

C. 2.2.10 **Peritoneal dialysis products in 2013**

Market share, based on revenue



[1] *Baxter including the Gambro acquisition completed in September 2013.*
Source: Company data and estimates

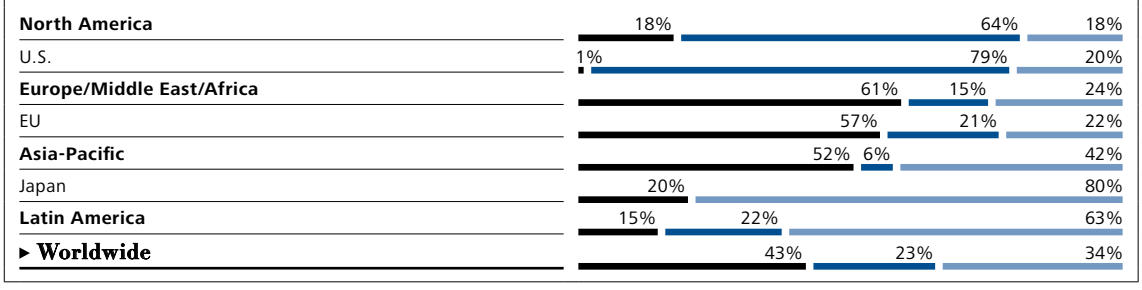
In the area of peritoneal dialysis, we account for 21% of the global market in terms of revenue; see also chart 2.2.10. on page 55. In the U.S., we hold a market share of 42%. Further information on our position in the home dialysis market comprising home hemodialysis and peritoneal dialysis can be found in the "Home dialysis: still a niche market" section on page 42.

Dialysis services: patients mostly 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,

C. 2.2.11 **Dialysis clinic operators in 2013**

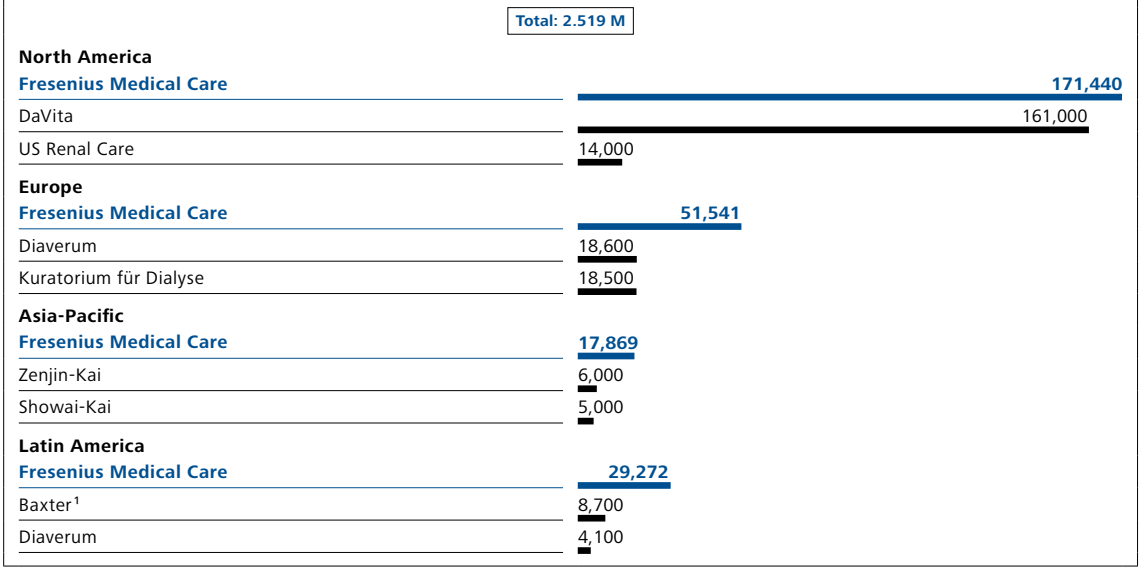
Share of patients treated



Source: Company data and estimates

C. 2.2.12 **Dialysis providers in the different regions in 2013**

Number of patients treated



[1] *Baxter including the Gambro acquisition completed in September 2013.*
Source: Company data and estimates

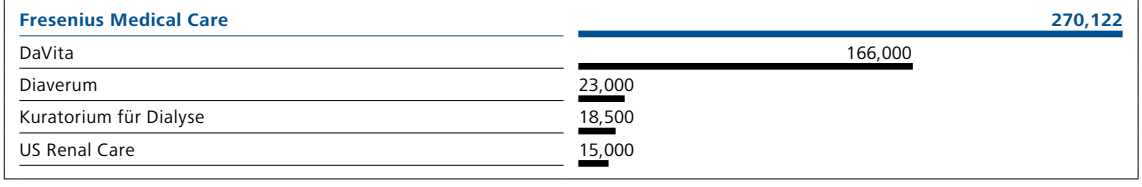
which patients mostly carry out themselves at home under expert guidance and with the necessary accessories, or dialysis on vacation, for example on a cruise ship or at a resort; Fresenius Medical Care also offers services for these special cases. However, the vast majority of dialysis services involve conventional treatment in clinics or centers.

In 2013, most dialysis patients were treated in one of around 35,600 dialysis centers worldwide, with an average of some 70 patients per center. The organization of the centers also differs significantly depending on whether the healthcare systems in the individual countries are mainly state-run or privately operated: There are approximately 6,100 dialysis clinics in the U.S. and about 5,500 in the European Union (EU). Whereas only approximately 1% of patients in the U.S. are treated by publicly funded clinics, in the EU, this figure is around 57%. In Japan, on the other hand, private nephrologists (doctors specializing in renal care) play a key role; around 80% of dialysis patients are treated in their facilities.

Fresenius Medical Care can operate its own therapy centers in countries where the healthcare system allows private-sector companies to provide medical services and an appropriate reimbursement system is in place. For some years now, healthcare systems in a large number of countries have been under pressure to improve the quality of treatment while keeping healthcare 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 healthcare systems and are interested in working with healthcare companies with a good reputation for high-quality services 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.

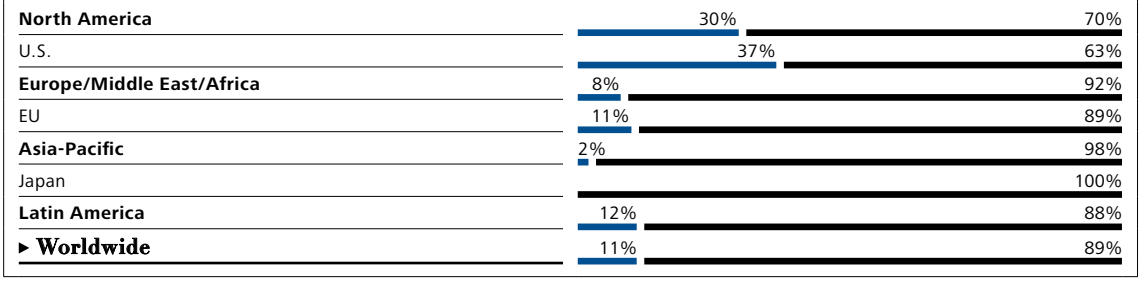
C. 2.2.13 **Top 5 dialysis providers worldwide in 2013**

Number of patients treated



Source: Company data and estimates

C. 2.2.14 **Fresenius Medical Care: patients treated in 2013**



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

In this respect, the Chinese market is becoming increasingly important for our business: The Chinese government has introduced numerous initiatives to develop a modern healthcare system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers. For the time being, we will continue to drive our future growth in the Chinese market primarily through cooperation with local clinics and management contracts. So far, this applies to 100 clinics (previous year: 72 clinics), which we provide with dialysis machines and disposable products.

In the U.S., Fresenius Medical Care together with the second-largest provider DaVita care for over 70% of all dialysis patients; the level of concentration with regard to dialysis clinics is therefore already relatively high. In the reporting year, Fresenius Medical Care maintained its position as market leader, treating around 167,000 patients, approximately 37% of all dialysis patients in the U.S. (2012: around 160,000 patients, approximately 37%).

Outside the U.S., the dialysis services business is considerably more fragmented: With 1,140 dialysis clinics and more than 100,000 patients in approximately 45 countries, Fresenius Medical Care operates the largest and most international network of clinics by far.

Overall, Fresenius Medical Care further consolidated its position as the clear market leader in the dialysis services business in the reporting period, treating 270,122 dialysis patients (2012: 257,916) in 3,250 clinics (2012: 3,160) in the past year.

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. In 2013, the market volume of dialysis drugs amounted to about $8.2 BN, based on data from the market research institution IMS MIDAS® and our own internal estimates. The majority of this is allotted to a few drug classes. Approximately $5.0 BN, representing 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. The market volume of phosphate binders was about $1.4 BN in the previous year. 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. For the amount of kidney disease the market volume of intravenous iron compounds such as these amounted to around $445 M in 2013.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Management Board changes

As planned, Rice Powell succeeded Dr. Ben J. Lipps as Chief Executive Officer (CEO) of Fresenius Medical Care and Chairman of the Management Board, effective January 1, 2013. Previously, he served as Vice Chairman and Member of the Management Board responsible for the North America region. Furthermore, Ronald Kuerbitz succeeded Rice Powell as Member of the Management Board responsible for the North America region, also effective January 1, 2013. Ronald Kuerbitz joined Fresenius Medical Care North America in 1997, having held various positions within the Company and most recently serving as General Counsel and Chief Administration Officer responsible for Market Development and Administration. Effective March 1, 2013, Fresenius Medical Care has expanded its Management Board and has appointed Dr. Olaf Schermeier as a new Member of the Management Board with responsibility for our global research and development activities.

Acquisitions and divestitures

Our investment strategy remained unchanged in 2013. We stepped up investments in our future growth by continually expanding our network of clinics and product business and by increasing our production capacities. In particular, we further expanded our service business in the context of our acquisition activities. In the reporting year, this was

also reflected by our acquisitions budget of about $500 M, the bulk of which was used for the $150 M acquisition of the U.S. laboratory services provider Shiel Medical Laboratory. We completed the acquisition in November 2013. Further information about our investments and acquisitions can be found in the "Financial situation" section starting on page 66 and in the "Financial report" starting on page 182.

Financing and capital structure

In the past financial year, Fresenius Medical Care simplified its capital structure with a mandatory conversion of the outstanding non-voting preference shares into ordinary shares at a ratio of 1:1. The conversion was completed on June 28, 2013 in line with a resolution approved by the Annual General Meeting in May 2013. Overall, approximately 3.97 M preference shares were converted into ordinary shares, equivalent to around 1.3% of the Company's share capital at the time of the conversion.

Furthermore, Fresenius Medical Care completed a share buyback program in August of the past financial year. In total, the Company acquired approximately 7.5 M ordinary shares with a total volume of €385 M (around $500 M). The program was financed from cash flow as well as previously agreed credit lines.

The number of outstanding shares fell by about 3.5 M in net terms as a result of the share buyback program; it stood at about 301.45 M at the end of 2013.

Business environment

The Company's business environment remained largely unchanged in many markets in 2013, as did the relevant legal frameworks for our business. However, we are increasingly having to operate in an environment that does not take sufficient account of inflation and the resultant cost increases. In our largest sales market, the U.S., business was negatively impacted by the automatic budget cuts (sequestration) of 2% and the associated reductions in reimbursement rates for dialysis treatment of state-insured patients. Without these reimbursement cuts, operating income would have been $56 M higher in the financial year 2013.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

Fresenius Medical Care looks back on a satisfactory fiscal year: We once again were able to sustain our growth path. We have largely met our targets for 2013. At the beginning of the reporting year, we expected revenue of around $14.60 BN for the financial year 2013. In actual fact, we increased revenue by 6% to $14.61 BN. All regions – North America, Europe/Middle East/Africa, Asia-Pacific and Latin America – contributed to the expansion in business.

At the beginning of the year, we set a target range of $1.10 BN to $1.20 BN for net income. As the year progressed, we slightly adapted our target for the financial year 2013. The top end of the net income forecast was adjusted from $1.20 BN to $1.15 BN in our report on the second quarter of 2013. At that time, the previously enforced and controversial U.S. budget cuts (sequestration) looked unlikely to be revised again. We generated net income of $1.11 BN in the financial year, within our target range. Compared with last year net income fell by 6%. But in our view profitability of Fresenius Medical Care did not decline. This can be seen in the development of the net income adjusted for special items. Compared to the adjusted net income of $1.05 BN in 2012 which excludes an investment gain of $140 M, net income rose by 6% in 2013. Further information can be found in the "Results of operations" section starting on page 62.

The expected steady growth of the dividend is reflected in our dividend proposal: Subject to approval by the Annual General Meeting on May 15, 2014, the dividend per ordinary share will increase by 3% to €0.77 (2012: €0.75). More information on the dividend proposal can be found in the "Dividend continuity" section on page 32.

We earmarked around $700 M for capital expenditures and around $500 M for acquisitions in 2013. We remained within our target and used $728 M for capital expenditures (net) – corresponding to 5.0% of revenue – and $478 M for acquisitions less divestitures. For further information, see the "Financial situation" section starting on page 66.

Driven by earnings development and ongoing excellent management of accounts receivables, net cash provided by operating activities in 2013 was $2.03 BN. At 13.9% of revenue, it was therefore well above the target of 10% of revenue.

According to our forecast, the leverage ratio (defined as the ratio of total financial debt to earnings before interest, taxes, depreciation and amortization = debt/EBITDA ratio) should have been not above 3.0 by the end of 2013. The actual debt/EBITDA ratio was 2.8 as at the reporting date, and therefore also developed better as predicted.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 86,153 at the end of 2012 to 90,690 at the end of 2013, reaching our forecasted figure of more than 90,000. The Company's organic growth and acquisitions, especially in North America, were key contributing factors.

Research and development expenditures aimed at boosting and enhancing Fresenius Medical Care's ability to adapt to future requirements amounted to $126 M, not quite meeting our target of around $140 M. This discrepancy was mainly due to delays in hemodialysis and pharmaceutical projects. 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 72.

The dialysis market developed as we had predicted: The number of patients worldwide grew by around 7%. 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 2013. For further information, see the "Dialysis market" section starting on page 51.

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

Performance in the financial year 2013 was satisfactory: We achieved our targets and continued on our growth path. Despite the difficult general conditions – particularly the reimbursement cuts in one of our

T. 2.2.15 **Targets and results for 2013**

	Results 2013	*Targets 2013*	*Target achieved*
Revenue	$ 14.61 BN	> $ 14.6 BN	✓
Net income[1]	$ 1.11 BN	Bottom end of the range of $ 1.10 BN to $ 1.15 BN	✓
Dividend[2]	+3% per ordinary share to € 0.77	Based on development of earnings	✓
Investments, net	$ 728 M	~ $ 700 M	✓
Acquisitions, net	$ 478 M	~ $ 500 M	✓
Debt/EBITDA ratio	2.8	≤ 3.0	✓
Number of employees	90,690	> 90,000	✓
Research and development expenses	$ 126 M	~ $ 140 M	

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Proposal to be approved by the Annual General Meeting on May 15, 2014.*

most important markets, the U.S. – we set a new revenue record of $14.61 BN (up 6% on 2012). At the same time, we also improved our global market position. With the revenue growth attained at regional level, we have also consolidated our local market positions.

In addition, Fresenius Medical Care continued to boost its profitability in the year under review. We believe that performance is best reflected by net income adjusted for special items. Compared with 2012, net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA rose by 6% to $1.11 BN. However, we did not maintain the same pace of growth as previous years in 2013. The effects of government cuts will have a more pronounced impact on our earnings in 2014. Consequently, we will progress with our existing measures to improve efficiency.

Our investing activities are continuing apace. We again spent more than $1.2 BN on investments including acquisitions in 2013. Expansion of our service business and production capacity accounted for the bulk of this. In 2014, our investing activities are likely to increase even further, amounting to around $1.3 BN. We are confident that we can achieve a strategic positioning for the Company that will allow us to successfully continue on our growth path in the longer term.

Results of operations, financial situation, assets and liabilities

The financial year 2013 was very successful: We achieved sound results despite challenging market conditions.

RESULTS OF OPERATIONS

Revenue

In the year under review, Fresenius Medical Care increased its revenue by 6% to $14.61 BN, also corresponding to a 6% growth rate in constant currency terms. The organic revenue growth amounted to 5%, while acquisitions (net) accounted for 1% of revenue growth. Revenue from dialysis services rose by 6% (+7% on a constant currency basis) to $11.13 BN. Revenue from dialysis products was up 5% to $3.48 BN. On a constant currency basis, the increase was also 5%.

Revenue in North America, still our most important business region with a share of 66%, was $9.61 BN in 2013, 6% above the $9.03 BN generated in the previous year. The organic revenue growth amounted to 4%, while acquisitions (net) accounted for 2% of revenue growth. Revenue from dialysis services improved by 7% to $8.77 BN in 2013 (2012: $8.23 BN). Revenue from dialysis products increased by 4% to $834 M (2012: $801 M).

Revenue in the International segment, which includes all regions outside North America, improved by 5% to $4.97 BN (+6% at constant currency) in 2013. Acquisitions (net) had the positive effect to increase revenue by 1%, while organic growth was 5%. Revenue from dialysis services in the International segment grew by 4% over the previous year to $2.36 BN. In constant currency terms, this represents an increase of 7%. Revenue from dialysis products rose by 5% to $2.61 BN in 2012, corresponding to 5% growth in constant currency terms.

At the end of 2013, we operated 3,250 dialysis clinics, 3% more than 2012. We treated 270,122 dialysis

T. 2.3.1 **Revenue by segment**
in $M

	2013	2012	Change	Exchange rate effects	Organic growth	Acquisitions/ divestitures (net)
North America						
Dialysis products	834	801	4%	0%	4%	0%
Dialysis services	8,772	8,230	7%	0%	4%	3%
▸ **Total**	**9,606**	**9,031**	**6%**	**0%**	**4%**	**2%**
International						
Dialysis products	2,612	2,478	5%	0%	5%	0%
Dialysis services	2,358	2,262	4%	−3%	6%	1%
▸ **Total**	**4,970**	**4,740**	**5%**	**−1%**	**5%**	**1%**
Worldwide						
Dialysis products[1]	3,480	3,308	5%	0%	5%	0%
Dialysis services	11,130	10,492	6%	−1%	5%	2%
▸ **Total**	**14,610**	**13,800**	**6%**	**0%**	**5%**	**1%**

[1] *Including revenue generated by corporate functions in the amount of $34 M for 2013 and $29 M for 2012.*

patients in the year under review, an increase of 5%. The number of treatments rose by 5% to around 40.46 M in the reporting year.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Here, revenue rose by 5% to $3.02 BN in the past financial year. On a constant currency basis, revenue was up 3%. The region's share of total revenue was 21% (2012: 21%). By the end of 2013, we were treating 51,541 patients in 632 dialysis facilities, over 2,600 patients or 5% more than twelve months before. In 2013, we generated revenue of $1.41 BN from dialysis services in this region, up 5% over the preceding year. In constant currency terms, this represents a 4% increase. Revenue from dialysis products totaled $1.62 BN, up 4% year-on-year. In constant currency terms, we posted revenue growth of 2%.

Revenue in the Latin America region increased by 5% to $843 M (15% based on constant currencies). The share of total revenue was unchanged from the previous year at 6%. Revenue from dialysis services grew by 5% (+17% in constant currency terms) to $589 M. Revenue from dialysis products amounted to $254 M, an increase of 3% compared to the previous year (+9% in constant currency terms). By the end of 2013, more than 29,000 patients were receiving dialysis treatments in the 231 clinics in this business region.

The Asia-Pacific region recorded an increase in revenue of 6% to $1.10 BN. This corresponds to 8% revenue growth based on constant currencies. The share of total revenue of this region fell from 8% in 2012 to 7% in 2013. Revenue from dialysis services fell by 2% (+2% on a constant currency basis) to $363 M. Revenue from dialysis products rose by 10% (+12% on a constant currency basis) to $741 M. By the end of 2013, we were treating almost 18,000 patients in 254 dialysis facilities.

Earnings

Operating income (EBIT)

Earnings before interest and taxes (EBIT) rose by 2% to $2.26 BN in 2013.

In North America, operating income improved by 1% to $1.62 BN in 2013. The operating income margin decreased from 17.9% in 2012 to 16.9% in 2013.

In the International segment, operating income was up 6% to $858 M in 2013 compared with $809 M in 2012. At 17.3%, the operating margin was slightly higher than the previous year's figure of 17.1%.

Corporate costs increased in the course of 2013, as expected, particularly due to the higher legal and consultancy fees. The total corporate operating expenditures amounted to $226 M in 2013, after $205 M in 2012.

T. 2.3.2 **Revenue by region**
in $M

	2013	2012	Change	Percentage of total revenue
North America	9,606	9,031	6%	66%
Europe/Middle East/Africa	3,023	2,893	5%	21%
Latin America	843	804	5%	6%
Asia-Pacific	1,104	1,043	6%	7%
Corporate	34	29	15%	0%
▸ **Total**	**14,610**	**13,800**	**6%**	**100%**

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA fell by 6% to $1.11 BN in the financial year 2013. Excluding an investment gain of $140 M in 2012, net income rose by 6% from $1.05 BN to $1.11 BN (in 2013).

Gross profit

Gross profit in 2013 amounted to $4.74 BN, up 3% compared to 2012. The gross profit margin declined from 33.3 to 32.4%. The decrease in the margin is largely due to the lower gross profit margin in North America.

Selling, general and administrative expenses rose by 8% to $2.39 BN (2012: $2.22 BN) and from 16.1 to 16.4% as a percentage of revenues.

Depreciation totaled $648 M in 2013 compared with $603 M in 2012. Depreciation as a percentage of revenue remained unchanged at 4.4%.

Research and development expenses increased from $112 M in 2012 to $126 M as a result of the constant enhancement of existing product groups.

T. 2.3.3 **Patients**

	2013	2012	Change
North America	171,440	164,554	4%
Europe/Middle East/Africa	51,541	48,902	5%
Latin America	29,272	26,956	9%
Asia-Pacific	17,869	17,504	2%
▸ **Total**	**270,122**	**257,916**	**5%**

T. 2.3.4 **Treatments**
in M

	2013	2012	Change
North America	25.66	24.41	5%
Europe/Middle East/Africa	7.73	7.49	3%
Latin America	4.42	4.10	8%
Asia-Pacific	2.65	2.59	2%
▸ **Total**	**40.46**	**38.59**	**5%**

T. 2.3.5 **Clinics**

	2013	2012	Change
North America	2,133	2,082	2%
Europe/Middle East/Africa	632	608	4%
Latin America	231	225	3%
Asia-Pacific	254	245	4%
▸ **Total**	**3,250**	**3,160**	**3%**

Net interest

Net interest expenses in 2013 amounted to $409 M, after $426 M in 2012. This development mainly stemmed from the reduction of the average debt as well as lower interest rates as a result of the expiry of interest-rate swaps and of one-time costs related to the 2012 credit agreement in 2012.

Detailed information can be found in the "Financial situation" section starting on page 66 and in the "Financial report" starting on page 180.

Tax rate

Income tax in the year under review amounted to $592 M, compared to $605 M in 2012. This corresponds to an effective tax rate of 32.0%, after 31.3% in 2012.

Basic earnings per ordinary share

Basic earnings per share (EPS) fell by 6% in 2013 to $3.65, compared with $3.89 in 2012. Excluding the investment gain of $140 M in 2012, basic earnings per share rose by 6% from $3.43 to $3.65. The average weighted number of shares outstanding in 2013 was around 303.8 M (2012: 305.1 M). The decrease in the number of shares outstanding resulted from the share buyback program, which was completed in August 2013 as scheduled. This was partly offset by the exercise of stock options in the past twelve months. Details on how basic earnings per share are derived can be found in the "Financial report" on page 242.

T. 2.3.6 **Operating income (EBIT)**
in $M

	2013	2012	Change
North America	1,624	1,615	1%
International	858	809	6%
Corporate	(226)	(205)	10%
▸ **Total**	**2,256**	**2,219**	**2%**

T. 2.3.7 **Condensed statement of income**
in $M

	2013	2012	Change
Revenue	14,610	13,800	6%
Cost of revenue	9,872	9,199	7%
▸ **Gross profit**	**4,738**	**4,601**	**3%**
In % of revenue	32.4	33.3	–
▸ **Operating income (EBIT)**	**2,256**	**2,219**	**2%**
Investment gain	0	140	–
Interest expense, net	409	426	–4%
▸ **Earnings before taxes**	**1,847**	**1,933**	**–4%**
▸ **Net income**[1]	**1,110**	**1,187**	**–6%**

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

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2013. 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 2013 was $7.50 BN, up 3% from $7.27 BN in 2012. The bulk of this, 69% or $5.20 BN, was paid to staff, while 8% or $592 M went to the public sector. Lenders partook of around $448 M or 6%. The shareholders and other partners received around 6% or $454 M. $802 M from the value added remained in the Company for reinforcement of the business.

Order situation

Just under three-quarters of Fresenius Medical Care's business model involves services that are not defined 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 income development of Fresenius Medical Care.

FINANCIAL SITUATION

Our investment and financing strategy did not change substantially in the past financial year. This is also due to our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of debt than might be the case in other industries. We still regard our refinancing options as being very stable and flexible. In the current financial year, the focus of our investing activities is on our dialysis services business.

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 2022.

The main financing instrument is the syndicated credit agreement with a revolving credit facility and a long-term loan. In addition, we use several other

T. 2.3.8 **Value added statement**
in $M

	2013		2012	
Creation				
Company output	14,668	100 %	13,839	100 %
Outlays	(6,525)	−44 %	(5,962)	−43 %
Gross value added	8,143	56 %	7,877	57 %
Depreciation and amortization	(648)	−4 %	(603)	−4 %
▸ **Net value added**	**7,495**	**52 %**	**7,274**	**53 %**
Utilization[1]				
Staff	5,199	69 %	4,872	67 %
Public sector	592	8 %	605	8 %
Lenders	448	6 %	470	7 %
Shareholders and other partners	454	6 %	436	6 %
Company	802	11 %	891	12 %
▸ **Net value added**	**7,495**	**100 %**	**7,274**	**100 %**

[1] *Assuming the distribution of 2013 profits is approved by the Annual General Meeting on May 15, 2014.*

mid and long-term financing instruments, mainly including senior, unsecured notes in euro and U.S. dollar and to a lesser extent, senior, unsecured euro notes with fixed-rate and floating-rate tranches.

With only partially drawn credit facilities and our accounts receivable, we have sufficient financial resources. Our target for committed and unutilized credit facilities is between $300 M and $500 M. Our main 2014 financing needs are the principal payments under the syndicated credit agreement and repayment of a loan from the European Investment Bank, each totaling approximately $200 M, as well as the dividend payment estimated at $320 M and a payment of around $100 M for settlement of insolvency proceedings. These payments are to be financed from the cash flow and existing credit facilities, and possibly by incurring additional debts.

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 non-cyclical. 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 receivables are generated by governmental healthcare 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 2013, the debt/EBITDA ratio remained unchanged at 2.83 in comparison to the previous year. Further information on this can be found in the "Strategy, objectives, and corporate management" section starting on page 44 as well as the "Outlook" chapter starting on page 121.

For detailed information on financing, please see the "Financial report" starting on page 180 and the "Outlook" chapter starting on page 121.

T. 2.3.9 **Major financing instruments of Fresenius Medical Care**

	Amount in M	*Coupon*	*Maturity*
Credit agreement revolving facility	~$1,290	–	October 30, 2017
Credit agreement term loan A	$2,600[1]	–	October 30, 2017
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 2011–2021	$650	5.75%	February 15, 2021
Senior notes 2011–2021	€300	5.25%	February 15, 2021
Senior notes 2012–2019	€250	5.25%	July 31, 2019
Senior notes 2012–2019	$800	5.625%	July 31, 2019
Senior notes 2012–2022	$700	5.875%	January 31, 2022
Euro notes	€45[1]	–	October 27, 2014
Accounts receivable facility	$800	–	January 15, 2016

[1] *Original amount before amortization.*

Credit rating

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

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

Fresenius Medical Care is not involved in any off-balance-sheet transactions that could have or will 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 credits 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 "Financial report" starting on page 180.

17th consecutive dividend increase

Fresenius Medical Care will propose the Annual General Meeting the 17th consecutive dividend increase. The recommended dividend per ordinary share is expected to increase by 3% from €0.75 for 2012 to €0.77 for 2013. The total dividend payout expected will amount to approximately €232 M (2012: €230 M). For further information on dividends, please refer to the "Dividend continuity" section on page 32.

Capital expenditures and acquisitions

In 2013, Fresenius Medical Care spent $1.21 BN on capital expenditures, acquisitions and the purchase of intangible assets. $771 M of this was spent in the North America segment, $268 M in the International segment and $167 M for corporate functions.

Total net investment in property, plant and equipment was $728 M, up from $666 M the year before. A large portion of capital expenditures – $447 M – concerned equipping existing and new clinics. In addition, $166 M was invested in the maintenance and expansion of production capacity, primarily in Germany, North America, France and China. $135 M was spent for the equipment of distribution companies. This includes amongst others the capitalization of dialysis machines provided to customers – mainly in

T. 2.3.10 **Credit rating**

	Corporate credit rating					Outlook	Senior secured debt	Senior unsecured debt
	2013	2012	2011	2010	2009	2013	2013	2013
Standard & Poor's	BB+	BB+	BB	BB	BB	Positive	BBB–	BB+
Moody's	Ba1	Ba1	Ba1	Ba1	Ba1	Stable	Baa3	Ba2
Fitch[1]	BB+	BB+	BB+	BB	BB	Positive	BBB–	BB+

[1] *Fitch is currently reviewing its rating for the Company.*

the International segment. A small amount of $20 M was generated by divestitures. Capital expenditures in property, plant and equipment amounted to some 5% of overall revenue, at the same level as in the previous year.

45% of net investments were used for expansion activities, while 55% were spent on maintaining existing production sites and dialysis clinics.

In geographical terms, 51% of our net investments were made in North America, followed by corporate functions with 23%, Europe with 19%, Asia-Pacific with 4% and Latin America with 3%.

In 2013, $496 M was spent on acquisitions primarily related to the purchasing of dialysis clinics and the business of Shiel Medical Laboratory in the U.S. as well as the granting of an investment-type loan as credit facility. $412 M of this sum is related to the North America segment, $82 M to the International segment and $2 M to corporate functions.

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).

Net cash provided by operating activities was almost unchanged from the previous year at $2.03 BN in 2013. Cash flows were used for investing activities (expenditures and acquisitions). A detailed description of additional factors is presented in the "Financial report" starting on page 180.

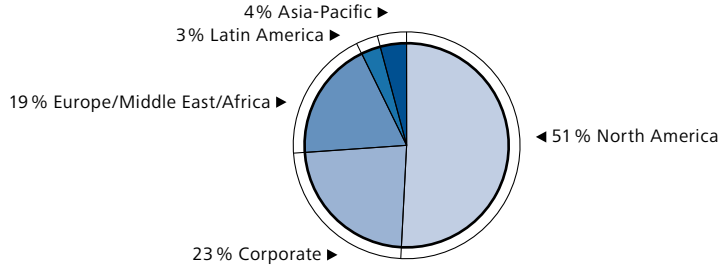
In 2013, we observed some regional differences in the payment patterns of our customers. The days sales outstanding, in other words the number of days that pass before customers settle outstanding invoices of Fresenius Medical Care, decreased

T. 2.3.11 **Net investments and acquisitions by segment**

in $M

	2013	2012	*Of which property, plant and equipment*	*Of which acquisitions/intangible assets and other investments*	*Of which divestitures*	*Absolute change compared to 2012*
North America	771	1,914	374	412	15	(1,143)
International	268	192	189	82	3	76
Corporate	167	175	165	2	0	(8)
▶ **Total**	**1,206**	**2,281**	**728**	**496**	**18**	**(1,075)**

C. 2.3.12 **Net investments in property, plant and equipment by regions**



significantly once again in the year under review. The days sales outstanding in the North America segment were reduced by a further two days in 2013. In the International segment, the improved payment behavior of individual European countries has contributed essentially to a decline in days sales outstanding of five days. The high days sales outstanding in this segment compared to the North America segment mainly reflect the average payment delays by government and private entities.

In the year under review, we achieved a free cash flow of $1.31 BN compared to $1.37 BN in 2012. Taking account of payments for acquisitions (net of divestitures) of $478 M (2012: $1,615 M), we achieved a free cash flow after acquisitions and divestitures of $829 M compared to $–242 M in the previous year.

For further information, please see the "Capital expenditures and acquisitions" section starting on page 68.

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.

Balance sheet structure analysis

The Group's total assets increased by 4% year-on-year to $23.12 BN. The growth rate on a constant currency basis was also 4%.

T. 2.3.13 **Days sales outstanding**
in days, December 31

	2013	2012	Change
North America	53	55	–2
International	110	115	–5
▸ **Total**	**73**	**76**	–3

T. 2.3.14 **Abbreviated statement of cash flow[1]**
in $M

	2013	2012	Change
Cash at the beginning of the year	688	457	50%
Net cash provided by operating activities	2,035	2,039	0%
Net cash provided by investing activities	(1,206)	(2,281)	–47%
Net cash provided by financing activities	(808)	468	–
Effect of exchange rate changes on cash and cash equivalents	(26)	5	–
Cash at the end of the year	683	688	–1%
Free cash flow	1,307	1,373	–5%

[1] *A detailed representation can be found in the "Financial report" starting on page 198.*

C. 2.3.15 **Net cash provided by operating activities**
in $M

Non-current assets rose by 4% (+4% on a constant currency basis) to $16.83 BN at the end of 2013. This corresponds to approximately 73% 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 $11.66 BN (previous year: $11.42 BN), primarily from the acquisition of Renal Care Group, Inc. in 2006 and the acquisition of Liberty Dialysis Holdings, Inc. in 2012 as well as the founding of Fresenius Medical Care in 1996. Property, plant and equipment increased by 5% to $3.09 BN in the year under review, largely as a result of capital expenditures. Further information can be found in the "Capital expenditures and acquisitions" section starting on page 68.

Current assets increased by 3% (+3% on a constant currency basis) to $6.29 BN at the end of 2013. The main reason for this development was the 6% increase in inventory, which was primarily attributable to the Group's business growth. Further information can be found in the "Financial situation" section starting on page 66.

On the liability side of the balance sheet, equity increased by 3% to $9.49 BN as of year-end 2013. This was primarily due to the net profit for the period, the exercise of stock options and the additional payment for the conversion of preference shares into ordinary shares. The equity base was reduced by the acquisition of treasury shares and the dividend payment for 2012, as well as foreign-currency translation adjustments and the fair value measurement of minority interests of other shareholders with put options. The equity ratio was unchanged year-on-year at 41%.

Liabilities increased by 4% (+3% on a constant currency basis) to $13.63 BN. Financial liabilities amounted to $8.42 BN after $8.30 BN in the previous year. Of this figure, $0.67 BN related to current financial liabilities (2012: $0.46 BN). Non-current financial liabilities amounted to $7.75 BN after $7.84 BN in the previous year. 72% of financial liabilities were U.S. dollar-denominated compared with 73% in the previous year.

Further information can be found in the "Financial report" starting on page 180 and page 196.

T. 2.3.16 **Balance sheet structure**
in $ M

	2013	As % of total assets	2012	As % of total assets
Assets				
Non-current assets	16,833	73%	16,199	73%
Accounts receivable	3,190	14%	3,157	14%
Inventories	1,097	5%	1,037	5%
Other assets	2,000	8%	1,933	8%
Current assets	6,287	27%	6,127	27%
▸ **Total assets**	**23,120**	**100%**	**22,326**	**100%**
Equity and liabilities				
Equity	9,485	41%	9,207	41%
Non-current liabilities[1]	10,081	44%	9,949	45%
Current liabilities	3,554	15%	3,170	14%
Liabilities	13,635	59%	13,119	59%
▸ **Total equity and liabilities**	**23,120**	**100%**	**22,326**	**100%**

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

Research and development

Developing new products and improving our dialysis treatments are integral parts of our growth strategy. Our employees in the Research and Development department (R&D) also benefit from direct access to the opinions and experience of patients and experts at our own dialysis centers. In the year under review, we restructured our R&D department, enabling us to leverage this potential even further and promote the exchange of knowledge and technology between different regions even more systematically.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

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

However, chronic kidney failure is fast becoming a global problem, leading to growing demand for improved, high-quality yet cost-efficient treatment methods. For our R&D teams around the world, this increasingly results in synergies that we intend to leverage even more efficiently in future. To account for this trend, we restructured our research and development organization in the 2013 financial year. This involved expanding the Management Board to include a member responsible for research and development and pooling our global R&D activities. The aim is to build a global R&D function that efficiently develops compelling products for the international market. We will do this in three steps:

Step 1: global portfolio management

The newly formed worldwide R&D organization incorporating global portfolio management will enable us to focus our development pipeline increasingly on growth areas and markets. In 2013, based on the new portfolio management process, we took major decisions to apply the technologies developed in the European R&D centers to the product requirements in developing countries in a more targeted way.

Step 2: global product platforms

By managing product development globally and creating a modular assembly system, we aim to standardize the basic functions of our therapy systems at an international level. At the same time, this will enable us to respond to local requirements with suitably adapted end products. In this way, we intend to reduce development times and achieve economies of scale in purchasing. This step also allows us to pool our development resources more effectively for innovations and technological developments. The standardized platform architecture comprises mechatronic assemblies such as blood pumps and sensors, as well as software.

Step 3: global project management and global development processes

By introducing globally applicable project management standards, structures and development processes, we will be able to make our project management even more efficient. For example, we intend to split responsibility for completing the various development projects on time and on budget among our different treatment areas. Another element of this optimization process will be to involve other operating units, including marketing and production, more closely in the development process to ensure a smooth transition to production for newly developed products, for example. By bundling activities such as process management and technical documentation worldwide, we also aim to contribute to continuously improving efficiency.

THE FOUR CORE AREAS OF OUR RESEARCH AND DEVELOPMENT

Our activities in the area of research and development focused on the following four major trends in the past year:

▸ Advances in medicine and technology:
Dialysis has only been available as a standard treatment for chronic kidney failure for only about 50 years. However, we are finding out more and more about the complex interactions and concomitant effects that occur with kidney failure. At the same time, the technological possibilities for treating patients are also improving. Our R&D is geared towards quickly turning new findings into market-ready products, enabling us to offer patients gentler, safer and more individual treatment. Our technological developments in the year under review focused on the area of information technology. The aim is to find technologies to gradually reduce the size of products and simplify their use, on the one hand, and to integrate various treatment elements to create holistic therapy systems on the other. Another focus is on enhancing our dialyzers and other disposable products for both hemodialysis and acute treatment. We are also working on promising methods such as sorbent technology for treating the dialysis solution.

▸ Sustained growth in patient numbers:
More people now suffer from chronic kidney failure than ever. It is estimated that by 2020, there will be around 3.8 M kidney patients worldwide. This development is exacerbated by the increase in the number of people suffering from diseases such as high blood pressure and diabetes – typical precursors of kidney failure that are becoming more and more common due to factors such as a lack of exercise, an unhealthy diet, or obesity. This results in a higher cost burden for healthcare systems and limited availability of trained personnel for dialysis centers. This again boosts demand for home therapies such as peritoneal dialysis and home hemodialysis. These therapy areas as well as associated technologies and products are therefore a key aspect of our R&D activities. Treatment at home provides patients who are suited to it with greater freedom in their daily lives and helps to free up the limited capacity in dialysis clinics. In the year under review, a core area of our R&D work was the development of home hemodialysis systems with the aim of integrating them into the daily lives of home dialysis patients as far as possible while continuing to guarantee an optimum treatment quality and length of treatment. One important aspect of this is making the systems smaller and easier to transport, while another is significantly reducing the amount of water required. The size and complexity of the treatment systems is a particular challenge here. Thanks to their low water consumption, our new solutions are extremely resource-efficient and flexible and can be used almost anywhere, giving home dialysis patients maximum independence and mobility.

▸ Increase in concomitant diseases:
Patients with chronic kidney failure are getting older. This is partly because society is aging overall and the risk of suffering from end-stage renal disease increases with age. Another reason is that advances in medicine are raising the life expectancy of kidney patients. The older patients are, however, the greater the likelihood of concomitant diseases occurring, for example severe cardiac and vascular conditions. Based on their growing prevalence and new scientific insights, these are increasingly becoming a focal point of our research and development: We are are stepping up our work on diagnostic and therapy systems that go beyond dialysis itself.

▸ Rising cost pressure in healthcare:
An aging population, the spread of chronic illnesses, and the aspiration to offer new or improved technologies in patient care all present major long-term financial challenges to healthcare systems. 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 a 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.

DEVELOPMENT PROJECTS IN 2013

We pressed ahead with enhancing our products once more in 2013 as well as introducing and further establishing several major innovations in our markets. Examples of key products are the 5008 Cordiax therapy system as well as the 5008 and U.S. 2008K platforms for home hemodialysis. These developments are in line with greater efforts to move hemodialysis treatment to the patient's home environment whenever possible both on medical and economic grounds. The products introduced by Fresenius Medical Care for this purpose are designed to meet the increased requirements of this treatment environment in terms of patient safety and user guidance.

With the launch of the biBag for the 2008T hemodialysis device, a dry bicarbonate concentrate that dissolves in the device, we have contributed to further improving dialysis treatment: The biBag makes routines in hemodialysis more efficient while increasing patient safety during treatment because it prevents confusion between the concentrates used.

Furthermore, we have introduced process enhancements and improvements in the area of high-volume HDF. Our aim here is to make the positive effects of this treatment method, which are now clinically proven, accessible to even more patients.

Fresenius Medical Care was again recognized for its innovative products last year. For example, the business magazine Forbes included us in its list of the world's most innovative companies for the third time in a row, while Fresenius Medical Care was hailed as one of the most important technology companies in the healthcare industry in the Spanish trade press.

RESULTS OF OUR CLINICAL RESEARCH

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

In 2013, we again undertook clinical studies to examine the automatic regulation of the electrolyte balance. The overall electrolyte balance of the human body and the individual electrolyte concentrations in the various bodily fluids and tissues are hugely significant for the functioning of the entire organism. In healthy people, the natural kidney assumes the complex task of regulating this; in patients with end-stage renal disease, dialysis has to perform this function. Particularly in hemodialysis, where the dialysis solution is continuously being produced by a dialysis machine, it is possible to influence these processes favorably by adapting the dialysis solution accordingly. The underlying issues are extremely complex, and we need to test these thoroughly in clinical studies before we can offer an automated method of this kind as a routine procedure to aid physicians. We are currently performing clinical tests on such a procedure.

Another focus of our clinical studies at present is peritoneal dialysis (PD) and especially overhydration, which affects over half of PD patients. In a study that we published in 2013, we demonstrated that active fluid management has many benefits for patients: It increases their survival rate, reduces the number and duration of hospital stays, and improves the maintenance of residual renal function. In the area of hemodialysis, our Body Composition Monitor (BCM) analysis system is already an integral part of therapy

and enables us to determine the individual fluid status and body composition of each patient. The published study shows that the BCM can also be used to improve fluid management in PD patients, thus increasing their life expectancy.

In another study, we are assessing the benefits of a low-sodium PD solution for patients with high blood pressure compared to a conventional solution already available on the market. The aim is to reduce high blood pressure and improve the sodium and water balance in the body. High blood pressure and sodium and water deposits are typical concomitant effects in PD patients.

EXTENDING COOPERATION IN RESEARCH

We work with universities and research institutes around the world that operate in our specialist field. One example is the Danube University Krems in Austria, where we have funded research into extracorporeal blood purification processes with sorbents for some 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). The RRI was founded in 1997 as a joint venture between Fresenius Medical Care North America and the Beth Israel Medical Center, a hospital in New York. Today, as a wholly-owned entity, it is a leading institute in the field of clinical treatment and 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, particular aspects of treating children with kidney disease, or issues such as fluid management in dialysis patients or the effects of kidney disease on the natural acid-base balance in the human body.

Our R&D projects are mainly carried out by our own employees and research departments. So far, we have only used third-party services for these purposes to a small extent. In collaborating 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 $126 M on research and development (2012: $112 M). Similar to previous years, R&D expenditure corresponded to around 4% of our dialysis product revenue and slightly less than 1% of our total revenue.

At the end of 2013, our patent portfolio comprised some 5,560 property rights in approximately 890 patent families, i.e. groups of patents linked to an invention. Our development work in the year under review produced around 85 additional patent families, including in the areas of extracorporeal treatment methods and water balance management. Fresenius Medical Care is working on an ongoing basis on innovative, multifunctional blood cassettes that could be used in extracorporeal treatment methods to significantly improve their handling, patient safety and therapeutic effectiveness in the future. This area is also the subject of research by competitors. Having a broad portfolio of patents – regardless of whether they have already been converted into products – will give us a wide range of options in future. Another therapeutic topic with a

very high degree of medical innovation is the management of dialysis patients' water balance, which we aim to improve by developing hardware and software for the Body Composition Monitor (BCM). The BCM records and assesses kidney patients' long-term fluid status. Clinical studies carried out over the past two years prove just how crucial this is to their survival. We have made various patent applications to accompany our ongoing product development in this area.

In 2013, 552 highly qualified employees worked in R&D at Fresenius Medical Care worldwide (2012: 530). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams.

Our largest R&D unit with around 350 employees is in Europe; charts 2.4.4 and 2.4.5 provide information on their qualifications and professional background.

T. 2.4.1 **Expenditures for research and development**
in $ M

	2013	2012	2011	2010	2009
▸ **Total**	**126**	**112**	**111**	**97**	**94**

T. 2.4.2 **Number of patents**

	2013	2012	2011	2010	2009
▸ **Total**	**5,560**	**4,850**	**4,415**	**3,601**	**2,850**

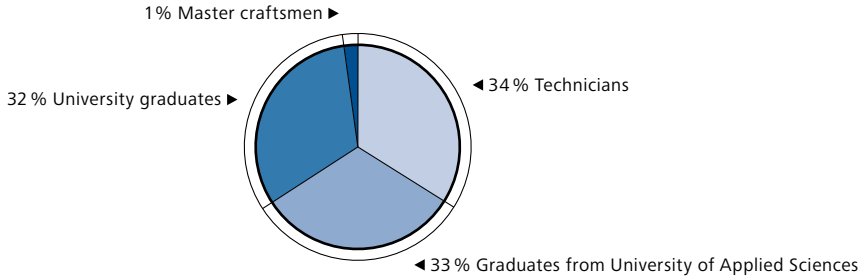
T. 2.4.3 **Number of employees in R&D**
full-time equivalents

	2013	2012	2011	2010	2009
▸ **Total**	**552**	**530**	**530**	**503**	**477**

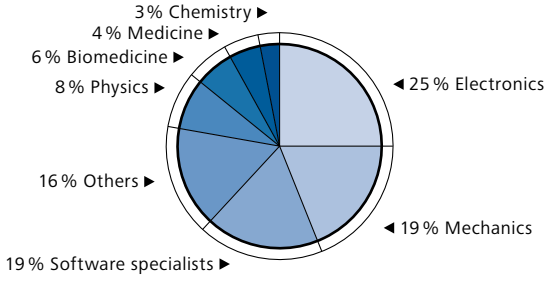
Most activities are carried out at the German sites Schweinfurt and Bad Homburg. Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S., the Company maintains centers of excellence for device development in Concord and Lake Forest, California, and one for the development of dialyzers and other disposable products in Ogden, Utah. Development activities in Hong Kong and Changshu (China) are focused on meeting the growing demand for cost-effective dialysis systems. The global R&D organization coordinates cooperation and technology exchange between the various sites.

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 98.

C. 2.4.4 **Qualifications of R&D employees in Europe**



C. 2.4.5 **Professional background of R&D employees in Europe**



Procurement and production

As the industry leader with many years' experience 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 division (GMO) bundles Fresenius Medical Care's activities across all regions in the areas of purchasing, production including quality management, and many of its distribution activities. This centralized approach enables us to

- further increase the efficiency of our processes,
- optimize cost structures,
- improve returns on our invested manufacturing-related capital,
- 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 operations.

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

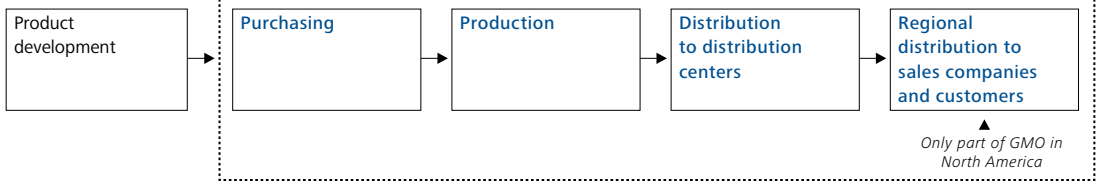
At the end of 2013, GMO had 13,706 employees (2012: 13,247) at more than 40 production sites in around 25 countries. In the sections below, we describe the functions and activities of the GMO division along our value chain.

STRATEGIC PURCHASING: TRUST-BASED SUPPLIER RELATIONSHIPS, CONSISTENT QUALITY

The aim of our strategic purchasing is to ensure the availability, safety and quality of the materials we use in production. Our employees in purchasing in Europe, the U.S., and Asia work closely together to coordinate their respective procurement strategy and continuously optimize purchasing processes and their supplier portfolio. Our goal is to further expand Fresenius Medical Care's competitive and globally balanced supplier network, thus ensuring the flexible supply of raw materials from different currency areas.

The purchasing volume for materials and bought-in services within GMO totaled approximately $1.3 BN in 2013, roughly on a par with the previous year. The entire costs of materials were $ 4.7 BN in 2013. Relative

C. 2.5.1 **Global Manufacturing Operations (GMO)**



to our revenue costs of materials were 32% and therefore did not change compared with last year.

Our procurement strategy focuses on purchasing high-quality materials and components at optimum economic conditions through long-term mutual relationships with our suppliers. We select our suppliers very carefully according to their suitability and performance, and develop innovative products and processes together with key suppliers.

To help us respond even more effectively to the volatility of the commodities markets, we are continuously expanding our risk management in purchasing. In the year under review, we mainly focused on further diversifying our supplier portfolio to avoid being dependent on one or just a few suppliers for core materials and key components. This enables us to avoid bottlenecks and minimize price fluctuations. In addition, we are increasingly working with multinational suppliers that can produce and deliver materials in more than one region; we are also stepping up our purchasing activities in Asia and Eastern Europe. With the help of uniform forecasting and market analysis tools as well as criteria for monitoring, e.g. credit ratings, punctuality and delivery quality, we can manage our relationships with our suppliers across all regions and identify any risks at an early stage.

By increasingly 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 materials and maintaining our quality level. In the reporting year we integrated the regions Asia-Pacific and Latin America into our strategic purchasing system to further standardize purchasing processes in these regions. We also set up a transnational analysis platform to standardize the decision-making process whether to make or buy components.

We also launched a strategic purchasing initiative that focuses on the ecological and social aspects of the procurement process in the reporting year. The emphasis is on the criteria of environmentally sound and sustainable production as well as fair and humane working conditions at our suppliers. We intend to expand this initiative worldwide over the next few years.

OUR PRODUCTION SITES: ALLOCATION OF TASKS IN A GROWING GLOBAL NETWORK

Our production strategy is geared towards manufacturing top-quality products in the right place, at the right time, and at the best possible price. We are able to implement this strategy successfully thanks to our network comprising both large production sites for technically sophisticated products that are sold worldwide and production facilities that primarily supply products regionally.

For example, we produce dialysis machines at two sites: in Schweinfurt (Germany) and in Concord (U.S.). Most of our other products are manufactured directly in the regions in which they are needed. We produce and assemble dialyzers at our facilities in Ogden (U.S.), St. Wendel (Germany), L'Arbresle (France), and Buzen (Japan), among others. Concentrates for hemodialysis are manufactured, for example, in Germany, Great Britain, Spain, the U.S., Argentina, and Australia.

Most of the solutions used for peritoneal dialysis are supplied by our production sites in St. Wendel and Ogden.

Our largest sites in terms of production volume are in the U.S., Germany and Japan. Chart 2.1.1 on page 40 presents an overview of our main production sites.

Some of our production sites have longstanding 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 sites.

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

Production facilities expanded

In the year under review, we started construction of a new production facility in Vršac, Serbia, which is scheduled to open at the end of 2014. This will double our production capacity in Serbia for specific disposable products such as bloodline systems, enabling us to cover the expected growth in demand in Europe and Latin America in the years ahead.

In addition, we continued to extend and modernize many of our production sites in 2013. For example, in St. Wendel, we expanded our production capacity for polysulfone fibers – a key component of our dialyzers – with two new spinning systems, which were put into operation at the start of 2014. At our plant in L'Arbresle (France), we added a third production line for dialyzers. By expanding our production site in Changshu (China), we are able to meet the rising local demand for dialyzers in particular. We also extended our plant SisTer in Palazzo Pignano (Italy) by an automatic tube coils packaging system and new extrusion lines.

Furthermore, we continued to modernize production of our dialysis machines in Schweinfurt as well as optimizing the internal logistics processes at this plant and further increasing production capacity. In the 2013 financial year, we relocated our dialysis machine production in the U.S. together with a distribution warehouse to Concord, California. The aim was to minimize transport and to benefit from greater capacity for developing and producing new products.

Highest quality standards

At Fresenius Medical Care, we believe that our products and therapies must be of the highest quality and as reliable as possible to ensure the best medical care for our patients and customers. To meet our own high standards as well as the numerous regulatory requirements, we have installed comprehensive quality management systems in our business regions. These ensure that all of our products and procedures comply with quality and safety standards from development, market approval, manufacture and use in clinics, right up to training customers and dealing with complaints. The quality management systems used in our production processes combine internal regulations, processes and procedures that meet the demands of generally recognized external standards and guidelines as well as representing best practice. Our plants apply recognized quality management tools such as Lean Six Sigma – see glossary on page 287.

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. This helps to boost our flexibility while minimizing the risk of supply bottlenecks. To further harmonize our processes and link them throughout the company, we launched a project in the year under review to further integrate and standardize the quality management system. This systematically compares

the methods used in different regions; then the best possible solution is implemented in all divisions, while maintaining the highest quality standards.

Lean Strategy 2013 – 2016 developed

Based on the processes of Lean Management and process control with the Six Sigma method, we have launched and continuously enhanced the global initiative Fresenius Operating System (FOSY) in the GMO division in recent years. The aim of FOSY is to improve quality in production and cut costs, thus increasing our operational efficiency. We are guided in this by the following four principles:

- Customers' needs and quality are our top priorities.
- We rely exclusively on sound business processes.
- The just-in-time principle applies in all our administrative and operational activities.
- We ensure an efficient flow of information, materials and processes.

Building on this, we developed our Lean Strategy 2013 – 2016 in the year under review, defining the following goals:

- to introduce the continuous improvement process as a long-term management philosophy in all departments of GMO and in product development,
- to jointly develop and implement lean projects and workshops at the various production sites,
- to support employees through lean training,
- to set up an in-house consulting group for our Lean Management sectors.

DISTRIBUTION IN 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 enable production capacity and inventory management to be aligned 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.

In the year under review, we started harmonizing and optimizing our inventory management systems in Europe. As a result, we expect inventories to become even more transparent, enabling us to manage them even more efficiently and flexibly from a central point in the future.

In addition, we set up a strategic purchasing function within our supply chain department in 2013 for the Europe, Middle East, Africa and Latin America regions (EMEALA) to enable us to procure goods centrally. These are additional products used in our own dialysis centers, such as dressings or plasters, as well as dialysis products that we do not manufacture ourselves but sell to third parties as a full-service provider.

Our product business

We are continuously enhancing our products based on our longstanding experience and extensive technical expertise. Our aim is to constantly optimize the dialysis treatment, minimize the risk factors for cardiovascular diseases, make life 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 a so-called dialyzer. In this process, toxins and excess water are removed from the blood, while blood cells and important proteins are held back. 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, needles, water treatment systems, data processing and analysis systems, and dialysis chairs.

Dialysis machines

Computer-driven dialysis machines perform key tasks during hemodialysis: They pump blood from the patient's body through a bloodline system into the dialyzer. A dialysis fluid absorbs the toxins and excess water filtered out of the blood 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 anti-coagulation drug to the blood. In addition, the machine has various automatic monitoring and control functions that should ensure a 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.

Fresenius Medical Care is the clear market leader in this product segment with its 2008T, 4008S classic and 5008 CorDiax series dialysis machines. We sold 44,000 dialysis machines worldwide in 2013 (2012: 42,350). This means that more than one in two systems sold are produced by Fresenius Medical Care.

The 5008 CorDiax therapy system features an extremely intuitive user interface. Its touchscreen makes the device easy and safe for doctors and nursing staff to use. In addition, this dialysis machine allows for HighVolume HDF – see glossary on page 285 – as a standard feature. The 5008 CorDiax series enables very easy and safe HDF treatments with a high replacement volume. HighVolume HDF has a positive effect on dialysis-related cardiovascular risk factors in many ways. 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 gives nursing staff 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 ultra-thin 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 offer a wide range of them with our FX and FX CorDiax dialyzer series as well as the Optiflux series in North America. These meet the specific requirements of various therapy methods as well as 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 106 M dialyzers in 2013 (2012: 100 M). The Company therefore accounts for almost half of the global market with regard to this product group.

From manufacturing membranes to packaging, Fresenius Medical Care carries out the entire production process for dialyzers under one roof. This helps 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 each patient.

The Crit-Line analysis device developed for the North American market also measures changes in hemodialysis patients' fluid balance 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 acts as a natural filter. It has similar properties to the dialyzer membranes: Certain substances can permeate its pores, while others are held back. PD is carried out by patients themselves at home or out and about, 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), the 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 new solution. This ensures that the blood is continuously and gently cleansed.

The stay.safe system is 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 the DISC, a central control switch specially developed by Fresenius Medical Care. Thanks to the DISC technology, all treatment steps can be performed safely and easily in a defined sequence, virtually eliminating operating errors. In addition, the DISC features a special valve system that prevents bacteria from entering the catheter and causing an infection in the peritoneum. 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 system is a product combination that is specifically approved for infants and small children with a body weight of up to 22 lb. It is suitable for treating chronic and acute kidney failure and also enables treatment in an incubator.

Automated peritoneal dialysis

Automated peritoneal dialysis (APD) is mostly carried out at night. A special device called a cycler performs 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 it has been in the abdominal cavity for just a short time. 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 no treatment is required during the day.

Fresenius Medical Care offers modern cyclers for APD such as sleep.safe and the Liberty Cycler specifically for the North American market. They are simple and safe to operate thanks to user-friendly software, easy to carry and allow patients to sleep comfortably during overnight treatment. In the cycler, a hydraulic pump controlled by several pressure sensors performs the fluid exchange. A microprocessor monitors the entire treatment process, and the bags are automatically connected by means of barcode recognition. An integrated heater warms up the dialysis fluid before it is fed into the abdomen. Children can also be treated with a special version of the sleep.safe.

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.

Fresenius Medical Care also produces and sells a host of other products that are essential for peritoneal dialysis such as catheters, disinfectant, or heating plates for safely and conveniently heating the PD fluid to body temperature.

PRODUCTS FOR FURTHER HOME THERAPIES

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

Fresenius Medical Care's home HD products are extremely safe. 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 as part of routine clinical practice to treat acute kidney failure in critically ill patients in intensive care units.

Fresenius Medical Care has developed multiFiltrate, a therapy system that can be used for a wide range 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 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 helps patients in particular 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 lasts one to two hours. Treatment once a week is sufficient for most patients.

Immunoapheresis is a therapy option for removing antibodies that cause diseases or rejection following a transplant. 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.

DIALYSIS DRUGS

Our kidneys not only perform the important function of excreting certain toxins of the patient's blood, they 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 perform some functions in patients with kidney failure to a large extent, patients must also take drugs to replace missing hormones and keep the body's mineral levels balanced.

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 can contribute to arteriosclerosis, and excessive potassium content in the blood 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 among patients with chronic kidney failure. To treat it, the body must be supplied with sufficient quantities of iron. The iron compounds sold by Fresenius Medical Care in collaboration with Vifor Pharma are among the most widely used on the market.

Fresenius Medical Care plans to continuously expand its range of pharmaceuticals for treating patients with chronic kidney failure.

Our dialysis services business

Our unrivaled experience as a provider of both dialysis services and products makes us a valued partner in the healthcare system. We care for more than 270,000 dialysis patients in a network comprising a total of 3,250 dialysis clinics in more than 45 countries.

COMPREHENSIVE CARE WITH NEPHROCARE AND ULTRACARE

Providing comprehensive care is a key factor when it comes to offering the best possible treatment quality to patients with chronic kidney disease. We take all aspects of treatment into account, from the patient's vascular access to high-quality dialysis as well as individual diet programs and supplementary services. With our UltraCare and NephroCare brands in the North America and International segments, we have established a comprehensive patient care concept as the standard in our own clinics and in home dialysis. This enables us to achieve a lasting improvement in our patients' quality of life while keeping costs for healthcare systems in check.

Our therapy concept is based on the following principles:

▸ We use our own high-quality products, pharmaceuticals and procedures in our clinics and for treating 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 clinic personnel and physicians.

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

▸ We systematically improve our performance and efficiency by working according to both external and internal quality standards as well as continually analyzing and assessing 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, clinic design, 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 doctors 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 journals.

In our regions, medical advisory boards and committees assist and advise us on developing 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 diseases in North America. All employees at our clinics in the U.S. report critical incidents to the PSO, which uses them to develop recommendations for optimizing processes.

The International segment: diverse and complex

Our services business in the International segment is characterized by the diversity and complexity of the different healthcare 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 in the EMEALA region (Europe, Middle East, Africa and Latin America) enables us to operate successfully and offer our patients the best possible quality of life even under such heterogeneous conditions. NephroCare Excellence is a system that incorporates defined quality and business targets, standards and values to

support those responsible for implementation at regional and national level. In 2014, we will supplement this system with a medical benchmarking tool called Medical Patient Review.

Our clinical information system EuCliD enables us to obtain, compile and regularly examine our patients' key medical quality indicators and then make any necessary treatment adjustments for the patient's benefit. The data helps to determine the health of individual patients more precisely and thus provide each patient with the best possible treatment.

Services expanded in North America

In North America, the changes in the U.S. reimbursement system for state-insured patients have particularly impacted our dialysis business in recent years – see "Healthcare and reimbursement systems vary from country to country" starting on page 53. In view of these changes, we have continuously expanded the scope of our services. In addition to dialysis treatments in our 2,133 proprietary clinics in North America, we provide a pharmacy service, special laboratory tests and services relating to vascular surgery (in particular vascular access for dialysis patients), for example – see "Operations and Strategy" chapter starting on page 39.

UltraCare is a therapy concept that is geared toward these specific conditions in the North American market. It enables us to offer medical care to dialysis patients thanks to innovative and efficient programs, state-of-the-art technology and continuous treatment quality improvement.

QUALITY MANAGEMENT IN OUR DIALYSIS CENTERS

As at our production sites, special quality management systems are in place at our dialysis centers, 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 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 healthcare authority.

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 2013, we again provided our patients all over the world with top-quality treatment, as shown by the current medical quality parameters in table 2.7.1.

The Kt/V value shows whether a patient has been detoxified effectively during dialysis. It provides information on urea content in the blood. Urea is mostly excreted by healthy kidneys. In dialysis patients, it has to be filtered out of the blood using renal replacement therapy. The Kt/V value of more than 1.2 recommended by general guidelines and standards was again attained in our clinics in 96% of cases in 2013.

In addition, we aim for a specific hemoglobin level in our patients. Hemoglobin is the component of red blood cells that transports oxygen around the body. Too little hemoglobin in the blood implies anemia, which typically occurs in patients with chronic kidney failure. Besides dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO) see glossary on page 285.

The level of albumin in the blood is indicative of a patient's general nutritional status. Phosphate concentrations show whether treating the patient with dialysis and medication is sufficient to enable the body to absorb phosphate ingested with food. Healthy people excrete excess phosphate via the kidney, but a diseased kidney is unable to do this. If the phosphate concentrations in the blood are too high, this can lead to bone diseases, parathyroid gland damage, and atherosclerosis, among other conditions. The number of days dialysis patients spend in hospital is also an important indicator for us. Days spent in hospital significantly reduce the quality of life of dialysis patients and are also extremely cost-intensive for the healthcare system.

To guarantee a sufficient blood flow and ensure that dialysis treatment is effective, a permanent arteriovenous vascular access is necessary. In this context, we record the number of patients who do not use a hemodialysis catheter as a vascular access for dialysis treatment see glossary on page 284. As catheters are associated with serious infections and more days spent in hospital, we are committed to further increasing the number of patients without catheters.

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.

Since 2012, the content of patient satisfaction surveys in North America has been specified by the state-run public healthcare authority CMS (Centers for Medicare and Medicaid Services), and the surveys themselves have been conducted by an independent company in order to ensure confidentiality 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.

T. 2.7.1 **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]	
			2013	*2012*	***2013***	*2012*	***2013***	*2012*
Kt/V > 1.2	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; higher risk of mortality	97	97	96	95	96	97
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body		75	75	60	58	59	59
Hemoglobin = 10–13 g/dl (international)		Indicative of anemia	81	82	78	78	68	68
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance		84	84	77	77	75	75
Albumin ≥ 3.5 g/dl[2]			86	85	88	87	91	89
Phosphate ≤ 5.5 mg/dl		Higher risk of mortality	66	66	77	78	70	71
Patients without catheter (>90 days)	Measures the number of patients with vascular access	Possibly more days spent in hospital[2]	83	82	83	83	92	94
Days in hospital per patient	The result of complications during dialysis	Restriction to patients' quality of life	9.4	9.8	9.4	9.3	4.2	4.6

[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.

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 healthcare 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. This includes special training programs for patients and their families. They also have the benefit of helping our clinic employees to empathize more strongly with patients so that they can respond even more effectively to patients' needs and motivate them to adhere to their treatment plan in a more disciplined manner.

In the International segment, our Kidney Options program, which we further expanded in the year under review, is geared towards patients in the preliminary stages of chronic kidney failure. In addition to a host of information material, our Kidney Options Forum events give patients the opportunity to talk with experts and other patients and find out about therapy options. In the U.S., our Treatment Options Program (TOP) is available to educate patients and families on the various treatment options for chronic kidney failure.

The first phase of treatment is often especially difficult for dialysis patients as their daily routine changes drastically: 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 a number of 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. We offer the RightStart program in North America to train new patients during this critical first therapy phase beyond their visits to our clinics and to boost their confidence. This program enables 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 needs and show how they themselves can help to significantly improve their quality of life. The information material is specially tailored to the first four months of treatment at home or in a dialysis clinic. We also offer a comprehensive introductory program for patients at our dialysis centers in the EMEALA region, the Patient Introduction Package. The aim is to make the transition to life on dialysis easier for patients and provide them with a wide range of individual information.

The vascular access, through which dialysis treatment is carried out, is a patient's lifeline. It is crucial that patients are actively involved to ensure that dialysis treatment is carried out without complications in the long term. We offer a Fistula Care Package to help them clean their vascular access every day.

To enable us to give our patients the customary level of medical support even in the case of a lengthy stay in hospital, we run a program for inpatient care in North America (Renal Inpatient Care Management). Specially trained Fresenius Medical Care dialysis specialists work closely with hospitals to address patients' individual medical needs and make the transition from inpatient to outpatient dialysis as smooth as possible for patients, thus reducing the length of their stay in hospital. In addition, our dialysis specialists help patients to find an outpatient dialysis center, coordinate appointments and train them in the transition phase.

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 UltraCare at home, 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 doctors, 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 P³. This is designed to improve patients' quality of life and supports nursing staff, doctors and patients every step of the way during therapy. The P³ 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.

Training programs intensified

In the complex and comparatively new medical discipline of dialysis, training doctors and nursing staff on an ongoing basis is just as important as providing advice to patients. The Advanced Renal Education Program (AREP) is our U.S. internet-based training program for the treatment and care of dialysis patients. It offers full and half-day seminars for nephrologists as well as e-learning courses for doctors and nursing staff – see also "Employees" chapter starting on page 92. We have also stepped up training on quality issues in dialysis for doctors in Asia, Africa and the Middle East. Treatment standards are often still being developed in these regions, and demand for professional advice is correspondingly high. Fresenius Medical Care also organizes conferences, lectures, and workshops around the world in conjunction with international nephrology experts.

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 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 November 2013 our crisis teams and volunteers from Fresenius Medical Care went into action in regions on the Philippines that were affected by the Typhoon Haiyan to help patients and provide them with their life-sustaining dialysis treatments.

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, which FEMA reports to.

Employees

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

NUMBER OF EMPLOYEES CONTINUES TO GROW

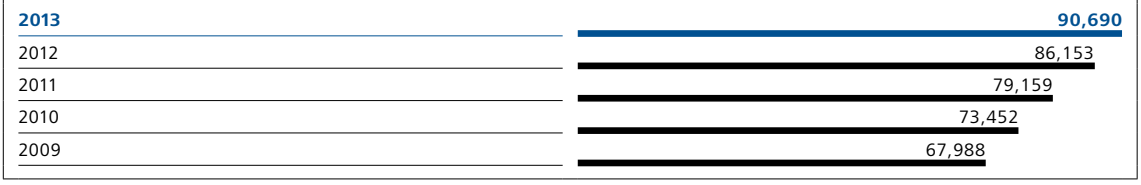
As of December 31, 2013, Fresenius Medical Care employed a total of 90,690 members of staff (full-time equivalents) in more than 50 countries. Our workforce therefore increased by 5% or more than 4,500 employees in absolute figures compared to the previous year. This was attributable to our continued organic growth as well as to acquisitions, especially in the area of dialysis services: In the reporting year, acquisitions accounted for 2% of the increase in employee numbers worldwide. In the past ten years, the number of employees has risen by more than 8% a year on average.

At the end of the reporting year, 60% of our employees were based in North America, 23% in the EMEA region (Europe, Middle East, Africa), 10% in Latin America and 7% in the Asia-Pacific region. Our staff count grew most in the North America region in the past year with a rise of 3,053 employees, followed by the EMEA region with an increase of 640 employees, in particular due to the expansion of our clinic network as a result of acquisitions.

Personnel expenses at Fresenius Medical Care rose to $5.20 BN in 2013 (2012: $4.87 BN). This equates to 36% (2012: 35%) of revenue. Average personnel expenses per employee stood at $57,335 (2012: $56,546).

C. 2.8.1 **Number of employees**

full-time equivalents



T. 2.8.2 **Employees by functional area**

full-time equivalents

	2013	2012	Change	Share
Production and services	73,069	69,963	3,106	80%
Administration	14,675	13,379	1,296	16%
Sales and marketing	2,394	2,281	113	3%
Research and development	552	530	22	1%
▸ **Total**	**90,690**	**86,153**	**4,537**	**100%**

In Germany, Fresenius Medical Care employed approximately 4,400 people (2012: about 4,300) at the end of the reporting year, accounting for around 5% (2012: 5%) of the total workforce. This underscores our high degree of internationalization. The average age of our employees in Germany was 42.7 years, somewhat above the previous year's figure (42.2 years). The average length of employment in the Company increased from 11.2 years in 2012 to 11.5 years in 2013. The staff turnover rate was once again low at 2.9% (2012: 2.8%).

PROMOTING DIVERSITY IN THE COMPANY

Fresenius Medical Care brings together a wide range of cultures and talents worldwide. As a global company, we value the diversity that our employees provide in the form of personal strengths, characteristics, interests and ideas. We want to continue promoting diversity in the Company in the future and raise awareness of it in all regions 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 as well as in management positions. In 2013, 69% of employees were women (2012: 70%). With 33% (2012: 31%), Fresenius Medical Care also has a relatively high proportion of women in upper management positions. When recruiting staff, our focus is on potential employees' qualifications; gender is not a determining factor. For this reason, we still do not intend to introduce fixed quotas.

T. 2.8.3 **Employees by region**
full-time equivalents

	2013	*2012*	*Change*	*Share*
▸ **North America**	**54,314**	**51,261**	**3,053**	**60%**
Dialysis services	45,651	42,767		
Dialysis products	8,663	8,494		
▸ **Europe/Middle East/Africa**	**21,327**	**20,687**	**640**	**23%**
Dialysis services	13,240	12,845		
Dialysis products	8,087	7,842		
▸ **Latin America**	**8,946**	**8,400**	**546**	**10%**
Dialysis services	7,573	7,170		
Dialysis products	1,373	1,230		
▸ **Asia-Pacific**	**5,963**	**5,682**	**281**	**7%**
Dialysis services	3,543	3,514		
Dialysis products	2,420	2,168		
▸ **Worldwide**	**90,690**	**86,153**	**4,537**	**100%**
Dialysis services	70,007	66,296		
Dialysis products	20,543	19,734		
Corporate[1]	140	123		

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

CREATING AN ATTRACTIVE WORKING ENVIRONMENT

We aim to create an attractive working environment that enables our employees to combine their professional and family lives. With flexible working hours, part-time work models, childcare allowances, and healthcare and sports programs, we contribute to this.

Embracing a 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 a flexible transition to retirement. The aim of this program is to offer employees attractive long-term prospects within the Company and thus benefit from their experience for as long as possible.

Healthcare management and occupational safety programs expanded

We offer our employees at the different locations a wide range of programs to promote their health, 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.

In the past financial year, we introduced an employee support program at a number of locations in Germany in cooperation with an external partner. This service, which is available around the clock, offers fast, unbureaucratic counseling and psychosocial support for employees in crisis situations or in the event of burn-out or other mental illness. In the U.S., too, we provide confidential counseling and other support services jointly with an external partner.

Furthermore, in 2013 we introduced a central occupational safety management system for the EMEA region (Europe, Middle East, Africa) with the aim of establishing a common standard for the wide range of individual solutions. We plan to develop these standards further over the coming years.

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 constantly expanding its training portfolio.

Life-long learning, continuous feedback on performance and work quality, and professional challenges in line with our 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.

T. 2.8.4 **Percentage of men and women in the Company**

	2013	*2012*
Total employees *in %*		
Male	31	30
Female	69	70
Employees in upper management positions *in %*		
Male	67	69
Female	33	31

Source: Company data, based on headcount

New program set up for managers

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

▸ Global Executive Challenge (GEC) is a worldwide program for employees in management positions. The program is designed to use the gained knowledge in the daily routine of the participants and to strengthen their leadership skills.

▸ Fresenius Advanced Management Program is a Company-run program for developing employees in upper management positions. The program is offered in cooperation with Harvard Business School.

Promoting employees at our clinics in line with demand

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 developed the program over the past few years. UCAP consists of five stages of training, each building on the last, and is aimed at new and experienced employees in our clinics as well as staff 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 reporting year, more than 3,100 dialysis specialists were enrolled in the program.

▸ Mentor Connection, a mentoring program in North America in which experienced nurse managers coach, support and offer advice to new colleagues. In this way, we support managers on-site in our clinics and enable them to settle into their new leadership positions more quickly.

E-learning further enhanced

A medium that continued to gain in importance once again for personnel development at Fresenius Medical Care across all functional areas is e-learning – digital training courses via the internet and intranet. In the reporting year we completely revised our e-learning system into an interactive platform. Among other things the new so-called Fresenius Learning Center offers trainings in virtual classrooms and enables joint learning independently from the location of each participant. We are also continuously developing a special e-learning portal in the U.S. as a learning tool offering a wide variety of subjects. We aim to integrate e-learning into personnel development to an even greater extent in future 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. As we train in association with the Fresenius Group, we can offer young men and women a wide range of prospects in a variety of trades, from electronics technicians for devices and systems, IT specialists and biological and chemical laboratory technicians, industrial business management assistants, industrial mechanics to Bachelor of Arts Accounting and Controlling and Bachelor of Science Business Information Technology. In the reporting year, we also offered additional training opportunities in Schweinfurt for process mechanics, industrial electricians for devices and systems and warehouse logistics specialists.

In 2013, we provided more than 2,350 apprentices with vocational training together with the Fresenius Group. In addition, in the past year more than 70 students were enrolled in work-study courses such as accounting and controlling, business information technology, electrical engineering and healthcare management that we offer in cooperation with the Fresenius Group and several universities. We will continue to expand the choice of work-study courses to respond to growing internal demand.

Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the financial year, garnering local Chamber of Commerce awards. In previous years, we have been 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 a 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 2013 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. In Schweinfurt, where we produce dialysis machines, we set up "wissenswerkstatt Schweinfurt e.V." in the reporting year in conjunction with other companies, associations and Schweinfurt city council. The aim of the "wissenswerkstatt" is to make technology more exciting and tangible for young people.

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

Fresenius Medical Care is committed to paying its employees in line with their performance and letting them share in the Company's success. Our remuneration concept therefore comprises fixed and variable components for most employees.

Bonuses increased again

We encourage our employees to identify with Fresenius Medical Care by giving them a stake in our Company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group. In 2013, each eligible employee received €2,164 for the preceding financial year. Employees are given half of this amount in the form of stocks. The other half is distributed as a cash component.

Remuneration program as a long-term incentive

Since 2011, we have offered a remuneration program as a long-term incentive. In this program, which is a combination of a stock option plan and a phantom stock plan, 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 over the four-year period. If this hurdle is cleared in one, two or three years only, the options are reduced accordingly. If earnings per share fall short of the mark completely, the options are canceled. Some 800 senior managers worldwide participated in this program in 2013. Further information on the stock option plan and the phantom stock plan can be found in the "Financial report", starting on page 243.

T. 2.8.5 **Profit sharing**

	2013	2012	2011	2010	2009
Figure *in €*	2,164	2,036	2,000	1,749	1,586
Number of eligible employees	3,325	3,231	3,068	2,918	2,765

ENHANCING OUR ATTRACTIVENESS AS AN EMPLOYER

As well as retaining talented employees at Fresenius Medical Care, it is more important than ever that we position ourselves on the job market as an interesting and attractive employer to gain new qualified employees.

Fresenius Medical Care gives students the opportunity to acquire practical experience in various areas of the Company: We offer internships, research, project and graduate programs, 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, engineering IT and especially electrical engineering with a focus on medical and automation technology, many of its students and graduates are attractive potential employees for Fresenius Medical Care and in particular for our Schweinfurt plant, where we develop and manufacture dialysis machines. For this reason, we have signed a cooperation agreement with FHWS including provisions on scholarships and student excursions to the plant, as well as lectures and semester-long projects within various divisions of our Company.

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

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

Responsibility

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

SECURING THE COMPANY'S FUTURE BY ACTING SUSTAINABLY

For Fresenius Medical Care, sustainability means acting responsibly to achieve business success as well as environmental and social progress. 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 2013. Our Company has featured in the prestigious Dow Jones Europe Sustainability Index every year since 2009, and was also listed in the Dow Jones Sustainability World Index for the first time in 2013. As part of the Carbon Disclosure Project (CDP), which gathers and records information and data on CO_2 emissions and climate risks, Fresenius Medical Care significantly improved its assessment compared with the previous year.

WE ASSUME ECONOMIC RESPONSIBILITY

Our business activities are based on responsible management with a focus on integrity, sound corporate governance and adherence to compliance principles. We also expect and encourage our employees and managers to behave impeccably from an ethical standpoint. Our code of conduct, which is applied in every division worldwide and 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 and the underlying corporate values also include Fresenius Medical Care's commitment to respecting human rights, and govern our actions, as do the UN Guiding Principles on Business and Human Rights. Further information on corporate governance, compliance and the remuneration of Management Board and Supervisory Board Members at Fresenius Medical Care can be found in the "Corporate governance report" starting on page 128.

We engage in dialog with our stakeholders

Fresenius Medical Care places great importance on cultivating regular, trust-based dialog with its stakeholders, including our suppliers. Our procurement strategy is geared toward purchasing high-quality materials and components through long-term mutual relationships with our suppliers. In 2013, we also launched an initiative in strategic purchasing that focuses on the ecological and social aspects of the procurement process. The emphasis is on environmentally sound and resource-efficient production as well as fair and humane working conditions at our suppliers. In the next few years, we aim to roll out this initiative worldwide to ensure that sustainability is also taken seriously in the supply chain. Further information can be found in the chapter "Procurement and production" starting on page 78.

We treat our employees responsibly

Fresenius Medical Care is aware of its responsibility towards its employees. By ensuring 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. Further information can be found in the chapter "Employees" starting on page 92.

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 facilities and laboratories are subjected on an annual basis. Audits are performed to monitor compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency in addition to state and local statutes. At the end of August 2013, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 14th time from the U.S. casualty and property insurer CNA. This award honors the Company's commitment to its employees' health, to safety, damage prevention and risk prevention.

In the EMEALA region (Europe, Middle East, Africa and Latin America), we have consolidated our subsidiaries' experience in the area of occupational health to create a central management system for occupational safety in line with the standard BS OHSAS 18001. This system is now incorporated in our integrated management system. In the past financial year, the first of our dialysis clinics in Italy received the BS OHSAS 18001 certificate following a successful external audit. Our production sites SisTer in Italy and SMAD in France have now also been certified according to BS OHSAS 18001.

Research and development geared to ethical standards

Whenever Fresenius Medical Care wants to launch a new medical device or pharmaceutical product, the Company is required by law to prove and extensively document its effectiveness and safety based on clinical studies. This means that it must be used with a group of patients in a clinical environment over a specified period.

Our industry is subject to extensive guidelines and laws to ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out studies on 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's clinical research is founded on 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. Our own Fresenius Medical Care Standard Operating Procedures combine these regulations with internal rules to ensure that clinical studies commissioned by us are carried out and documented properly. Before a study can even begin, our application must be approved by ethics committees in the relevant countries.

We only use animal testing to obtain approval of new products and forms of treatment where this is prescribed by law. Such tests are carried out by third-party research institutes in recognized test laboratories, and are always first 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 on our research and development can be found starting on page 72.

WE ASSUME RESPONSIBILITY FOR THE ENVIRONMENT

Environmental management enables us to implement environmental requirements and design our operational processes to use resources as efficiently as possible, thus saving on costs. We practice environmental protection at our Company mainly with the aim of optimizing the use of resources and reducing the associated CO_2 emissions. It also increasingly supports our business divisions in creating added value for our customers with eco-friendly products and services. Last but not least, it ensures that we as a Company take our responsibility to the environment seriously.

Environmental management strategy in our regions

Our decentralized corporate structure means that we implement environmental management at a regional level, as we do with most of our other operating areas. Our business regions step up their environment-related activities from year to year. The responsible environmental managers develop strategies to enforce 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 EMEALA region. The German technical inspection association TÜV Süd regularly controls 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 2013, eight of our European production sites (2012: seven) and our medical product development were certified according to ISO 14001. In addition, the environmental management system was in place in 13 national organizations in Europe (2012: also 13).

Our environmental program for the EMEALA region defines five strategic environmental objectives. At its production 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. For instance, we intend to recycle or incinerate at least 85% of production waste in the EMEA region by 2015. We have also set ourselves the target of reducing water consumption by 10% on average, electricity consumption by 6% and blood-contaminated waste by 20% per dialysis treatment from 2012 until 2015. We exceeded our targets for water consumption and waste reduction as early as 2013. Further information can be found in the section "Environmental management in our dialysis clinics" in this chapter, starting on page 101.

Environmental management at our production sites

In 2013, led by St. Wendel, our largest production site in Europe, we developed performance indicators for energy use and raw materials consumption to verify the environmental performance of our production processes. This also allows us to identify untapped potential in a production process that has already been largely optimized. In addition, we introduced an energy management system certified according to ISO 50001 in St. Wendel, which we will be expanding to all German sites in 2014. By evaluating the energy efficiency of all our processes and systems in the course of this Germany-wide rollout, we aim to identify further potential savings and

derive measures from them. In the past financial year, we started construction of a gas turbine to generate energy in St. Wendel; in future, it is expected to supply 90% of the site's electricity needs. The new turbine also enables us to cut emissions on site by around 30%.

In addition, we implemented further environmental projects at our production sites worldwide in the 2013 financial year: At our SisTer plant in Italy, we achieved an approximate 90% saving in packaging materials by building new packing stations. At our site in Walnut Creek and after the relocation to Concord, California, in autumn 2013, we managed to reduce waste by 75% year-on-year through various initiatives. At our production site in Buzen, Japan, we saved more than a quarter of the energy required for sterilizing dialyzers with a new system for heat recovery. And we have also implemented several energy efficiency projects since 2011 at our Changshu site in China: For example, we reuse waste water from the reverse osmosis plant. In the area of production, we have recycled condensation water since 2012.

Further information on the environmental projects at our production sites can be found in the magazine starting on page 42.

Ecologically sustainable dialysis products

We are continuously endeavoring 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 to save on costs or fulfill environmental requirements better.

To enable us to improve and report on the Company's environmental performance in the long term, it is essential to track and analyze the impact of our products and services on the environment over their entire life cycle (ecological audit). In the year under review, we therefore implemented the "Comparative life cycle assessment" project, which links information on product design, resource efficiency in production, logistics and the use of products in dialysis. Data sources include in particular internal environmental reports, product specifications and data from external ecological audit databases. The aim of this project is to determine and compare the ecological performance of different products within a uniform product group on the basis of the European Commission's ILCD (International Reference Life Cycle Data System) recommendations. We carried out this project with nine different types of acidic dialysis concentrates. Consequently, we can now highlight especially environmentally friendly products and provide substantiated information on the environmental impact of our products, for example in discussions with customers. Moreover, we can use this information in the development of new products and to improve existing ones.

Environmental management in our dialysis clinics

One of our core objectives is to further reduce the impact of dialysis treatment on the environment while saving on resources and ensuring cost efficiency. We manage this by using ecologically sustainable dialysis products as well as constructing environmentally friendly dialysis centers.

In 2013, we again pursued our aim of expanding our portfolio of environmentally friendly dialysis clinics. For instance, we opened an environmentally compatible dialysis clinic in Stockport, England, that is certified with the BREEAM Excellent design seal (Building Research Establishment Environmental Assessment Method). This is a widely used certification method for buildings based on particularly strict and up-to-date environmental standards for sustainable design. We opened another "green" dialysis clinic in Jossigny, France, where we introduced various efficiency measures to reduce average water consumption by 35% and electricity consumption by 20% compared with a standard dialysis unit. In addition, we have started building or renovating many more environmentally friendly dialysis centers in the EMEA region.

In North America, internal guidelines also ensure that the equipment, fixtures and furnishings in our clinic buildings and interiors 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. In 2011, a clinic in the U.S. equipped by Fresenius Medical Care received environmental certification in accordance with the U.S. LEED standard. LEED stands for "Leadership in Energy and Environmental Design" and establishes guidelines for resource conservation and sustainability in construction. In 2013, we also received ISO 14001 environmental certification for one of our dialysis centers in the U.S. for the first time.

Following on from the previous year, we continued our cooperation with the European Dialysis and Transplant Nurses Association/European Renal Care Association (EDTNA/ERCA) in the 2013 financial year. This stems from the "Go Green in Dialysis" initiative, which we launched in conjunction with EDTNA/ERCA in 2009. One result of this cooperation was the publication in 2011 of environmental guidelines for dialysis specialists, which are now available in eight languages. To further raise awareness of environmental issues in dialysis clinics, we presented an award for environmental protection in dialysis together with EDTNA/ERCA for the first time in 2013 at the 42nd International EDTNA/ERCA Conference in Malmo (Sweden). The award recognizes innovative ideas and outstanding procedures and processes that contribute to environmental protection, particularly in hemodialysis.

In addition, we are continuously stepping up our efforts to monitor the environmental status of our European dialysis clinics: In the 2013 financial year, 55 dialysis centers in the EMEA region carried out a self-assessment following the motto "How green is your dialysis clinic?" to rate the extent to which key environmental protection measures are already in place on site. The questionnaire covered topics such as clinic and building management, energy and transport, water and concentrates, waste and materials. For example, clinics were asked if they have people in charge of energy, water and waste management, whether environmental protection projects have been carried out and whether the building is equipped with photovoltaic elements. The results of the analysis demonstrate in particular the environmental management of water consumption in our dialysis centers.

A central element for managing the efficient use of resources in our dialysis clinics in the EMEALA region is our clinic software e-con5, which we have installed in our clinics since 2008 to establish a comprehensive environmental management system in the region. Of our dialysis centers, 501 in Europe (2012: 455) and 168 in Latin America (2012: 75) use e-con5, enabling them to gather and compare environmental performance data and implement potential improvements quickly. The results show that this system 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. They also show that we exceeded most of our reduction targets for dialysis clinics based on the EMEALA environmental program as early as 2013, two years earlier than the originally set target date of 2015 – see charts 2.9.1, 2.9.2 and 2.9.3 on page 103.

In the U.S., we are working to improve environmental management in our dialysis clinics with the help of an external service company that records and documents energy and water consumption in all our clinics on an ongoing basis. This company also checks and settles the corresponding energy and water bills and compiles 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-today basis. For example, our environmental department in Bogotá (Colombia) initiated a "Green Day" for all employees with activities covering all aspects of environmental protection. Furthermore, as part of the "Environmental Leaders" program in Colombia, we train volunteers in clinics, who then go on to support the implementation of environmental projects.

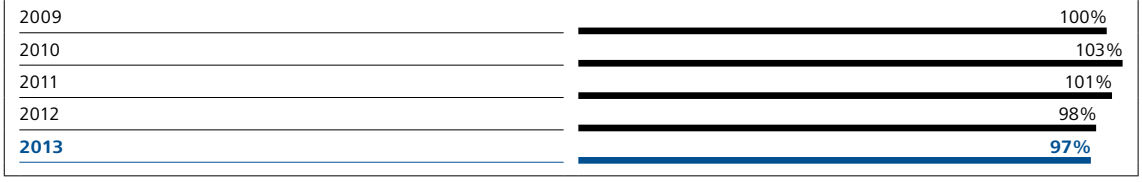
WE ASSUME SOCIAL RESPONSIBILITY

In a global market, Fresenius Medical Care has a decentralized organization with a high degree of responsibility at local level. This also applies to our Company's social commitment. As a result, we not only support globally active organizations and projects, but also in particular regional and local initiatives, which are as diverse as our employees. Our main focus in this respect is on projects aimed at the common good that follow the principle of helping people to help themselves and have a long-term impact.

Commitment to a better quality of life

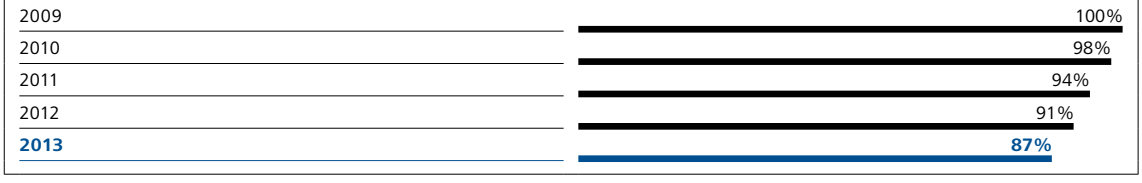
As a dialysis company, our objective is to continuously improve the quality of life of kidney patients. Above and beyond our core range of products and services, we pursue this aim by cooperating globally with regional and international associations and institutions that champion the interests of dialysis 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. This aims at providing patients and their families with health information, giving

C. 2.9.1 **Development of the average electricity consumption**
per dialysis treatment



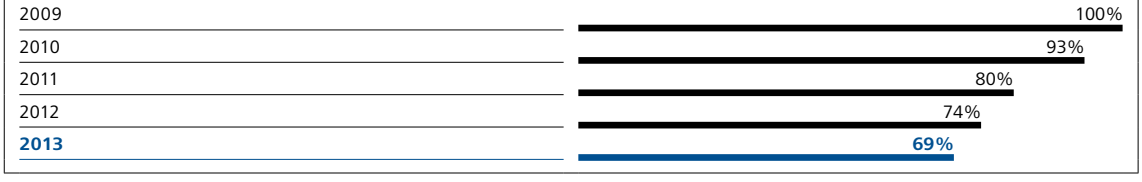
Source: Clinical software e-con5 for the region Europe, Middle East and Africa

C. 2.9.2 **Development of the average water consumption**
per dialysis treatment



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

C. 2.9.3 **Development of the average amount of blood contaminated waste**
per dialysis treatment



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

them more confidence in their everyday lives and strengthening their initiative.

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

In Colombia, we have set up our own foundation to help us promote our patients' health and well-being beyond actual dialysis treatment. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. For example, it 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 the 2013 financial year, 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. Their low level 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 as the need to comply with the treatment plan and take medication in a disciplined fashion. As part of a joint program with the Ministry of Education of Buenos Aires province that we have been rolling out for several years, we now offer classes at ten of our dialysis centers for patients, enabling them to earn their school-leaving certificate.

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 doctors and dialysis specialists worldwide, thereby helping to ensure quality in dialysis. This is especially important in regions where modern healthcare 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. This promotes projects, mainly in Africa, to give patients with acute kidney failure access to dialysis treatment in regions without an existing supply structure.

Raising public awareness

Fresenius Medical Care is also involved in raising health awareness among the general public. One example is the "pre-ESRD" campaign in the U.S., which aims to draw media attention to the risk of kidney disease. The idea of the campaign is to motivate people to pursue a lifestyle and diet that help them to avoid kidney damage and completely prevent kidney failure as far as possible. It also enables them to recognize the symptoms of kidney disease and encourages them to get treatment in time before there is no alternative to dialysis. To this end, we offer information to the media on chronic kidney failure and interviews with our nephrologists.

Our employees also use the World Kidney Day each year to inform people about the negative impact of kidney disease as well as the connection between kidney and cardiovascular disease.

Our emergency aid in crisis situations

In crisis situations and in the event of global disasters, the Company as a whole fulfills its responsibility to society. We provide funds, dialysis machines and medical supplies to institutions that need specific aid at short notice. Our global crisis team can be deployed immediately to provide help during hurricanes or other natural disasters. In November 2013 our crisis teams and volunteers from Fresenius Medical Care went into action in regions on the Philippines that were affected by the Typhoon Haiyan to help patients and provide them with their life-sustaining dialysis treatments. For more information about our crisis teams, see the chapter "Our dialysis services business" starting on page 87.

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 below, 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 CFOs. 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 2.10.1 on page 107). 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 22 and in the "Declaration on corporate governance" starting on page 128.

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

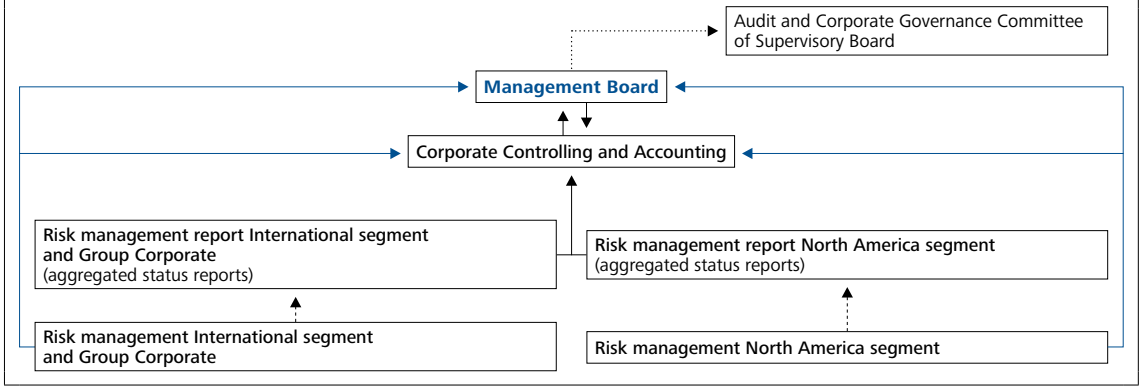
controls over business processes, the reliability of special parts of financial reporting and compliance with accounting regulations and internal policies. The Company's locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. 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 2013, a total of 39 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 provide reasonable assurance 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.

C. 2.10.1 **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.*

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.

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 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 are in line with recognized standards as well as local laws and regulations. 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 is effective in all regions and 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 135.

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 on a regular basis. 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 see chart 2.10.2. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission (SEC). In accordance with the COSO model, Fresenius Medical Care's internal control system over financial reporting is divided into the five levels control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these levels is regularly documented, tested and assessed.

Our review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's

Report on Internal Control Over Financial Reporting). For our review, we use a special software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole Group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review changes and new requirements of the 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, 2013, 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.

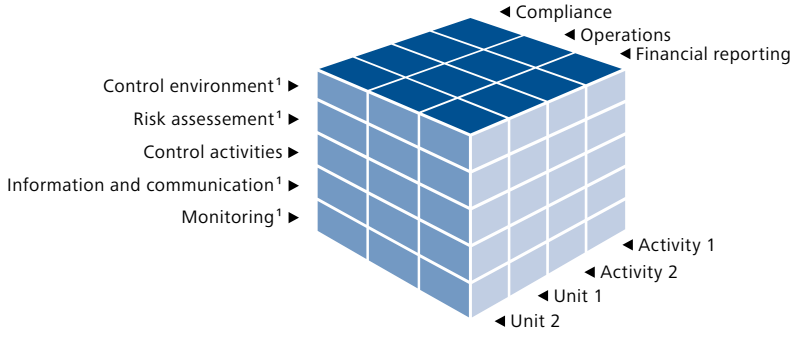
RISK AREAS

Of all the risks identified for the Group, the following section examines those risk areas or individual risks that could, as it stands today, materially affect Fresenius Medical Care's financial position. Our business operations may also be impacted by other factors that we are not currently aware of or significant changes in factors we do not currently deem to be critical. To the extent possible and economically viable, we obtain Group-wide insurance cover for insurable risks.

Risks related to the economy as a whole

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

C. 2.10.2 **COSO-framework**



[1] *Entity level controls.*

Industry risks

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

Company strategy and competition

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

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

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

Legal conditions in the healthcare sector

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

Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Healthcare and reimbursement systems" section starting on page 53 and in the "Capital market and shares" chapter starting on page 28.

Risks associated with operating activities

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

Quality risks in production, for products and processes

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

We also apply the methods of Lean Management and Six Sigma see glossary on page 287 in our plants. These management tools are used to analyze and improve all production processes to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production

processes. Quality management in our production sites 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 78.

Like all blood cleansing procedures that are performed outside of the human body, dialysis is associated with certain risks for the patient whose occurrence could potentially damage Fresenius Medical Care's reputation. National as well as international standards and laws stipulate binding safety standards for dialysis products. In addition, we have created our own quality guidelines for research and development that in part exceed the legal requirements.

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

Quality risks for 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 healthcare services quality management system, certified according to ISO 9001, is part of 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 improve our processes and treatment results for the long-term. Our clinic quality management system is also audited each year by external certification institutes such as the German TÜV or CMS in the U.S. As a consequence, we are able to quickly identify quality flaws and risks and to remedy them in a timely manner.

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

Risks in research and development

The risk of goals not being achieved or being achieved much later than anticipated is inherent in the development of new products and therapies. Most new products have to undergo comprehensive, cost-intensive preclinical and clinical tests before they receive regulatory approval and are launched on the market. All products, packages, applications and technologies are continuously and systematically monitored, tested and improved. The development cycle for products made by Fresenius Medical Care is generally substantially shorter than for pharmaceutical products. It normally takes between two and three years from concept to market launch. Fresenius Medical Care counteracts risks in research and development projects by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal regulations governing clinical and chemical-pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. For further information see the "Research and development" chapter starting on page 72.

Patent risks

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

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

Procurement risks

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

Our purchasing strategy is aimed at developing partnerships with strategic suppliers through long-term contracts and building relationships with new high-performing partners. At the same time we try 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 ongoing monitoring of market developments enables us to minimize the risk of bottleneck situations considerably, even at times of limited availability of materials. All relevant suppliers are subject to regular Company-wide performance and risk monitoring. More information on this can be found in the "Strategic purchasing: Trust-based supplier relationships, consistent quality" section on page 78.

Fresenius Medical Care is also exposed to market-driven price fluctuations for raw materials. By continuously conducting market analyses, shaping supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. The intense cooperation between our procurement teams in different regions means that we are able to benefit from international pricing advantages and manage risks related to currency fluctuations or dependencies on individual suppliers. More information on this can be found in the "Strategic purchasing: Trust-based supplier relationships, consistent quality" section on page 78.

Personnel risks

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

Our continued growth in the area of dialysis services in particular depends on our ability to recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently extending various measures and initiatives aimed at further increasing the satisfaction

of our clinic personnel, maintaining their high level of motivation and further lowering the fluctuation rate in our clinics. We base these efforts on the results of extensive clinical employee satisfaction analyses. Our UltraCare Clinical Advancement Program (UCAP) in the U.S. is one example of such an initiative; more information can be found in the "Employees" chapter starting on page 92.

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

Risks due to non-compliance with laws and standards

Fresenius Medical Care has developed a code of conduct that applies to employees in all regions, specifying their conduct within the Company as well as towards our patients, external partners and the public, and encouraging them to comply with applicable laws and Company standards at all times. Together with our overall compliance program, this code is intended to help us meet our own expectations and those of our partners, and to successfully align our business activities to recognized standards as well as applicable laws and regulations. Further details on our compliance program can be found starting on page 135.

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 2013.

Acquisitions and investments

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) based on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found starting on page 44.

Financial risks

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

We use interest rate hedging instruments to avert the risk of rising interest rates from our floating rate long-term debt. A sensitivity analysis revealed that if the relevant reference interest rates for the Company like Libor increased by 50 basis points, based on the current high level of hedging, the negative effect on the net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) would be around 1%. The interest derivatives expire in 2016.

Our foreign exchange exposures primarily result from transactions such as sales and purchases between Group companies located in different regions and currency areas. Most of our transaction exposures arise from sales of products from Group companies in the euro zone to other international

business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. The estimation and quantification of transaction risks from foreign currencies is determined according to the statistical model Cash-Flow-at-Risk (CFaR). CFaR indicates the amount of a potential loss of the forecasted foreign exchange cash flows of the next twelve months that occurs with a probability of 95%. As of December 31, 2013, Fresenius Medical Care's CFaR amounted to $50.5 M. Please see the "Financial report" for further details starting on page 187.

Debtor risks

To reduce the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review the credit limits of existing ones. We monitor outstanding receivables of existing customers while assessing the possibility of default. For further details on outstanding receivables please see the "Financial report" on page 187.

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 "Financial report" starting on page 252.

Tax risks

Fresenius Medical Care is subject to tax audits, which can lead to secondary changes in tax assessments and assessments of withdrawal restrictions. Risks resulting from this are continually identified and evaluated. Further details on ongoing legal proceedings and more information on major tax risks of the "Financial report" can be found on page 252.

IT risks

As Fresenius Medical Care continues to grow in size and become more international, the processes within the Company are increasingly complex. Accordingly, we are dependent to an ever greater extent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). With the help of our Information Security Management System (ISMS), which is based on the internationally recognized security standard ISO 27002, we continuously enhance IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on an ongoing basis. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. To minimize organizational risks such as manipulation and unauthorized access, access is protected by passwords that must be changed regularly. With our strategy of operating three separate data centers (at major geographic regions) we further reduce the risk of complete, worldwide system outages. Moreover, Company guidelines relating to data protection, which also regulate the assignment of access rights, must be observed. Compliance is monitored with controls including those relating to Section 404 of the Sarbanes-Oxley Act; please refer to page 106. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks from the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and continuously monitor whether they are achieved. Further preventive risk management measures limit the effect of environmental factors on 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 emergency team (disaster response team) steps in all-season during natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section starting on page 91.

Additional information about the risks of Fresenius Medical Care can be found in our consolidated financial statements and the 20F on our website at www.fmc-ag.com in the section Investor Relations/Publications.

OPPORTUNITIES MANAGEMENT SYSTEM

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

Much of Fresenius Medical Care's business is organized regionally. This enables us to identify industry-specific trends and requirements as well as the ensuing opportunities in the various regions at an early stage and gear our actions towards them. To make the most of business opportunities, we also perform comprehensive quantitative and qualitative analyses. These include evaluating market data and studying research projects closely, while taking general societal trends into consideration – see the "Strategy, objectives, and corporate management" section starting on page 44. We monitor general economic, industry-specific, regional and local developments as well as regulatory changes in equal measure. The close cooperation between our strategy and planning departments and managers from other corporate divisions allows us to recognize opportunities globally and as early as possible.

We evaluate the ideas for growth initiatives that we develop on this basis in the course of our annual budget planning, and continuously throughout the year if required. We manage the necessary investments to implement the projects using a detailed coordination and evaluation process. The Management Board sets the investment budget for the Group as well as the investment targets. Before concrete investment projects are realized, an internal committee examines the individual projects and measures, taking into account the return on investment and potential return. Among other things, commonly used approaches such as the net present value and internal interest rate methods are used here; 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 can 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 3,250 dialysis clinics in more than 45 countries form 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 can also make a significant contribution to reducing the costs of healthcare. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail in the following section.

Industry-specific opportunities

The dialysis market is a growth market that is generally unaffected by macroeconomic influences. This can be partly explained by the fact that an aging population requires increasingly comprehensive medical care. In addition, due to the steady 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 49 and the "Outlook" chapter starting on page 121.

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach around 2.7 M in 2014. By 2020, the number of dialysis patients amount to more than 3.8 M. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, these include the aging population and the increasing incidence of diabetes and hypertension, two illnesses which frequently precede the onset of chronic kidney failure. In developing and emerging countries, the growing population and the gradual access to dialysis caused by the increase in wealth are key factors that boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment in certain parts of the world and in what form depends on the country's healthcare system 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 example with Public Private Partnerships. These decisions are increasingly influenced by the following factors:

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

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

- Dialysis is a complex life-sustaining procedure, which places high demands on a healthcare system in terms of expertise and efficiency. For these reasons, public healthcare providers are increasingly looking to work with private providers to develop high-quality, sustainable healthcare solutions for patients with chronic kidney failure. This presents a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by doctors in private practice, hospitals, and non-profit

organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers. These are facilities for outpatient care managed by doctors with different areas of expertise who are employed as salaried physicians. At the end of 2013, we were involved in 16 medical care centers (2012: 14). As an experienced partner, we want to continue to support our customers in setting up new structures in the German healthcare system, and take advantage of this opportunity to strengthen our business in the long term. In Japan, where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term if these are approved as clinic operators in Asia's largest dialysis market.

Public private partnerships

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

Growing demand for integrated healthcare

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

Payors increasingly no longer reimburse the components of this type of integrated treatment separately but combined in a "service bundle", which is linked to contractually defined, measurable treatment targets on which the dialysis provider must

provide regular reports (pay for performance). These quality parameters are generally based on established national and international guidelines regarding good treatment practice for kidney patients and in some cases even exceed them. Failure to meet these criteria results in measures ranging from a reduction in the reimbursement to a full withdrawal of the license.

Integrated healthcare using the pay for performance model offers opportunities for all those involved: Dialysis patients can enjoy a sustainably improved quality of life; pooling healthcare provision with a single provider reduces the overall costs of treatment as resources are used more efficiently, and makes these costs easier to control and calculate for the public sector and for health insurers. Dialysis providers can in turn expand their range of services by providing the additional services required by the contract. 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 quickly identify any potential for improvements. More information can be found in the magazine starting on page 28.

Opportunities related to our business operations

Expanding our portfolio horizontally

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy and the increasing trends towards integrated healthcare, 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 look set to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. In the future, we will continue to focus our R&D activities on home dialysis and related technologies and products. Our key objective is to reduce the usage of water for home hemodialysis significantly to offer dialysis patients efficient and flexible machines for as much independency and mobility as possible. Additionally, 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 satisfying demand for integrated care in the best possible way.

Internal organization and procedures

The way in which Fresenius Medical Care's operational business is organized and managed presents us with a series of opportunities that will help to improve the Company's success in the long term. For example, we use the Lean Management and Six Sigma methods to analyze and better coordinate our production processes worldwide in order to further reduce both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for example by saving resources; see the chapter "Procurement and production" starting on page 78.

Acquisitions

By expanding our dialysis services business through acquisitions as well as sourcing 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 section "Acquisitions and divestitures" on page 58 and in the section "Financial situation" starting on page 66.

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, we also use these on a daily basis in our own clinics. Consequently, we benefit from the feedback of our patients, physicians and dialysis nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management.

MANAGEMENT'S 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 2013, there were no major changes in the risk structure compared with the previous year. The Management Board 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 the Company-wide review of the integrated management system. The Management Board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. From an organizational point of view, we believe that we have created all the necessary conditions to allow us to identify emerging risk situations early on and react appropriately if need be.

We remain confident that our Group's earning power constitutes a sound basis for the growth of our business and provides the necessary scope to pursue any 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 on as well as in the area of opportunity management, we firmly believe that we will continue to successfully capture any opportunities that may arise.

Subsequent events

In March 2014 Fresenius Medical Care announced two changes in the Management Board. Until the annual report's editorial deadline, no further significant events took place.

CHANGES IN THE MANAGEMENT BOARD

In March 2014 Fresenius Medical Care announced two changes in the Management Board. Effective April 1, 2014 Dominik Wehner will be new Member of the Management Board responsible for the region Europe, Middle East and Africa (EMEA). He succeeds Dr. Emanuele Gatti who will discontinue his Management Board position effective March 31, 2014 as a personal choice. Dr. Gatti will continue to support Fresenius Medical Care in selecting strategic opportunities as well as represent the Company in several external committees. In addition, and in combination with his academic activities, he will continue to work for the Company to develop regenerative medicine and to improve dialysis and blood purification therapies. Dominik Wehner began his career at Fresenius Medical Care in 1994 and is currently Executive Vice President responsible for the regions Eastern Europe, Middle East and Africa.

Also Dr. Rainer Runte, the Management Board Member currently responsible for Global Law, Compliance, Intellectual Property and Labor relations in Germany, will step down from the Management Board on March 31, 2014. Until such time a permanent successor to Dr. Runte is named, David Kembel, Chief Compliance Officer for Fresenius Medical Care North America, will assume responsibility for Global Compliance on an interim basis. Rice Powell as the Chairman of the Management Board will assume Dr. Runte's remaining responsibilities until the search for a General Counsel is complete. Dr. Runte will remain connected to Fresenius Medical Care through his advisory role on matters of corporate law and compliance.

ECONOMIC AND BUSINESS ENVIRONMENT

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

We are currently not planning any major changes which could lead to a significant impairment of the asset, financial and earnings situation of our Company.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2014.

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

Having attained our targets once again in the last financial year, we expect to perform moderately in 2014. Despite this, we are confident that we are able to position our Company strategically in a way that will allow us to continue on our growth path in the longer term.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We aim to consolidate and build on 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 that we rigorously use the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care's main focal points are holistic care of dialysis patients and dialysis-related treatments. As well as our products, dialysis treatment itself and a wide range of dialysis drugs, we are increasingly offering additional care-related services for our patients in many regions. These include laboratory and pharmacy services as well as services relating to vascular access – an essential aspect of treatment for dialysis patients. There are no plans to make significant changes to our business policy. For further information on this, see the "Operations and strategy" chapter starting on page 39.

GLOBAL ECONOMIC GROWTH SET TO REMAIN STABLE IN 2014

The slight increase in the rate of expansion last year is expected to be maintained in 2014. The economic upturn in the advanced economies is likely to continue. By contrast, the fast pace of growth sustained over several years in the emerging countries is expected to slow down, as was the case last year. Gross national product (GDP) is likely to grow by around 3.7% worldwide in 2014, following a rise of 2.9% in 2013.

North America segment: slight economic recovery expected in 2014

A slight improvement in economic output is expected in the U.S. The impact of negative factors following the financial crisis is gradually subsiding: Household debt levels are decreasing, the number of people unemployed has fallen and the real-estate crisis seems to be over.

T. 2.12.1 **Real gross domestic product**

expected change from the previous year in %

	2013	*2014*
U.S.	1.6	2.3
Germany	0.4	1.7
Euro zone	−0.4	0.9
China	7.5	7.5
India	4.0	5.0
Asia	6.3	6.6
Latin America	2.7	3.9
▸ **Worldwide**	**2.9**	**3.7**

Source: Institute for the Global Economy at the University of Kiel "Weltkonjunktur im Winter 2013", December 19, 2013

International segment: mixed development is anticipated again in 2014

Regional differences in terms of development are anticipated in the International segment in 2014. In the overall assessment of the euro zone, a gradual recovery of the economy is forecast. In the emerging countries, the very fast expansion rate of the past few years is likely to tail off further, particularly in China and India. A slight economic upturn is expected in Latin America, mainly driven by increased domestic demand and investing activities in Brazil in preparation for the 2014 soccer World Cup.

THE DIALYSIS MARKET CONTINUES TO GROW

Fresenius Medical Care expects the number of dialysis patients worldwide to grow by about 6% in 2014. Some significant regional differences will probably remain. We anticipate a 2 to 4% increase in patient numbers in the U.S., Japan, Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue to rise in the coming years, see chart 2.12.3 on page 123.

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.

T. 2.12.2 **Expected growth in patient numbers[1]**

	Growth in 2014
North America	**~4%**
U.S.	~4%
Europe/Middle East/Africa	**~4%**
EU	~2%
Asia-Pacific	**~10%**
Japan	~2%
Latin America	**~6%**
▸ **Worldwide**	**~6%**

[1] *Internal estimates.*

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 should continue to be the preferred treatment for about 11% of all dialysis patients. The volume of the worldwide dialysis market, which amounted to about $75 BN last year according to preliminary estimates, is expected to increase by around 4%. This is based on the assumption that exchange rates will remain stable in the forecasting period. The overall volume of the dialysis market for 2014 could thus reach around $78 BN.

GROWTH AND FUTURE SALES MARKETS

In the product business, we have had our own sales organizations in key growth markets in Eastern Europe and Asia for several years and already hold leading market positions. We serve small markets via distributors. We want to continue to expand our local range of products and local production. Acquisitions can also help us to achieve our aim of strengthening our business. In China, we intend to further expand our alliances with hospitals. In addition to China, another Asian market that looks increasingly promising is India. We have been represented on this product market through distributors since the 1990s and an independent dialysis clinic operator since the end of 2012. We also plan to open 15 to 30 dialysis centers in India in the next five years. Regional and local health authorities in India also promote the public private partnership model (PPP). Therefore, we also intend to conclude corresponding supply contracts with larger regional and municipal hospitals.

BUSINESS DEVELOPMENT OF FRESENIUS MEDICAL CARE IN 2014

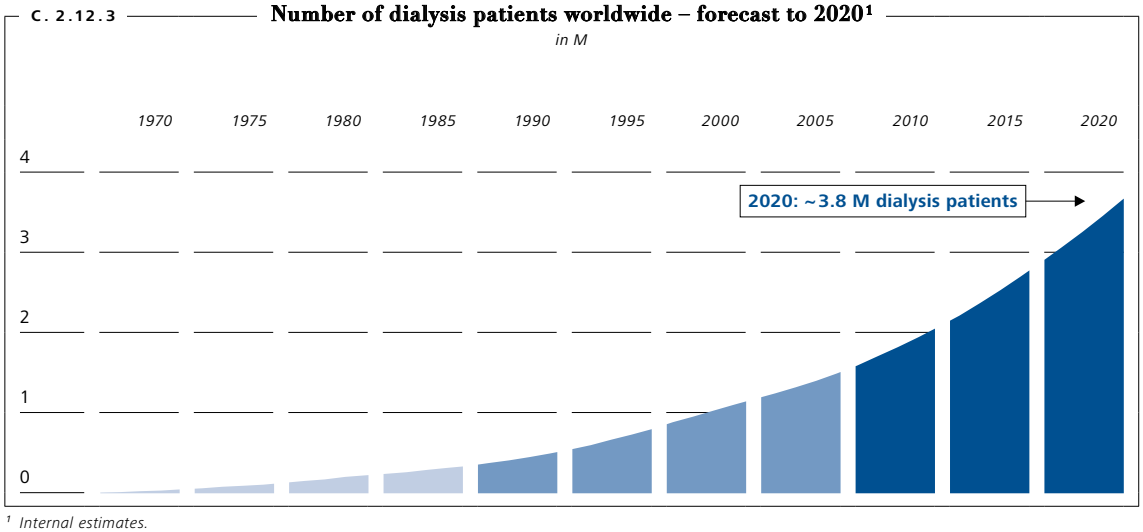
Exchange rates

Fresenius Medical Care's outlook for 2014 is based on the exchange rates at the beginning of 2014. As mentioned in the "Economic environment" section starting on page 49, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care. In its forecasts, Fresenius Medical Care also takes into account other exchange rates that are particularly relevant to the economic performance of its subsidiaries, such as the Taiwanese dollar against the U.S. dollar or the Chinese Yuan against the euro.

Revenue

We aim to further increase our revenue in the current financial year to around $15.2 BN, which would correspond to a growth rate of 4%.

C. 2.12.3 **Number of dialysis patients worldwide – forecast to 2020[1]**



[1] *Internal estimates.*

Operating income

As we operate in an environment in which cost increases are not adequately offset by rising reimbursement rates, we expect operating income for 2014 to be almost unchanged compared to 2013 at around $2.2 BN despite the growth in revenue. Consequently, the operating income margin for 2014 would be around 14.5%.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to be between $1.00 BN and $1.05 BN in 2014, 5 to 10% lower than in 2013.

The Company initiated a global efficiency program designed to enhance the Company's performance over a multi-year period which should lead to sustainable savings. Potential cost savings before taxes in the amount of up to $60 M generated from this program are not included in the outlook for 2014.

Earnings per share

For 2014, we expect earnings per shares to decrease in parallel with net income.

Dividend

Fresenius Medical Care intends to maintain its continuity-oriented dividend policy. At the Annual General Meeting on May 15, 2014, the Management Board will propose a 3% increase in the dividend to €0.77 per share. Subject to the approval of the Annual General Meeting, the shareholders can therefore expect the dividend to increase for the 17th year in a row since the foundation of Fresenius Medical Care in 1996. In the subsequent years, we aim to align our dividend development more closely to the growth in earnings per share, while maintaining dividend continuity. Information on the proposed dividend increase can be found in the "Dividend continuity" section on page 32.

T. 2.12.4 **Targets 2014**

	Results 2013	*Targets 2014*
Revenue	$14.6 BN	~$15.2 BN
Operating income (EBIT)	$2.3 BN	~$2.2 BN
Operating income margin	15.4%	~14.5%
Net income[1]	$1.1 BN	$1.0 BN to $1.05 BN
Net income growth[1,2]	−6%	Decrease of 5% to 10%
Basic earnings per share growth[1,2]	−6%	In line with the expected development of the net income
Capital expenditures	$700 M	~$900 M
Acquisitions and investments	$500 M	~$400 M
Net cash provided by (used in) operating activities in % ofrevenue	13.9%	>10%
Free cash flow in % of revenue	8.9%	>4%
Debt/EBITDA ratio	2.8	≤3.0
Employees[3]	90,690	~92,000
Dividend	3% per ordinary share to €0.77[4]	Continuous dividend policy
Research and development expenses	$126 M	~$140 M

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Excluding an investment gain in 2012, net income growth in 2013 is +6%.*
[3] *Full-time equivalents.*
[4] *Proposal to be approved by the Annual General Meeting on May 15, 2014.*

Investments and acquisitions

In 2014, we intend to spend around $1.3 BN on capital expenditures as well as acquisitions and investments. Capital expenditures should account for around $900 M or 6% of revenue in 2014. Around 50% of this amount is earmarked for expansion investments. Approximately $400 M or 3% of revenue is to be used for acquisitions and equity investments.

In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will primarily be used to open new dialysis clinics and expand our worldwide production capacities as well as on dialysis machines within the framework of long-term supply contracts. Additionally, capital expenditures will be used to rationalize production processes and to improve system support of internal processes. Furthermore, the Company is planning to continue making selective acquisitions and investments to further consolidate the global business. Thereto we intend to predominantly acquire additional dialysis clinics, either directly or by entering joint venture relationships.

Cash flow

In 2014, net cash provided by operating activities is again expected to account for more than 10% of revenue. With revenue forecast at around $15.2 BN, this would result in a net cash provided by operating activities of more than $1.5 BN in 2014. The free cash flow is likely to reach more than 4% of revenue in 2014.

Debt/EBITDA ratio

Fresenius Medical Care takes the debt/EBITDA ratio as its guideline for long-term financial planning. This ratio was 2.83 at the end of 2013. For 2014, the target figure is expected to be not above 3.0.

Financing

The Company's financing strategy gives top priority to ensuring our financial flexibility. With our only partly used credit facilities and accounts receivable facility, Fresenius Medical Care has sufficient financial resources. We are pursuing a target value for secured and unutilized credit facilities of at least $300 M to $500 M here. For further information, see the "Financial situation" section starting on page 66.

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 intend to retain our decentralized organizational structure. In our view, this well-proven structure ensures the best-possible flexibility and adaptation to market requirements.

FUTURE PRODUCTS AND SERVICES

We plan to spend approximately $140 M on research and development in the current financial year.

As a vertically integrated company, we aim to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be adapted flexibly to local market conditions and to the sometimes dynamic changes in healthcare systems and reimbursement structures.

In view of the growing challenge faced by healthcare systems to provide comprehensive, high-quality yet cost-effective care for an increasing number of patients, we want to use this extensive portfolio more and more to offer our healthcare partners integrated concepts for patient care. Thanks to our business model and our long-standing experience in operating an international network of clinics, we are in a particularly strong position to offer comprehensive high-quality solutions of this kind from a single source; see the "Opportunities" section in the "Risk and opportunities report" starting on page 116.

Accordingly, one focus of our research and development work will be on developing innovations that incorporate additional treatment elements into our products and services or help to better align them – always with the aim of improving the quality, safety and cost-efficiency of treatment in equal measure. For example, we will be working on devices for our hemodialysis machines that reduce the handling of the bloodline system and its connections to just a few operations, thus easing the workload of clinic staff. We will also continue to look at new additional functions for improving the quality and safety of treatment.

In the interest of more comprehensive patient care, we will also continue to focus our software development efforts on developing integrated system solutions for clinical quality data management. These will be designed to enable a larger volume of data to be captured faster and more easily and to enhance the quality of the data, thus continuously improving treatment.

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

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

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

EMPLOYEES

Due to the anticipated expansion in business, we expect the number of employees to grow in the current year. By the end of 2014, the number of people working for Fresenius Medical Care is estimated to increase to around 92,000 (full-time equivalents).

FUTURE USE OF NEW TECHNOLOGIES AND PROCESSES

With the assistance of the Global Manufacturing Operations division (GMO), we aim to help our regions to keep on providing their patients and customers with top product quality at the best price. At the same time, we intend to enable our regionally responsible Board Members and their teams to focus their work on developing and growing their dialysis services business.

Development of the global supplier portfolio will remain a key focal point of GMO in 2014. The aim is to reduce our product costs and offset currency and supply risks. In addition, we plan to pay more attention to environmental and social aspects in the

procurement process at global level. The emphasis is on the criteria of environmentally sound and resource-conserving production as well as fair and humane conditions at our suppliers.

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

In addition, we will strive to standardize improvement measures (use of same measures) or harmonize improvement measures (use of similar measures) across all regions. This will enable us to better identify best-practice approaches and use our strengths more effectively globally.

Our production strategy is geared towards manufacturing top-quality products in the right place at the right time at the best possible price. To keep on implementing this strategy successfully in the future, we plan to diversify our network even more and align it towards large production sites for making technically sophisticated products for sale worldwide as well as production facilities primarily intended for regional supply.

The report on expected developments describes how Fresenius Medical Care is expected to perform in fiscal year 2014. The report on expected developments takes all events known at the time of the preparation of the financial statements into account which could affect the development of our business in 2014. As in the past, we are committed to achieve and, if possible to exceed our targets. The outlook could be affected negatively by risks and uncertainties. Additional information about the risks of Fresenius Medical Care can be found in our consolidated financial statements and the form 20-F on our website at www.fmc-ag.com in the section Investor Relations/Publications.

Corporate governance report and declaration on corporate governance

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

The Management Board of the General Partner, Fresenius Medical Care Management AG, and the Supervisory Board of FMC AG & CO. KGAA hereinafter 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 – DCGK) on the Company's corporate governance.

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

DECLARATION ON CORPORATE GOVERNANCE

Group management and supervision structure

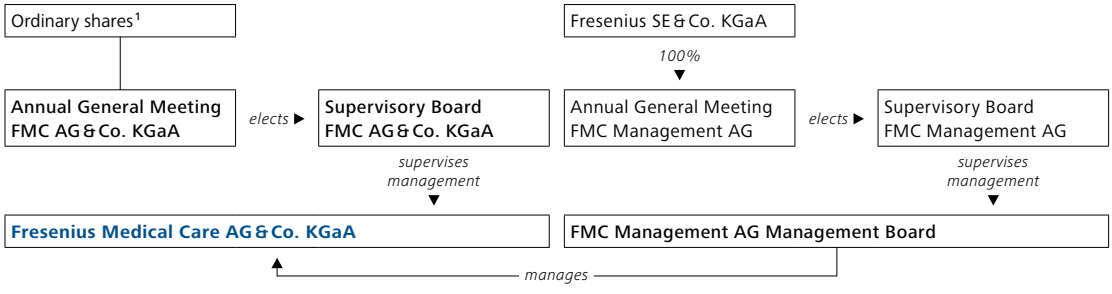
The legal form of the Company is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). The statutory bodies are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In 2013 as the year under review, there were no significant changes to the Group's management and supervision structure. The Group management and supervisory structure is also displayed in chart 2.13.1.

The Articles of Association of FMC AG & CO. KGAA, which also specify the responsibilities of the bodies of the Company, are available online at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association.

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

C. 2.13.1 **Structure of Fresenius Medical Care AG & Co. KGaA**

based on data as of December 31, 2013



[1] ~68.7 % Free Float, ~31.3 % Fresenius SE & Co. KGaA
FMC = Fresenius Medical Care

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 it is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation and are strictly separated from one another.

The General Partner and its bodies

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board is responsible for managing the Company and conducting the Company's business. Its actions and decisions are directed towards the interests of the Company. Within the scope of filling managerial positions, the Management Board considers diversity and especially female representation in terms of selection from professionally qualified candidates. About one third of the participants of the stock option programs, which are reserved for managers, are female. In the year under review, the Management Board of the General Partner was initially composed of seven and then, as of March 1, 2013, of eight 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 German Corporate Governance Code. These rules of procedure define the principles of cooperation and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. In order to increase the efficiency of the Management Board's work, the General Partner's Supervisory Board by resolution of May 15, 2013 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 Chief Administrative Officer and the Management Board Member responsible for the respective matter either geographically or in terms of substance; the Management Board Committee decides by virtue of an unanimously resolution.

Deliberations of the Management Board are conducted by the Chairman of the Management Board or, if the latter is unavailable, by the Board Member responsible for commercial matters or, if the latter is also unavailable, by the Board Member who is the senior-most member in age of the Board Members present. The Chairman determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all Members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members.

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

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

The Members of the Management Board and their areas of responsibility are introduced in the notes to the annual financial statements of FMC AG & CO. KGAA for the year under review (the "notes") under "Management Board of the General Partner Fresenius Medical Care Management AG" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Management Board. As of January 1, 2013, Mr. Rice Powell assumed the office of Chairman of the Management Board and succeeded Dr. Ben Lipps in such function. At the same point in time, Mr. Ronald Kuerbitz was appointed to the Management Board, succeeding Mr. Powell in his responsibility for Fresenius Medical Care North America. With effect as of March 1, 2013, the Management Board was expanded by the Global Research & Development department which was assigned to Dr. Olaf Schermeier.

As a stock corporation, Fresenius Medical Care Management AG also has its own Supervisory Board consisting of six members, which is chaired by Dr. Ulf M. Schneider. Other Members of the Supervisory Board of Fresenius Medical Care Management AG are Messrs. Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, William P. Johnston, Dr. Gerd Krick and Dr. Walter L. Weisman. As far as Members of the Supervisory Board of Fresenius Medical Care Management AG are also Members of the Supervisory Board of FMC AG & CO. KGAA, further information with regard to them can be found within the scope of information provided with regard to the Members of the Supervisory Board of FMC AG & CO. KGAA in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Supervisory Board. In addition to this, for the year under review the following information is provided with regard to Dr. Schneider, who is not a member of the Supervisory Board of FMC AG & CO. KGAA:

Dr. Ulf M. Schneider
Chairman of the Management Board
of Fresenius Management SE

Supervisory Board
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Medical Care Group France S.A.S., France (Chairman)
Fresenius Kabi España S.A.U., Spain
FPS Beteiligungs AG (Chairman)

Others
Fresenius Kabi USA, Inc., USA (Board of Directors)
FHC (Holdings), Ltd., Great Britain (Board of Directors)

In recognition of his extraordinary contributions to the development of the Company and his comprehensive experience in the Company, the Supervisory Board of Fresenius Medical Care Management AG appointed Dr. Ben Lipps as its honorary chairman with effect as of January 1, 2013.

The Supervisory Board of Fresenius Medical Care Management AG appoints the Members of the Management Board and supervises and advises the Management Board in its management responsibilities. In accordance with number 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure. Unaffected by the independence requirements according to statutory rules and to the recommendations of the German Corporate Governance 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) 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.

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 can be found in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Supervisory Board.

The Supervisory Board of FMC AG & CO. KGAA also appointed Dr. Ben Lipps as its honorary chairman with effect as of January 1, 2013 in recognition of his extraordinary contributions to the Company's development and his comprehensive experience in the Company.

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. 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 fixed diversity quotas and from an age limit. Therefore, the Supervisory Board has overall refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the corporate governance report. Accordingly, non-compliance is declared in the declaration of compliance of the 2013 financial year insofar. The declaration of compliance is included hereinafter, and can also be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

There is a strict separation between the Members of the Supervisory Board and those of the Management Board: simultaneous membership in both the Supervisory Board and the Management Board is not compatible with the law. In the year under review, the Supervisory Board did not include any members who were also members of the General Partner's Management Board during the previous two years. The members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of third parties.

The 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" starting on page 141.

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

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in Articles 8 et seq. of the Company's Articles of Association, which can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. According to number 5.1.3 of the German Corporate Governance Code, 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 number 5.6 of the German Corporate Governance Code, the Members of the Supervisory Board regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out show that each of the Supervisory Board and the committees are efficiently organised and that the co-operation of the Supervisory and Management Boards of the General Partner works very well, too.

The Members of the Supervisory Board 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. Significant discussion topics have been the effects of the changes in the cost reimbursement system in the U.S., the expansion of the present business, possibilities to expand business activities to include adjacent business areas and with questions of research and development. In addition to other topics, the further improvement of efficiency of production and service and cost-saving measures were discussed. The Supervisory Board also considered the conversion of the remaining preference shares into ordinary shares resolved on by the shareholders in May 2013 and on the conduct of the share buyback program initiated in the financial year 2013.

Further details about the aforementioned members' memberships in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Supervisory Board.

Committees of the Supervisory Boards

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

From the midst of its members, the Supervisory Board of FMC AG & CO. KGAA forms two standing committees, the Audit and Corporate Governance Committee and the Nomination Committee. Furthermore, there is a Joint Committee consisting of two members from each the Supervisory Board of the Company and the Supervisory Board of the General Partner. Additionally, a temporary Ad-hoc Committee was established in the year under review, which was in charge of implementing the conversion of the remaining preference shares into ordinary shares, as resolved on by the Annual General Meeting and the separate meeting of the preference shareholders in May 2013 and has met once in the year under review.

Audit and Corporate Governance Committee

The Supervisory Board of FMC AG & CO. KGAA established an Audit and Corporate Governance Committee. During the year under review Messrs. Dr. Walter L. Weisman (Chairman), Prof. Dr. Bernd Fahrholz (Vice Chairman), Dr. William P. Johnston and Dr. Gerd Krick were members of this Committee.

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

With the consent of the Supervisory Board, 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.

The Audit and Corporate Governance Committee convenes as circumstances require, but at least four times a year in any case. Meetings of the Audit and Corporate Governance Committee are lead by its chairman. A quorum of the body is constituted by at least three of its members. Subsequent to the meetings, the Audit and Corporate Governance Committee reports regularly through its chairman to the Supervisory Board of the Company and together with the latter addresses issues falling under the responsibility of the committee. In consultation with the Audit and Corporate Governance Committee, the Supervisory Board proposed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual financial statements for the year under review.

Nomination Committee

In accordance with number 5.3.3 of the German Corporate Governance Code, the Supervisory Board has furthermore established a Nomination Committee. In the year under review, the Company's Nomination Committee included Dr. Gerd Krick (Chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk. The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Supervisory Board for the latter's nomination proposals to the General Meeting. In the year under review, the Nomination Committee was not convened as there was no demand to do so.

Joint Committee

Since 2006, FMC AG & CO. KGAA 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; these provisions can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations/Corporate Governance/Articles of Association. The Joint Committee is convened only as required, namely in cases of certain legal transactions defined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of this body.

The Joint Committee is composed of two Members of the Supervisory Board of the General Partner and two Members of the Supervisory Board of the Company, with the chairman of this body being appointed by the General Partner. For the General Partner, Dr. Ulf M. Schneider and Dr. Gerd Krick have been named as members of the Joint Committee. By resolution of May 12, 2011, the General Meeting of the Company furthermore appointed Dr. Walter L. Weisman and William P. Johnston as members of the Joint Committee for FMC AG & CO. KGAA.

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

In the year under review, the Joint Committee convened twice. The subject of both meetings of the Joint Committee was consideration of the approval of two contracts concluded by the Company or its group companies with group companies of Fresenius SE & Co. KGaA. One of these contracts concerned IT services and the other the supply of various products, in particular in the area of plasma collection. The Joint Committee after detailed debate decided in each case unanimously to approve these contracts. In accordance with Article 13e para. 2 of the Articles of Association, the Joint Committee will report to the Annual General Meeting on its activity. The corresponding detailed report of the Joint Committee is available on the Company's website as of the time of the calling of the General Meeting.

Ad-hoc Committee

The Annual General Meeting of May 16, 2013 and the special meeting of the preference shareholders of the same date decided, inter alia, to convert the remaining preference shares into ordinary shares and in this connection to adjust the conditional capital pursuant to Sec. 4 ss. 5 of the Articles of Association. With regard to the registration of the conversion of the preference shares into ordinary shares and the adjustment of the conditional capital in the Commercial Register, the Annual General Meeting has authorised the Supervisory Board to up-date and/or replace, in the course of the registration notification to the Commercial Register, the figures and amounts not yet finally determined at the time of the relevant resolution. On the basis of these authorisations, the Supervisory Board formed, by resolution of June 10, 2013 passed in the circulation procedure, a temporary Ad-hoc Committee which, on June 24, 2013, conducted the above described up-dating and/or replacement including additional amendments.

The Ad-hoc Committee consisted of Dr. Dieter Schenk (chairman), Dr. Gerd Krick and Prof. Dr. Bernd Fahrholz. In the financial year, the Ad-hoc Committee held one telephone conference.

Further details on the memberships of members of the aforementioned committees in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Supervisory Board.

B) Committees of the Supervisory Board of the General Partner

Furthermore, at the level of the Supervisory Board of the General Partner, Fresenius Medical Care Management AG, further committees have been in place. The purpose of these committees is to raise the efficiency of the Supervisory Board's work and to deal with special issues of a complex nature, such as the composition and compensation of the Management Board, candidate proposals of the Supervisory Board of the General Partner as well as regulatory requirements and reimbursement of services in the dialysis field. These committees act only in a consulting capacity.

In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick, Mr. William P. Johnston and Dr. Walter L. Weisman.

In the year under review, members of the Regulatory and Reimbursement Assessment Committee were Messrs. William P. Johnston (Chairman), Rolf A. Classon (Vice Chairman) and Dr. Dieter Schenk.

Corresponding to number 5.3.3 of the German Corporate Governance Code, the Supervisory Board has furthermore established a Nomination Committee. In the year under review, the Nomination Committee of the General Partner's Supervisory Board included Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick (Deputy Chairman) and Dr. Walter L. Weisman. The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the General Partner's Supervisory Board for the latter's nomination proposals to its General Meeting. In the year under review, the Nomination Committee was not convened as there was no demand to do so.

Further details about the aforesaid members' membership in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB)) and on the website at www.fmc-ag.com in the section Our Company/Management/Supervisory Board.

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

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

Our compliance program comprises of a code of conduct that has been approved by the Management Board. The code of conduct applies worldwide in every business section and combines our long-term interests with those of our partners. It describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies. The code of conduct is based on the core values of our Company: quality, honesty and integrity, innovation and improvement, respect, teamwork and dignity. Our corporate culture and policy as well as our entire business activities are guided by these values. Each employee is called on to ensure, by complying with the laws as well as the guidelines and rules of the code of conduct, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the healthcare system for patients, customers, suppliers, public authorities and the general public.

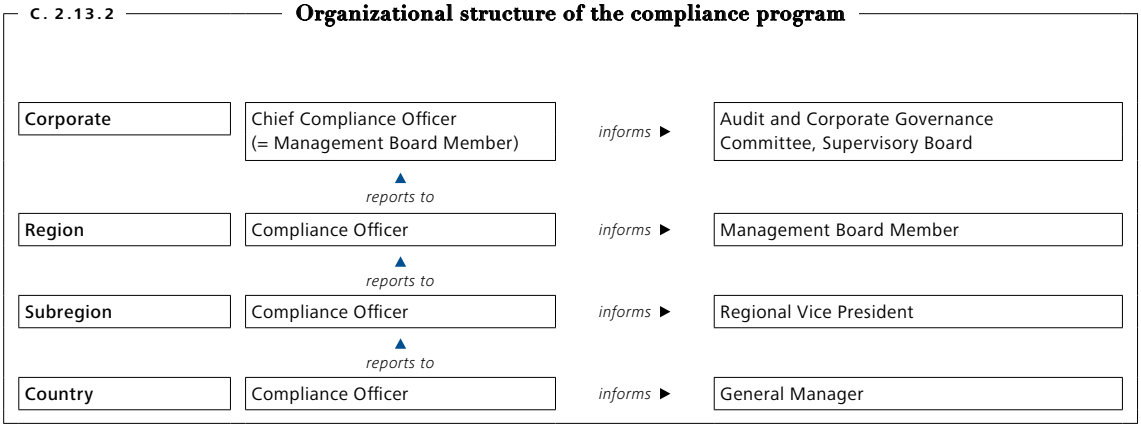
All employees have the possibility of reporting suspected violations of applicable laws or company policies. Information on violations may also be provided anonymously.

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

In his capacity as the Chief Compliance Officer, the Member of the Management Board responsible for compliance 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.

We continued our compliance training activities in 2013. As part of this training, local compliance officers were given the opportunity at conferences to

C. 2.13.2 **Organizational structure of the compliance program**



exchange their experiences with the compliance officers from their respective business regions. As the chart 2.13.2 on page 136 shows, these officers are assigned a key role: They are responsible that each employee is informed about our code of conduct and its goals. At the same time, they are responsible for related training measures. Compliance officers act as contacts for our employees and can be reached via special telephone numbers or by e-mail. Of course, our local compliance officers can also be approached in person.

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

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

Our compliance program is also an integral part of our risk and opportunity management.

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, our internal control system for the financial reporting and the compliance program can be found in the risk management section of the management report as well as on the website under www.fmc-ag.com in the section Investor Relations/Publications 2013/Financial Statements according to German law (HGB).

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.fmc-ag.com in the Investor Relations 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 2013 as well as previous Declarations of Compliance are made permanently available to shareholders according to section 161 para. 2 of the German Stock Corporation Act and number 3.10 of the German Corporate Governance Code among other extensive information on corporate governance on the Company's website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Declaration of Compliance.

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 2012 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 15, 2012 as well as in the version of May 13, 2013 since publication thereof in the Federal Gazette have been met and that the recommendations of the Code in the version of May 13, 2013 will be met in the future. Only the following recommendations of the Code in its versions of May 15, 2012 and May 13, 2013 have not been met and will not be met:

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 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 since this 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.

As the composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, 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 confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. As the next regular elections of the Supervisory Board will take place in the year 2016, reasonably a report on implementation of the general declaration of intent cannot be made till then.

Furthermore, the following recommendations of the Code in its version of May 13, 2013 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 in the version of May 13, 2013, the amount of compensation 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 elements 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 elements 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 4.2.5 paragraph 3: Presentation in the compensation report

Pursuant to Code number 4.2.5 paragraph 3 in the version of May 13, 2013, the presentation of the compensation for each individual Member of the Management Board in the compensation report shall for fiscal years starting after December 31, 2013 inter alia present the maximum and minimum achievable compensation by using corresponding model tables.

Since 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 compensation elements and, therefore, does not provide for caps regarding specific amounts for the overall compensation, the compensation report cannot meet all recommendations of the Code in the future. 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 in the future. This will also include the maximum and minimum achievable variable bonus.

Bad Homburg v. d. H., in December 2013

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

Company shareholders exercise their rights and voting powers in the General Meeting. Since the registration of the conversion of the preference shares into ordinary shares in the year under review, 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.

In the year under review, the Annual General Meeting of FMC AG & CO. KGAA took place on May 16, 2013 in Frankfurt/Main (Germany). Approximately 75% of the ordinary share capital and 3.5% of the preference share capital, in each case in relation to the entire share capital, were represented. In 2012, about 78% of the ordinary share capital and about 2% of the preference share capital were represented at the Annual General Meeting. All shareholders who were not able to participate had the possibility to follow the speech of the Chairman of the Management Board live on the internet. At the Annual General Meeting, resolutions were passed on the following topics:

- approval of the annual financial statements for the fiscal year 2012,
- 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 2013,
- conversion of the non-voting preference bearer shares into voting ordinary bearer shares, eliminating the preferential right to profits, and corresponding adjustments of the Company's Articles of Association,
- adjustment of the International Employee Participation Program of 2001 and adjustment of the conditional capital pursuant to section 4 para. 5 of the Company's Articles of Association,
- special resolution of the ordinary shareholders on the consent to the resolution on the conversion of the non-voting preference bearer shares into voting ordinary bearer shares and corresponding adjustments of the Company's Articles of Association and on the consent to the resolutions on the adjustment of the International Employee Participation Program of 2001 and the conditional capital pursuant to Article 4 para. 5 of the Company's Articles of Association, and
- amendment to section 15 of the Company's Articles of Association (participation in the General Meeting and exercise of voting rights).

Subsequent to the Annual General Meeting, a separate meeting of the Company's preference shareholders was held in Frankfurt am Main on May 16, 2013; about 81% of the preference share capital was represented in this separate meeting. The separate meeting of the preference shareholders passed resolutions on the following agenda items:

- consent to the resolutions passed by the Company's Annual General Meeting on May 16, 2013 on the conversion of the non-voting preference bearer shares into voting ordinary bearer shares and corresponding adjustments of the Company's Articles of Association.

- consent to the resolutions passed by the Company's Annual General Meeting on May 16, 2013 on the adjustment of the International Employee Participation Program of 2001 and the conditional capital pursuant to Article 4 para. 5 of the Company's Articles of Association.

All documents and information about the Annual General Meeting and about the separate meeting of

the preference shareholders as well as the respective voting results and the speech of the Chairman of the Management Board are available on our website at www.fmc-ag.com in the section Investor Relations/Annual General Meeting.

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 2014 and will also be compensated only after approval has been obtained.

In the year under review, an amount of approximately €1.0 M (plus VAT) was paid or processed for payment in December 2013 by Fresenius Medical Care to law firm Noerr (2012: about €1.4 M). This represents less than 2% 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 2012 and had therefore been reported for fiscal year 2012 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 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 2013, we received a total of eight disclosures according to section 15a of the German Securities Trading Act, on which further information is provided in chart 2.13.3 starting on page 143.

In accordance with applicable regulation, we have published these disclosures on our website at www.fmc-ag.com in the section Investor Relations/Corporate Governance/Directors' Dealings/Single Dealings.

Transparency of our reporting

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

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

Financial accounting and audit, stock exchange listing

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

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

The annual financial statements and the management report of 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.

T. 2.13.3

Director's Dealings 2013

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
May 29, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: May 24, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €53.222369 Quantity: 40,269 Amount: €2,143,211.58 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
May 29, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Rainer Runte, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: May 24, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €53.285919 Quantity: 99,600 Amount: €5,307,277.53 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
June 7, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Michael Brosnan, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: June 4, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €52.2065 Quantity: 47,244 Amount: €2,466,443.89 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
June 7, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Roberto Fusté, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: June 6, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €52.18456 Quantity: 49,800 Amount: €2,598,791.09 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)

T. 2.13.3 **Director's Dealings 2013**

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
August 1, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ulf M. Schneider, Chairman of the Supervisory Board of the General Partner (Fresenius Medical Care Management AG) of the Company	Date of transaction: July 31, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Purchase Quotation/price per share: €46.8795 Quantity: 2,130 Amount: €99,853.34 Place: XETRA Comments: Purchase of ordinary shares
November 22, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: November 18, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €48.05 Quantity: 49,800 Amount: €2,392,890.00 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
November 22, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: November 19, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €48.20 Quantity: 35,469 Amount: €1,709,605.80 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
December 13, 2013	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Rice Powell, Member of the Management Board of Fresenius Medical Care Management AG	Date of transaction: December 10, 2013 Title of security/right: Fresenius Medical Care AG & Co. KGaA ordinary share (ISIN DE 0005785802) Type of transaction: Exercise of stock options against cash settlement Quotation/price per share: €51.085 Quantity: 49,800 Amount: €2,544,033.00 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)

We fully meet all of the current requirements applicable to our Company.

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

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 as 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, 2013. 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 was divided in twelve instalments, while the fixed compensation paid in the U.S. was divided in twenty-four instalments 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 foreign supplements, rent supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges and additional contributions to pension and health insurance.

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 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% in the fiscal year, with the maximum bonus payable upon achievement of net income growth of 15%. Furthermore, the Members of the Management Board assuming Group functions and the Members of the Management Board with regional responsibilities were also evaluated by reference to the development of free cash flow within the Group or 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%, 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 – these are Mr. Rice Powell, Mr. Michael Brosnan and Dr. Rainer Runte – or whether the Management Board Member is responsible for regional earnings – these are Mr. Roberto Fusté, Dr. Emanuele Gatti and Mr. Ronald Kuerbitz – or takes on specific Management Board responsibilities without Group functions – these are Mr. Kent Wanzek for Global Manufacturing Operations and Dr. Olaf Schermeier for Research and 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 Board members, 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 at 20% for all Members of the Management Board equally.

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 for the 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. The Management Board's maximum achievable and minimum one-year variable compensation in the fiscal year are as follows, see table 2.13.4 on page 147.

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 Share Based Award, which is included in components with long-term incentive effects. The Share Based Award is subject to a three- or four-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 ordinary shares upon exercise after the three- or four-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 one- and multi-year variable components. 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.

In addition, a special bonus component applied in some cases for fiscal years 2006, 2007 and 2008 which was linked to the achievement of targets measured only over this three-year period but whose payment was also subject, in part, to a waiting period of several years through 2012. This bonus component also included special components linked to the achievement of extraordinary financial targets related to special integration measures (e.g. in connection with the acquisition of Renal Care Group in the U.S.) and thus required the achievement of an extraordinary increase in earnings. The present report also reflects those payments based on this earlier bonus component but exercised and paid only in the previous fiscal year see table 2.13.6 on page 149.

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 consisted of the following, see table 2.13.5 on page 148.

In addition to the Share Based Award, stock options under the Company's Stock Option Plan 2011 and

T. 2.13.4 — **Minimum and maximum amounts of the short-term performance-related cash compensation (annual bonus) 2013**

in € THOUS

	Mininum	*Maximum*
Rice Powell	212	1,864
Michael Brosnan	123	1,081
Roberto Fusté	124	1,089
Dr. Emanuele Gatti	162	1,452
Ronald Kuerbitz	144	1,267
Dr. Rainer Runte	96	871
Dr. Olaf Schermeier[1]	70	660
Kent Wanzek	88	775

[1] *pro rata temporis.*

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. These stock-option and phantom-stock components are granted during the course of each 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 phantom stock awards are granted to the participants. Stock options and phantom stock awards will be granted on specified grant days during a period of five years. 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, with the exception of the Chairman of the Management Board, who is entitled to receive double the granted quantity. At the time of the grant participants can choose a ratio based on the value of the stock options vs. the value of phantom stock 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 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. tax payers specific conditions apply with respect to the exercise period of phantom stock awards. The success target is achieved in each case if, during the waiting period, either the adjusted basic income per share increases by at least 8% 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 8% 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

T. 2.13.5 **Amount of cash payments**
in € THOUS

	Non-performance related compensation				*Performance related compensation*		*Cash compensation (without long-term incentive components)*	
	Salary		*Other*[1]		*Bonus*			
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Rice Powell	941	771	169	31	373	1,235	1,483	2,037
Michael Brosnan	546	525	145	247	216	776	907	1,548
Roberto Fusté	550	550	301	251	278	692	1,129	1,493
Dr. Emanuele Gatti	733	700	124	115	529	937	1,386	1,752
Ronald Kuerbitz	640	0	26	0	503	0	1,169	0
Dr. Ben Lipps[2]	0	973	0	302	0	1,438	0	2,713
Dr. Rainer Runte	440	440	44	41	174	650	658	1,131
Dr. Olaf Schermeier	333	0	69	0	132	0	534	0
Kent Wanzek	392	405	53	29	303	649	748	1,083
▸ **Total**	**4,575**	**4,364**	**931**	**1,016**	**2,508**	**6,377**	**8,014**	**11,757**

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*
[2] *Chairman of the Management Board until December 31, 2012.*

share increases by at least 8% 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 8% 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 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".

Under Stock Option Plan 2011 in the fiscal year 2,141,076 stock options were granted in total (previous year: 2,166,035), with 328,680 stock options (previous year: 310,005) granted to the Management Board Members. Moreover, in the fiscal year 186,392 (previous year: 178,729) phantom stock awards were granted under the Phantom Stock Plan 2011, of which 25,006 awards (previous year: 23,407) 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 2.13.6.

The stated values of the stock options granted to the Members of the Management Board in the fiscal year correspond to their fair value at the time of grant, namely a value of €8.92 (previous year: €12.68) per stock option. The exercise price for the stock options granted is €49.76 (previous year: €57.30).

At the end of the fiscal year, the Members of the Management Board held a total of 1,993,305 stock options and convertible bonds (collectively referred to as stock options; previous year: 2,201,205 stock options).

T. 2.13.6 **Long-term incentive effect**

	Stock options				*Share-based compensation with cash settlement*[1]		*Total*	
	Number		*Value in € THOUS*		*Value in € THOUS*		*Value in € THOUS*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Rice Powell	74,700	56,025	666	710	358	628	1,024	1,338
Michael Brosnan	37,350	37,350	333	474	189	403	522	877
Roberto Fusté	37,350	37,350	333	474	210	375	543	849
Dr. Emanuele Gatti	29,880	29,880	267	379	363	558	630	937
Ronald Kuerbitz	37,350	0	333	0	285	0	618	0
Dr. Ben Lipps[2]	0	74,700	0	947	0	768	0	1,715
Dr. Rainer Runte	37,350	37,350	333	474	175	361	508	835
Dr. Olaf Schermeier	37,350	0	333	0	161	0	494	0
Kent Wanzek	37,350	37,350	333	474	218	361	551	835
▸ **Total**	**328,680**	**310,005**	**2,931**	**3,932**	**1,959**	**3,454**	**4,890**	**7,386**

[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] *Chairman of the Management Board until December 31, 2012.*

T. 2.13.7 **Development and status of the stock options**

	Options outstanding January 1, 2013		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	336,150	42.80	74,700	49.76
Michael Brosnan	340,878	36.37	37,350	49.76
Roberto Fusté	359,169	37.62	37,350	49.76
Dr. Emanuele Gatti	334,698	36.55	29,880	49.76
Ronald Kuerbitz	184,002	42.75	37,350	49.76
Dr. Rainer Runte	321,210	39.42	37,350	49.76
Dr. Olaf Schermeier	0	0	37,350	49.76
Kent Wanzek	160,500	46.36	37,350	49.76
▸ **Total**	**2,036,607**	**39.53**	**328,680**	**49.76**

	Options exercised during the fiscal year		
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*
Rice Powell	49,800	33.91	51.09
Michael Brosnan	47,244	25.66	52.21
Roberto Fusté	49,800	30.49	52.18
Dr. Emanuele Gatti	125,538	27.62	49.75
Ronald Kuerbitz	0	0	0
Dr. Rainer Runte	99,600	32.2	53.29
Dr. Olaf Schermeier	0	0	0
Kent Wanzek	0	0	0
▸ **Total**	**371,982**	**29.82**	**51.51**

	Options outstanding December 31, 2013				*Options exercisable December 31, 2013*	
	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	361,050	45.47	4.76	31.97–57.30	174,300	37.57
Michael Brosnan	330,984	39.41	3.50	20.26–57.30	218,934	32.37
Roberto Fusté	346,719	39.95	3.37	20.26–57.30	234,669	33.63
Dr. Emanuele Gatti	239,040	42.89	4.07	31.97–57.30	149,400	36.71
Ronald Kuerbitz	221,352	43.93	4.10	31.97–57.30	124,002	36.88
Dr. Rainer Runte	258,960	43.69	4.28	31.97–57.30	149,400	36.71
Dr. Olaf Schermeier	37,350	49.76	7.58	49.76–49.76	0	0.00
Kent Wanzek	197,850	47.00	5.00	31.97–57.30	85,800	38.92
▸ **Total**	**1,993,305**	**43.02**	**4.17**	**20.26–57.30**	**1,136,505**	**35.56**

The development and status of stock options of the Members of the Management Board in the fiscal year are shown in more detail in table 2.13.7 on page 150.

Based on the targets achieved in the fiscal year, Members of the Management Board also earned entitlements to Share Based Awards totaling €836 THOUS (previous year: €2,141 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 ordinary shares of FMC AG & CO. KGAA. This number will then serve as a multiplier for the share price and as a base for calculation of the payment of this respective share-based compensation after the three-year waiting period.

Phantom stocks with a total value of €1,123 THOUS (previous year: €1,313 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 2.13.8.

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 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 2.13.9 on page 152.

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: there are individual contractual pension commitments for the Management Board Members Mr. Rice Powell, Mr. Roberto Fusté, Dr. Emanuele Gatti, Dr. Rainer Runte, Mr. Michael Brosnan and Mr. Kent Wanzek. Under all of these commitments, Fresenius Medical Care Management AG as of the end of the fiscal year has aggregate pension obligations of €18,280 THOUS (previous year: €14,775 THOUS).

Each of the pension commitments provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest (at age 60 at the earliest with respect to Dr. Emanuele Gatti) 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.

T. 2.13.8 **Total compensation**
in € THOUS

	Cash compensation (without long-term incentive components)		*Components with long-term incentive effect*		*Total compensation (including long-term incentive components)*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*
Rice Powell	1,483	2,037	1,024	1,338	2,507	3,375
Michael Brosnan	907	1,548	522	877	1,429	2,425
Roberto Fusté	1,129	1,493	543	849	1,672	2,342
Dr. Emanuele Gatti	1,386	1,752	630	937	2,016	2,689
Ronald Kuerbitz	1,169	0	618	0	1,787	0
Dr. Ben Lipps[1]	0	2,713	0	1,715	0	4,428
Dr. Rainer Runte	658	1,131	508	835	1,166	1,966
Dr. Olaf Schermeier	534	0	494	0	1,028	0
Kent Wanzek	748	1,083	551	835	1,299	1,918
▸ **Total**	**8,014**	**11,757**	**4,890**	**7,386**	**12,904**	**19,143**

[1] *Chairman of the Management Board until December 31, 2012.*

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 together reach a maximum of 90% of the Management Board Member's pension, however. If a Management Board Member leaves the Management Board of Fresenius Medical Care Management AG before he reaches 65 or (in the case of Dr. Gatti) 60, except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid is reduced in proportion to the ratio of the actual years of service as a Management Board Member to the potential years of service until reaching 65 or (in the case of Dr. Gatti) 60 years of age.

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 U.S. $17,500 (U.S. $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

T. 2.13.9 **Expenses for long-term incentive components**
in € THOUS

	Stock options		*Share-based compensation with cash settlement*		*Share-based compensation*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*
Rice Powell	325	537	441	439	766	976
Michael Brosnan	205	309	251	186	456	495
Roberto Fusté	205	383	232	221	437	604
Dr. Emanuele Gatti	180	348	373	469	553	817
Ronald Kuerbitz	35	0	13	0	48	0
Dr. Ben Lipps[1]	0	2,136	0	1,681	0	3,817
Dr. Rainer Runte	207	374	266	188	473	562
Dr. Olaf Schermeier	35	0	13	0	48	0
Kent Wanzek	205	309	216	164	421	473
▸ **Total**	**1,397**	**4,396**	**1,805**	**3,348**	**3,202**	**7,744**

[1] *Chairman of the Management Board until December 31, 2012.*

the past fiscal year the Company paid out $8,800.00 (previous year: $9,239.50) 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.

Additions to pension provisions in the fiscal year amounted to €3,463 THOUS (previous year: €8,109 THOUS). The pension commitments are shown in table 2.13.10.

A post-employment non-competition covenant was agreed upon with all Management Board Members. If such covenant becomes applicable, the Management Board Members receive compensation amounting to half their annual base salaries for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board Members contain no express provisions 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 twelve 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.

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

T. 2.13.10 **Development and status of pension commitments**

in € THOUS

	As of January 1, 2013	*Increase*	*As of December 31, 2013*
Rice Powell	3,826	667	4,493
Michael Brosnan	1,320	417	1,737
Roberto Fusté	3,015	547	3,562
Dr. Emanuele Gatti	5,000	1,274	6,274
Ronald Kuerbitz	158	21	137
Dr. Rainer Runte	1,267	304	1,571
Dr. Olaf Schermeier	–	–	–
Kent Wanzek	578	275	853
▸ **Total**	**15,164**	**3,463**	**18,627**

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 €550 THOUS (including reimbursement of expenses, temporary reimbursement of property expenses, company car provided temporarily). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounted to €3,533 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. dollar) and in part in Germany (in euro). 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.

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. above and in the present section III. As of December 31 of the fiscal year, pension obligations to these members exist in an amount of €1,450 THOUS (previous year: €646 THOUS).

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 $80,000 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 $80,000 and his deputy additional compensation of $40,000 per respective complete fiscal year. In addition, each member of the Supervisory Board receives a variable performance related compensation as 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 $60,000 in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99%, $70,000 in the corridor from 9.00 to 9.99% and $80,000 in case of a growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i.e. within these margins there is no pro rata remuneration. In any case, this variable component is limited to a maximum of $80,000 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 2013 based on the 3-year average EPS growth for the fiscal years 2011, 2012 and 2013.

As a member of a committee, a Supervisory Board Member of FMC AG & CO. KGAA additionally annually receives $40,000, or, as chairman or vice chairman of a committee, $60,000 or $50,000, respectively payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee and in the Joint Committee as well as in the capacity of their respective chairmen and deputy chairmen, no separate remuneration shall be granted; the same applies for a membership in the temporary Ad-hoc committee.

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 para. 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 tables 2.13.11 and 2.13.12 on page 156, with the table 2.13.11 displaying the fixed compensation, whilst the table 2.13.12 sets out the performance related compensation.

T. 2.13.11

Fixed compensation of the Supervisory Board

in € THOUS[1]

	Fixed compensation for Supervisory Board at FMC Management AG		*Fixed compensation for Supervisory Board at FMC AG & Co. KGaA*		*Compensation for committee services at FMC Management AG*		*Compensation for committee services at FMC AG & Co. KGaA*		*Non-Performance Related Compensation*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Dr. Gerd Krick	30	31	90	93	45	47	35	31	200	202
Dr. Dieter Schenk	45	47	45	47	38	39	0	0	128	133
Dr. Ulf M. Schneider[2]	120	125	0	0	53	54	5	0	178	179
Dr. Walter L. Weisman	30	31	30	31	38	39	50	47	148	148
William P. Johnston	30	31	30	31	90	93	35	31	185	186
Prof. Dr. Bernd Fahrholz[3]	0	0	60	62	0	0	38	39	98	101
Rolf A. Classon	30	31	30	31	45	47	0	0	105	109
▸ **Total**	**285**	**296**	**285**	**295**	**309**	**319**	**163**	**148**	**1,042**	**1,058**

[1] *Shown without VAT and with holding tax; translation of $ amounts at respective average exchange rates for the respective year.*
[2] *Chairman of the Supervisory Board of FMC Management AG, but not Member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.*
[3] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not Member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.*

T. 2.13.12

Performance related compensation of the Supervisory Board

in € THOUS[1]

	Performance related compensation in FMC Management AG		*Performance related compensation in FMC AG & Co. KGaA*		*Performance related compensation*		*Total compensation*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Dr. Gerd Krick	0	27	0	27	0	54	200	256
Dr. Dieter Schenk	0	27	0	27	0	54	128	187
Dr. Ulf M. Schneider[2]	0	54	0	0	0	54	178	233
Dr. Walter L. Weisman	0	27	0	27	0	54	148	202
William P. Johnston	0	27	0	27	0	54	185	240
Prof. Dr. Bernd Fahrholz[3]	0	0	0	54	0	54	98	155
Rolf A. Classon	0	27	0	27	0	54	105	163
▸ **Total**	**0**	**189**	**0**	**189**	**0**	**378**	**1,042**	**1,436**

[1] *Shown without VAT and with holding tax; translation of $ amounts at respective average exchange rates for the respective year.*
[2] *Chairman of the Supervisory Board of FMC Management AG, but not Member of the Supervisory Board of FMC AG & Co. KGaA.*
[3] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not Member of the Supervisory Board of FMC Management AG.*

159 – 192

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

3.1
Critical accounting policies
159

3.2
Results of operations, financial positions and balance sheet structure
169

3.3
Quantitative and qualitative disclosures about market risk
187

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.fmc-ag.com.

CHAPTER 3.1

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 the "Outlook" chapter and in the "Risk and opportunities report".

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Critical accounting policies

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, 2013, the carrying amount of goodwill amounted to $11,658 M and non-amortizable intangible assets amounted to $218 M representing in total approximately 51% 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 utilizes 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 four to ten 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 healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The Company's WACC consisted of a basic rate of 6.17% for 2013. 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 an impairment.

A prolonged downturn in the healthcare industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing healthcare services and for procuring and selling products could adversely affect our estimated future cash flows. Future adverse changes in a reporting unit's economic environment could affect the 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 results of operations, financial position and balance sheet structure 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 $3,037 M and $3,019 M at December 31, 2013 and 2012, respectively, net of allowances for doubtful accounts of $413 M and $329 M, respectively.

We sell dialysis products directly or through distributors in more than 120 countries and we provide dialysis services in approximately 45 countries through clinics we own or manage. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices.

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 dialysis 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 dialysis 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 healthcare organizations and private insurers, we expect that most of our accounts receivable will be collectible. However, we have experienced some

collection delays with distributors in a few Asia-Pacific countries. See chapter 3.2 "Results of operations, financial positions and balance sheet structure – Net cash provided by (used in) operating activities" starting on page 169, for a discussion of days sales outstanding developments in 2013. 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, 2013 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2013 would have been reduced by approximately 1.5%.

The following tables show the portion and aging of trade accounts receivable of major debtors or debtor groups at December 31, 2013 and 2012. 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, 2013.

T. 3.1.1 **Aging of net trade accounts receivable by major payor groups 2013**
in $ M, as of December 31

	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 healthcare 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 dialysis payors	953	266	120	136	134	1,609	53
▸ **Total**	**1,820**	**550**	**209**	**294**	**164**	**3,037**	**100**

T. 3.1.2 **Aging of net trade accounts receivable by major payor groups 2012**

in $ M, as of December 31

	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 healthcare programs	473	89	47	36	27	672	22
U.S. commercial payors	292	175	42	35	21	565	19
U.S. hospitals	107	33	4	3	2	149	5
Self-pay of U.S. patients	1	11	6	2	2	22	1
Other North America	7	2	0	0	0	9	0
International product customers and dialysis payors	901	279	124	113	185	1,602	53
▸ **Total**	**1,781**	**589**	**223**	**189**	**237**	**3,019**	**100**

SELF-INSURANCE PROGRAMS

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, FMCH, our largest subsidiary, is partially self-insured for professional liability claims. For all other coverages we assume responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

FINANCIAL 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. dollar 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 chapter 3.2 "Results of operations, financial positions and balance sheet structure – Overview" starting on page 169 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, see note 1h. Revenue is also benchmarked based on movement at constant exchange rates see chapter 3.1 "Critical accounting policies – Non-U.S.-GAAP measures" starting on page 166.

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 profit 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 shares 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 (Capex) is an indicator used by our internal management. We manage our Capex using a detailed coordination and evaluation process. The Management Board sets this Capex budget. Before Capex projects are approved, our internal Acquisition Investment Committee (AIC) examines the individual projects and measures the potential return on these expenditures and their expected yield. The Capex 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 $2,904 M, 19.9% of revenues for 2013, and $2,821 M, 20.4% of revenues for 2012. EBITDA is the basis for determining compliance with certain covenants contained in our 2012 credit agreement, euro notes, EIB agreements, and the indentures relating to our senior notes. You should not consider EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail elsewhere in this report. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies.

A reconciliation of EBITDA to cash flow provided by (used in) operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

T. 3.1.3 **Reconciliation of EBITDA to net cash provided by (used in) operating activities**
in $ M

	2013	2012
Total EBITDA	2,904	2,821
Interest expense (net of interest income)	(409)	(426)
Income tax expense, net	(592)	(605)
Change in deferred taxes, net	16	75
Changes in operating assets and liabilities	137	169
Stock compensation expense	14	26
Other items, net	(35)	(21)
▸ **Net cash provided by (used in) operating activities**	**2,035**	**2,039**

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. 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 significant cash flow key performance indicators as of December 31, 2013 and 2012.

T. 3.1.4 **Significant cash flow key performance indicators**
in $ M

	2013	*2012*
Revenue	14,610	13,800
Net cash provided by (used in) operating activities	2,035	2,039
Capital expenditures	(748)	(675)
Proceeds from sale of property, plant and equipment	20	9
Capital expenditures, net	(728)	(666)
Free cash flow	1,307	1,373
Net cash provided by (used in) operating activities in % of revenue	13.9	14.8
Free cash flow in % of revenue	8.9	10.0

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.

CHAPTER 3.2

Results of operations, financial positions and balance sheet structure

OVERVIEW

We are engaged primarily in providing renal dialysis services including pharmacy services and vascular access surgery services (together, the expanded services) and manufacturing and distributing products for the treatment of end-stage renal disease (ESRD). In the U.S. the Company also provides laboratory testing services, and inpatient dialysis services as well as other services under contract to hospitals. We estimate that providing dialysis services and distributing dialysis products represents a worldwide market of approximately $75 BN with expected annual worldwide market growth of around 4%, adjusted for currency. Patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence and better treatment of and survival of patients with diabetes and hypertension, which frequently precede the onset of ESRD; improvements in treatment quality, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success. In addition, the reimbursement and ancillary services utilization environment significantly influences our business. The majority of treatments are paid for by governmental institutions such as Medicare in the United States. As a consequence of the pressure to decrease healthcare costs, reimbursement rate increases have been historically and are expected in the future to be limited. With the exception of (i) the implementation of the ESRD prospective payment system (ESRD PPS) in the U.S. in January 2011, (ii) the U.S. federal government sequestration cuts and (iii) commencing on January 1, 2014, the phased-in reductions to the ESRD PPS rate over three to four years 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 on page 171) we experienced and also expect in the future to experience generally stable reimbursements for dialysis services globally. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries.

With the enactment in the U.S. of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Congress mandated the development of an expanded ESRD PPS for services furnished on or after January 1, 2011. Under the ESRD PPS, CMS reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the 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. ESRD-related drugs with only an oral form, including our phosphate binder PhosLo®, are expected to be reimbursed under the ESRD PPS starting in January 2016 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. The 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 subject to annual adjustment based on increases in the costs of a "market basket" of certain healthcare items and services less a productivity adjustment. The 2013 ESRD PPS base rate is $240.36 per treatment. This amount reflects a productivity adjusted market basket update of 2.3%, which was based on a market basket update over 2012 reimbursement rates of 2.9% less a productivity adjustment of 0.6%, and a wage index budget-neutrality adjustment factor of 1.000613 applied to the 2012 ESRD PPS base rate of $234.81 per treatment.

The 2011 ESRD PPS resulted in a lower Medicare reimbursement rate on average at our U.S. dialysis facilities. We mitigated the impact of the ESRD PPS with two broad measures. First, we worked with medical directors and treating physicians to find efficiencies consistent with the ESRD PPS's quality incentive program (QIP) and good clinical practices, and we negotiated pharmaceutical acquisition cost savings. In addition, we achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in our clinics.

The ESRD PPS's QIP began affecting payments starting January 1, 2012. Dialysis facilities that fail to achieve the established quality standards 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 and dialysis adequacy (urea reduction ratio or URR). For 2012 reporting (affecting payments in 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 has continued all of the 2014 QIP measures except URR dialysis adequacy, expanded the scope of infection reporting and mineral metabolism reporting, and added four new measures. Payment year 2015 measures consist of three new clinical measures (hemodialysis adequacy (adult patients), hemodialysis adequacy (pediatric patients) and peritoneal dialysis adequacy), and one new reporting measure (anemia management reporting). For payment year 2016, CMS has continued all of the 2015 QIP measures and added 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 by ESRD facilities treatment patients on an in-center basis).

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2011 (collectively, ACA) implements broad healthcare system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies that began in 2011 based on sales of brand name pharmaceuticals to government healthcare programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance

market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of healthcare program waste and fraud. ACA does not modify the dialysis reimbursement provisions of MIPPA, 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. ACA's medical device excise tax, Medicaid drug rebate increases and annual pharmaceutical industry fees will adversely impact our product business earnings and cash flows. We expect modest favorable impact from ACA's integrated care and commercial insurance consumer protection provisions.

On August 2, 2011, the Budget Control Act (BCA) was enacted, raising the U.S.'s debt ceiling and putting into effect a series of actions for deficit reduction. Pursuant to the American Taxpayer Relief Act of 2012 (ATRA), 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 (the sequestration), rising to 2.9% for the first half of FY 2023 and dropping to 1.11% for the second half of FY 2023. The impact of the sequestration based on our dialysis care revenue from Medicare since the implementation date resulted in a decrease of approximately $56 M in operating income for the year ended December 31, 2013. The Medicare reimbursement reduction is independent of annual inflation update mechanisms, such as the market basket update pursuant to the ESRD PPS.

The American Taxpayer Relief Act of 2012 (ATRA) also 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 22, 2013, CMS issued the final rule regarding the 2014 ESRD PPS rate. The base rate per treatment was reduced from $240.36 to $239.02 for 2014. This change reflects (a) a bundled market basket increase of 3.2%, reduced by an estimated multifactor productivity adjustment of 0.4%; (b) the application of a wage index budget neutrality factor and a home dialysis training add-on budget neutrality factor; and (c) the application of a portion ($8.16) per treatment of a reduction in to account for a decrease in the historical utilization of certain ESRD-related drugs and biologicals from 2007 to 2012. As set forth in the November 2013 final rule, CMS will phase in the ATRA reduction, which CMS estimates will total $29.93 per treatment, over three to four years. CMS intends that the portion of the drug utilization adjustment mandated by ATRA that will be applied in 2014 and 2015 will largely offset the net market basket increases in average payments to ESRD facilities as a whole resulting in essentially unchanged reimbursement rates from 2013 to 2015. In 2016, CMS will re-evaluate whether to apply the balance of the drug utilization adjustment mandated by ATRA over the subsequent one or two years.

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.

On February 4, 2013, CMS announced plans to test a new Comprehensive ESRD Care Model and issued a solicitation for applications. As currently proposed, CMS will work with up to 15 healthcare provider groups comprised of dialysis clinics and nephrologists, also known as ESRD Seamless Care Organizations (ESCOs), to test a new system of payment and care delivery that seeks to deliver better health outcomes for ESRD patients while potentially 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 August 2013, we submitted an application to participate in the program as an ESCO. Following submission of our application, CMS announced that it would suspend review of all applications and reopen its request for application in the winter of 2014 to solicit additional participation and respond to stakeholder feedback. At such time, we will review CMS' revisions and determine whether to apply to the revised program.

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 dialysis care services and the distribution of 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." We aggregated these operating segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, the same type of patient population, similar methods of distribution of products and services and similar economic environments. Our General Partner's Management Board Member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the segments are the same as those we apply in preparing our consolidated financial statements under U.S. GAAP.

Our management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. With respect to the performance of our business operations, our management believes that the most appropriate measure in this regard is operating income which measures our source of earnings. We do not include the effects of certain transactions, such as the investment gain resulting from our 2012 acquisition of Liberty Dialysis Holdings, Inc. (the Liberty acquisition) nor income taxes as we believe these items to be 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, global research and development, etc. (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. 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 tables summarize our financial performance and certain operating results by principal reporting segment and Corporate for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

T. 3.2.1 **Segment data**
in $ M

	2013	2012
Total revenue		
North America	9,613	9,041
International	4,970	4,740
Corporate	34	29
▸ **Total**	**14,617**	**13,810**
Inter-segment revenue		
North America	7	10
International	–	–
▸ **Total**	**7**	**10**
Total net revenue		
North America	9,606	9,031
International	4,970	4,740
Corporate	34	29
▸ **Total**	**14,610**	**13,800**
Operating income		
North America	1,624	1,615
International	858	809
Corporate	(226)	(205)
▸ **Total**	**2,256**	**2,219**
Investment gain	–	140
Interest income	39	44
Interest expense	(448)	(470)
Income tax expense	(592)	(605)
Net income	1,255	1,328
Less: net income attributable to noncontrolling interests	(145)	(141)
▸ **Net income attributable to shareholders of FMC AG & Co. KGaA**	**1,110**	**1,187**

Highlights

Revenues increased by 6% to $14,610 M (6% at constant exchange rates) mainly due to organic growth of 5% and contributions from acquisitions of 2%, partially offset by the effect of closed or sold clinics of 1%.

Operating income increased 2%.

Net income attributable to shareholders of FMC AG & CO. KGAA decreased by 6% to $1,110 M. However, excluding the 2012 investment gain of $140 M related to the Liberty acquisition, net income attributable to shareholders of FMC AG & CO. KGAA increased 6% from $1,047 in 2012.

Consolidated Financials

T. 3.2.2 **Key indicators for consolidated financial statements**

	2013	2012	Change as reported	Change at constant exchange rates[1]
Revenue *in $M*	14,610	13,800	6%	6%
Number of treatments	40,456,900	38,588,184	5%	–
Same market treatment growth *in %*	3.6	3.8	–	–
Gross profit as a % of revenue	32.4	33.3	–	–
Selling, general and administrative costs as a % of revenue	16.4	16.1	–	–
Operating income *in $M*	2,256	2,219	2%	–
Operating income margin *in %*	15.4	16.1	–	–
Net income attributable to shareholders of FMC AG & Co. KGaA *in $M*	1,110	1,187	–6%	–
Basic earnings per share *in $*	3.65	3.89	–6%	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP Measures – constant currency" starting on page 168.*

Net dialysis care revenue increased by 6% to $11,130 M (7% at constant exchange rates) for the year ended December 31, 2013 from $10,492 M in the same period of 2012, mainly due to growth in same market treatments (4%), contributions from acquisitions (3%), and increases in organic revenue per treatment (1%), partially offset by the effect of closed or sold clinics (1%) and the negative impact of exchange rate fluctuations (1%).

Treatments increased by 5% for the twelve months ended December 31, 2013 as compared to the same period in 2012. The increase is due to same market treatment growth (4%) and acquisitions (3%), partially offset by the effect of closed or sold clinics (2%).

At December 31, 2013, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,250 clinics compared to 3,160 clinics at December 31, 2012. During 2013, we acquired 50 clinics, opened 80 clinics and combined or closed 40 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 5% to 270,122 at December 31, 2013 from 257,916 at December 31, 2012.

Dialysis product revenue increased by 5% (5% increase at constant exchange rates) to $3,480 M as compared to $3,308 M in the same period of 2012. The increase was driven by increased sales of hemodialysis products, especially of dialyzers, machines, solutions and concentrates, and bloodlines as well as products for acute care and peritoneal dialysis products, partially offset by lower sales of renal pharmaceuticals. There was no material impact from foreign exchange effects.

The decrease in gross profit margin to 32.4% from 33.3% 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 due to higher personnel expense, the 2012 impact of special collection efforts in the prior year, lower commercial payor mix coupled with price reductions from commercial contracting, increased revenue in the expanded services at lower than average margins, and the impact of the U.S. sequestration. These decreases were partially offset by reduced pharmaceutical utilization and the updated Medicare reimbursement rate

which came into effect in 2013. The increase in the International segment was due to favorable foreign currency exchange effects and lower manufacturing costs driven by decreases in labor costs, facilities operating costs and cost for raw materials, partially offset by price pressure on products and business growth in China, however at lower margins.

SG&A expenses increased to $2,391 M in the year ended December 31, 2013 from $2,223 M in the same period of 2012. SG&A expenses as a percentage of sales increased to 16.4% for the twelve months of 2013 in comparison with 16.1% in the same period of 2012 due to an increase in the International segment, an unfavorable impact from Corporate and a slight increase in the North America segment. The increase in the International segment was mainly driven by higher bad debt expense in Asia-Pacific, unfavorable foreign exchange effects including devaluation of the Venezuelan Bolivar due to a hyperinflationary economy and various cost increases, partially offset by a gain on the sale of real estate in Colombia. The increase at Corporate was due to increased legal and consulting expenses attributable in significant part to the internal investigation we are conducting see note 20, partially offset by lower compensation expenses.

For the twelve months ended 2013, we had an $8 M gain from the sale of FMC AG&CO. KGAA dialysis clinics in our North America segment and a $1 M gain in the International segment as compared to a $36 M gain in the same period of the prior year mainly in connection with divestitures required for regulatory clearance of the Liberty acquisition, which occurred in the first quarter of 2012, see note 2.

Research and development (R&D) expenses increased to $126 M for the year ended December 31, 2013 as compared to $112 M in the same period in 2012. This increase was driven by major product developments as well as the expansion of strategic projects during the year.

Income from equity method investees increased to $26 M for the twelve months ended December 31, 2013 from $17 M for the same period of 2012 due to increased income from the VFMCRP renal pharmaceuticals joint venture.

In 2012, other operating expense was $100 M due to charges incurred in connection with the amendment of our agreement with Luitpold Pharmaceuticals and American Regent, Inc. regarding Venofer®.

Operating income increased to $2,256 M for the year ended December 31, 2013 from $2,219 M for the same period in 2012. Operating income margin decreased to 15.4% for the year ended December 31, 2013 as compared to 16.1% for the same period in 2012 as a result of the decrease in gross profit margin, higher SG&A as a percentage of revenue and a lower gain on the sale of FMC AG&CO. KGAA clinics, partially offset by the effect of the other operating expense in 2012, all as discussed above.

The non-taxable investment gain for 2012 of $140 M was due to the fair valuation of our investment in Renal Advantage Partners, LLC at the time of the 2012 Liberty acquisition.

Interest expense decreased by 5% to $448 M for the twelve months ended December 31, 2013 from $470 M for the same period in 2012 due to a decrease in the average debt level during the year, lower interest rates due to the expiration of interest rates swaps at the end of the first quarter of 2012, as well as the 2012 effect of one-time costs related to the new credit agreement. Interest income decreased to $39 M for the twelve months ended December 31, 2013 from $44 M for the same period in 2012 mainly as a result of lower interest income from high interest-bearing notes receivables.

Income tax expense decreased to $592 M for the year ended December 31, 2013 from $605 M for the same period in 2012. The effective tax rate increased to 32.0% from 31.3% for the same period of 2012, as a result of a non-taxable investment gain in 2012.

Net income attributable to noncontrolling interests for the twelve months ended December 31, 2013 increased to $145 M from $141 M for the same period of 2012 primarily due to losses attributable to noncontrolling interests in the International segment in 2012.

Net income attributable to shareholders of FMC AG & CO. KGAA for the twelve months ended December 31, 2013 decreased 6% to $1,110 M from $1,187 M for the same period in 2012 as a result of the combined effects of the items discussed above. Excluding the investment gain in the amount of $140 M as noted above the net income attributable to shareholders of FMC AG & CO. KGAA for the twelve months ended December 31, 2013 increased 6% to $1,110 M from $1,047 M for the same period in 2012.

Basic earnings per share decreased by 6% for the twelve months ended December 31, 2013 to $3.65 as compared with $3.89 in 2012 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 303.8 M in 2013 (305.1 M in 2012). The decrease in the number of shares outstanding was the result of the share buyback program completed during the year, partially offset by stock options exercised.

We employed 90,690 people (full-time equivalents) as of December 31, 2013 compared to 86,153 as of December 31, 2012, an increase of 5%, primarily due to overall growth in our business and acquisitions.

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. 3.2.3 **Key indicators for North America segment**

	2013	2012	Change
Revenue *in $M*	9,606	9,031	6%
Number of treatments	25,656,357	24,412,416	5%
Same market treatment growth *in %*	3.5	3.6	–
Operating income *in $M*	1,624	1,615	1%
Operating income margin *in %*	16.9	17.9	–

Revenue

Net dialysis care revenue increased for the year ended December 31, 2013 by 7% to $8,772 M from $8,230 M in the same period of 2012. This increase was driven by same market treatment growth (4%) and contributions from acquisitions (3%).

Treatments increased by 5% for the year ended December 31, 2013 as compared to the same period in 2012 mostly due to same market treatment growth (4%) and acquisitions (2%), partially offset by the effect of closed or sold clinics (1%). At December 31, 2013, 171,440 patients (a 4% increase over December 31, 2012) were being treated in the 2,133 clinics that we own or operate in the North America segment, compared to 164,554 patients treated in 2,082 clinics at December 31, 2012. Average North America segment revenue per treatment, which includes Canada and Mexico, before bad debt expense, was $352 for the year ended December 31, 2013 and $348 in the same period in 2012. In the U.S., the average revenue per treatment was $359 for the year ended December 31, 2013 and $355 for the same period in 2012. The increase in the U.S. was mainly attributable to further development of our expanded services and the updated Medicare reimbursement rate which came into effect in 2013, partially offset by the effects of the 2012 increase in revenue from special collection efforts for services performed in prior years, the unfavorable impact of the U.S. sequestration, and unfavorable commercial payor mix coupled with price reductions from commercial contracting.

Dialysis product revenue increased for the year ended December 31, 2013 by 4% to $834 M from $801 M in the first twelve months of 2012. This increase was driven by higher sales of dialyzers, partially offset by lower sales of peritoneal dialysis products and machines.

Operating Income

Operating income increased to $1,624 M for the year ended December 31, 2013 from $1,615 M for the same period in 2012. Operating income margin decreased to 16.9% for the year ended December 31, 2013 from 17.9% for the same period in 2012, due to higher personnel expenses, the effects of the 2012 impact of special collection efforts in prior years, the impact of the U.S. sequestration, a lower commercial payor mix coupled with price reductions from commercial contracting, and increased revenue in the expanded services at lower than average margins. Further, the margin was impacted by the lower gain on the sale of FMC AG & CO. KGAA clinics related to

the Liberty acquisition resulting from fewer clinics sold in 2013 as compared to 2012 and increased legal costs. These effects were partially offset by the effects of 2012 charges incurred in connection with the amendment of our agreement with Luitpold Pharmaceuticals and American Regent, Inc. regarding Venofer®, the updated Medicare reimbursement rate which came into effect in 2013, reduced pharmaceutical utilization, and the effect of one-time costs related to the Liberty acquisition. Cost per treatment for the North America segment increased to $287 for the year ended December 31, 2013 as compared to $278 the same period of 2012. Cost per treatment in the U.S. increased to $293 for the year ended December 31, 2013 from $283 in the same period of 2012.

International segment

T. 3.2.4 **Key indicators for International segment**

	2013	2012	Change as reported	Change at constant exchange rates[1]
Revenue *in $M*	4,970	4,740	5%	6%
Number of treatments	14,800,543	14,175,768	4%	–
Same market treatment growth *in %*	3.8	4.0	–	–
Operating income *in $M*	858	809	6%	–
Operating income margin *in %*	17.3	17.1	–	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP Measures – constant currency" starting on page 168.*

Revenue

Including the effects of acquisitions, European region revenue increased by 5% (3% at constant exchange rates) to $3,023 M, Latin America region revenue increased by 5% (15% at constant exchange rates) to $843 M, and Asia-Pacific region revenue increased 6% (8% at constant exchange rates) to $1,104 M.

Net dialysis care revenue for the International segment increased during the year ended December 31, 2013 by 4% (7% at constant exchange rates) to $2,358 M from $2,262 M in the same period of 2012. This increase is a result of same market treatment growth (4%), contributions from acquisitions (3%) and increases in organic revenue per treatment (2%), partially offset by the negative effect of exchange rate fluctuations (3%) and the effect of closed or sold clinics (2%).

Treatments increased by 4% for the year ended December 31, 2013 over the same period in 2012 mainly due to same market treatment growth (4%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (2%). As of December 31, 2013, we had 98,682 patients (a 6% increase over December 31, 2012) being treated at the 1,117 clinics that we own, operate or manage in the International segment compared to 93,362 patients treated at 1,078 clinics at December 31, 2012. Average revenue per treatment for the year ended December 31, 2013 decreased to $159 from $160 in comparison with the same period of 2012 due to increased reimbursement rates and changes in country mix ($4), offset by weakening of local currencies against the U.S. dollar ($5).

Dialysis product revenue for the year ended December 31, 2013 increased by 5% (5% increase at constant exchange rates) to $2,612 M compared to $2,478 M in the same period of 2012. The 5% increase in product revenue was driven by increased sales of hemodialysis products, especially of machines, solutions and concentrates, dialyzers, and bloodlines as well as products for acute care treatments and peritoneal dialysis, partially offset by lower sales of renal pharmaceuticals.

Operating income

Operating income increased to $858 M for the year ended December 31, 2013 as compared to $809 M for the same period in 2012. Operating income margin increased to 17.3% for the year ended December 31, 2013 from 17.1% for the same period in 2012 mainly due to a gain on the sale of real estate in Colombia, and lower manufacturing costs driven by decreases in labor costs, facilities operating costs and cost for raw materials, partially offset by higher bad debt expense in Asia-Pacific.

Inflationary accounting

As we are subject to foreign exchange risk, we monitor the economic conditions of the countries in which we operate. Venezuela has been considered a hyperinflationary economy since 2010, most recently reaffirmed by the International Practices Task Force in May 2013. Effective January 1, 2013 our operations in Venezuela were still considered to be operating in a hyperinflationary economy, as the Venezuelan economy had a three-year cumulative inflation rate of approximately 100%. We use a blend of the National Consumer Price Index and the Consumer Price Index to determine whether Venezuela is a hyperinflationary economy. As a result, the financial statements of our subsidiaries operating in Venezuela continue to use the U.S. dollar as their functional currency. However, in 2013, the Venezuelan government revalued the Bolivar. Consequently, we recorded a pre-tax loss of $15 M for the twelve months ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are typically cash provided by operating activities, 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 centers, purchase equipment for existing or new renal dialysis centers and production sites, repay debt, pay dividends, and repurchase shares see section “Net cash provided by (used in) financing activities” starting on page 183.

At December 31, 2013, we had cash and cash equivalents of $683 M. For information regarding utilization and availability of cash under our principal credit facility (the “2012 credit agreement”), see note 11.

Net cash provided by (used in) operating activities

In 2013 and 2012, net cash provided by operating activities was $2,035 M and $2,039 M, respectively. Cash provided by operating activities is impacted by the profitability of our business, the development of our working capital, principally receivables, and cash outflows that occur due to a number of specific items as discussed below. The slight decrease in 2013 versus 2012 was mainly a result of a $100 M payment, partially offset by the favorable effects of other working capital items including repayments received, both of which were associated with the amendment to the license agreement relating to our iron product Venofer®.

The profitability of our business depends significantly on reimbursement rates. Approximately 76% of our revenues are generated by providing dialysis services, a major portion of which is reimbursed by either public healthcare organizations or private insurers. For the twelve months ended December 31, 2013, approximately 32% of our consolidated revenues were attributable to U.S. federal healthcare benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates 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. With the exception of (i) the implementation of the ESRD PPS in the U.S. in January 2011, (ii) the U.S. federal government sequestration cuts and (iii) commencing January 1, 2014, the phased-in reductions to the ESRD PPS rate over three to four years to account for the decline in utilization of certain drugs and biologicals associated with dialysis, we have experienced and also expect in the future to experience generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries.

Our working capital, which is defined as current assets less current liabilities, was $2,733 M at December 31, 2013 which decreased from $2,957 M at December 31, 2012. The change is primarily the result of an increase accrued expenses and other current liabilities, as well as an increase in the amount reclassified from long-term debt to the current portion of long-term debt as a result of larger quarterly payments becoming due under the 2012 credit agreement, the reclassification of the euro tranche of our European Investment Bank (EIB) agreements for amounts which were due and paid in February 2014 and for euro notes due in 2014, and a reclassification of a loan with a related party from long-term debt to short-term borrowings, partially offset by a reduction in accounts payable driven by the payment of the $100 M Venofer® agreement amendment fee incurred in 2012. Our ratio of current assets to current liabilities was 1.77 at December 31, 2013.

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 section "Net cash provided by (used in) financing activities" starting on page 183. 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, 2013 and December 31, 2012, net of valuation allowances, represented DSO of approximately 73 and 76, 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. 3.2.5 **Development of days sales outstanding**
in days, December 31

	2013	2012
North America segment	53	55
International segment	110	115
▸ **FMC AG & Co. KGaA**	**73**	**76**

The decrease in the North America segment is due to continued strong cash performance across all payor groups. The International segment's DSO decrease reflects increased collections in Europe, partially offset by unfavorable DSO development in Asia-Pacific. Due to the fact that a large portion of our reimbursement is provided by public healthcare organizations and private insurers, we expect that most of our accounts receivable will be collectible. However, we have experienced some collection delays with distributors in a few Asia-Pacific countries.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. As a result of a tax audit we identified a tax item relating to civil settlement payment deductions taken by FMCH in prior year tax returns that will or could impact our financial results in the future see note 20. We have also received notices of unfavorable adjustments and disallowances in connection with certain of the audits, including those described above. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

Net cash provided by (used in) investing activities

We used net cash of $1,206 M and $2,281 M in investing activities in 2013 and 2012, respectively.

Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment were $728 M and $666 M in 2013 and 2012, respectively. In 2013, capital expenditures were $374 M in the North America segment, $189 M for the International segment and $165 M at Corporate. Capital expenditures in 2012 were $298 M in the North America segment, $195 M for the International segment and $173 M at Corporate. Capital expenditures were approximately 5% of total revenue in 2013 and 2012.

In addition to the capital expenditures discussed above, we invested approximately $496 M cash in 2013, $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 was drawn as of December 31, 2013; see note 8, as well as the acquisition of a full-service clinical laboratory. In the International segment this mainly included acquisitions of dialysis clinics. In 2012, we invested approximately $1,879 in cash, $1,849 M in the North America segment, primarily through the $1,697 M ($1,466 M net of divestitures) acquisition of Liberty see note 2. $28 M in the International segment and $2 M at Corporate. We received $18 M and $264 M in conjunction with divestitures in 2013 and 2012, respectively.

We anticipate capital expenditures of approximately $0.9 BN and expect to make acquisitions of approximately $0.4 BN in 2014.

Net cash provided by (used in) financing activities

Net cash used in financing activities was $808 M in 2013 compared to net cash provided by financing activities of $468 M in 2012.

In 2013, cash was used in the purchase of our shares through a 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 and short-term borrowings, proceeds from the draw-down under our accounts receivable facility, proceeds the exercise of stock options and proceeds of a premium paid for the conversion of preference shares into ordinary shares by the largest former holder of preference shares, a European financial institution. In 2012, cash was provided by the issuance of senior notes, refinancing of the then-current Amended 2006 senior credit agreement by the 2012 credit agreement, exercises of stock options, proceeds from short-term borrowings and short-term borrowings from related parties as well as contributions from noncontrolling interests, partially offset by the repayment of long-term debt, reduction of the amount outstanding under our accounts receivable securitization program, the payment of dividends, distributions to noncontrolling interests as well as the repayment of short-term borrowings and short-term borrowings from related parties.

On May 16, 2013, we held our AGM and a separate Preference Shareholder Meeting during which resolutions on the conversion of our preference shares to ordinary shares were passed. The preference share conversion was effected on June 28, 2013 with 3,975,533 preference shares in the amount of €3.9 M ($4.5 M) converted on a 1:1 basis to ordinary shares. On July 5, 2013, the Company received a €27 M ($35 M) 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 as of June 30, 2013 and the payment was received during the third quarter of 2013.

Additionally, our share buyback program started on May 20, 2013 and was completed on August 14, 2013. We repurchased 7,548,951 shares in the amount of €385 M ($505 M). 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 our registered share capital by cancellation of the acquired shares, or to fulfill our employee participation programs.

On May 17, 2013, we paid a dividend with respect to 2012 of €0.75 per ordinary share (for 2011 paid in 2012: €0.69) and €0.77 per then-outstanding preference share (for 2011 paid in 2012: €0.71). The total dividend payment was €230 M ($296 M) and €210 M ($272 M) in 2013 and 2012, respectively.

The following table summarizes the Company's available sources of liquidity at December 31, 2013:

T. 3.2.6 **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]	383	–	383	–	–
Revolving credit facility of the credit agreement 2012[2]	1,073	–	–	1,073	–
Other unused lines of credit	233	233	–	–	–
▸ **Total**	**1,689**	**233**	**383**	**1,073**	**–**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria. At December 31, 2013, the Company had letters of credit outstanding in the amount of $66 M which reduces the availability under the accounts receivable facility to the amount shown in this table.*
[2] *At December 31, 2013, the Company had letters of credit outstanding in the amount of $9 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, 2013 was not significant.

At December 31, 2013, 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 $159 M.

The following table summarizes, as of December 31, 2013, 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. 3.2.7 **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]	10,151	852	1,932	4,088	3,279
Capital lease obligations	26	2	5	3	16
Operating leases	3,226	610	981	633	1,002
Unconditional purchase obligations	613	337	200	44	32
Other long-term obligations[3]	285	212	61	9	3
Letters of credit	75	–	66	9	–
▸ **Total**	**14,376**	**2,013**	**3,245**	**4,786**	**4,332**

[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 2014 are $ 42.6 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 2012 credit agreement, euro notes and senior notes include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our 2012 credit agreement, we are obligated to maintain a minimum consolidated interest expense coverage ratio (ratio of EBITDA to net interest expense) and a maximum consolidated leverage ratio (ratio of consolidated funded debt to consolidated EBITDA) as these terms are defined in the 2012 credit agreement. Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends and make other restricted payments, create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our long-term debt – 2012 credit agreement, the euro notes or the senior notes – could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the 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 debt upon such a default as well. As of December 31, 2013, we were in compliance with all covenants under the 2012 credit agreement and our other financing agreements. For information regarding our 2012 credit agreement, euro notes and senior notes, 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 healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, our business is generally not cyclical. A substantial portion of our accounts receivable are generated by governmental payers. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low to moderate, credit risks. However, limited or expensive access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our dialysis products, see "Results of operations" section on page 173. 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 15, 2014, a dividend with respect to 2013 and payable in 2014, of €0.77 per ordinary share (for 2012 paid in 2013: €0.75). The total expected dividend payment is approximately €232 M (approximately $320 M based upon the December 31, 2013 spot rate) compared to dividends of €230 M ($296 M) paid in 2013 with respect to 2012. The 2012 credit agreement provides for a limitation on dividends and other restricted payments which is €330 M ($455 M based upon the December 31, 2013 spot rate) for dividends to be paid in 2014, and increases in subsequent years.

Our 2014 principal financing needs are the W.R. Grace bankruptcy settlement payment of $115 M (paid on February 3, 2014) see note 20, payments for our EIB loans, which were paid in February 2014, euro notes due in 2014, as well as the quarterly payments under our 2012 credit agreement term loan facility. These payments as well as our dividend payment of approximately $320 in May 2014, 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, 2013 increased to $23.1 BN compared to $22.3 BN at December 31, 2012. Current assets as a percent of total assets remained constant at 27% at December 31, 2013 as compared to December 31, 2012. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, remained flat at 41% as compared to December 31, 2012.

CHAPTER 3.3

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 healthcare sector; and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Reimbursement rates

Approximately 32% of our worldwide revenue for 2013 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 dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

Management of foreign exchange and interest rate risks

We are primarily exposed to market risk from changes in foreign exchange rates and changes in interest rates. In order to manage the risks from these foreign exchange rate and interest rate fluctuations, we enter into various hedging transactions, as authorized by the Management Board of the General Partner, with banks which generally have ratings in the "A" category or better. We do not use financial instruments for trading or other speculative purposes.

Fresenius SE, as provided for under a service agreement, conducts financial instrument activity for us and its other subsidiaries under the control of a single centralized department. Fresenius SE has established guidelines, that we have agreed to, for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk

We conduct our business on a global basis in various currencies, although our operations are located principally in the United States and Germany. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures we enter into foreign exchange forward contracts and, on a small scale, foreign exchange options. Our policy, which has been consistently followed, is that foreign exchange rate derivatives be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

In connection with intercompany loans in foreign currency, we normally use foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

The Company is exposed to potential losses in the event of non-performance by counterparties to financial instruments. We do not expect any counterparty to fail to meet its obligations. The current credit exposure of foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date. The table below provides information about our foreign exchange forward contracts at December 31, 2013. 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, 2013, and the credit risk inherent to those contracts with positive market values as of December 31, 2013. All contracts expire within 23 months after the reporting date.

T. 3.3.1 **Foreign currency risk management**
in $M, December 31

	Nominal amount						Fair value	Credit risk
	2014	2015	2016	2017	2018	Total		
Purchase of € against $	74	5	–	–	–	79	4	3
Sale of € against $	840	–	–	–	–	840	(18)	–
Purchase of € against others	557	63	–	–	–	620	8	14
Sale of € against others	147	30	–	–	–	177	(2)	1
Others	36	0	–	–	–	36	0	0
▸ **Total**	**1,654**	**98**	**–**	–	–	**1,752**	**(8)**	**18**

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 $1.3281 or year's close reference rate of $1.3791 per €1.00.

T. 3.3.2 **Exchange rates**
$ per €

	Year's high	Year's low	Year's average	Year's close
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
2009	1.5120	1.2555	1.3948	1.4406

The reference rate on February 19, 2014 was $1.3745 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, 2013, the Company's cash flow at risk amounts to $50.5 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 $50.5 M.

Significant influence on the Company's foreign currency risk is exerted by the Chinese renminbi, the U.S. dollar, the Russian ruble, the South Korean won, and the Turkish lira. The following table shows the Company's most significant net positions in foreign currencies.

T. 3.3.3 **Net positions in foreign currencies**
in $ M, December 31

	2013
CNY	232
USD	133
RUB	102
KRW	67
TRY	52

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 in 2016 and have an interest rate of 1.73%.

As of December 31, 2013, the notional amount of euro-denominated interest rate swaps in place was €100 M ($138 M). 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, 2013, the negative fair value of our interest rate agreements is $4 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. 3.3.4 **Interest rate exposure**
in $ M

	2014	*2015*	*2016*	*2017*	*2018*	*Thereafter*	*Total*	*Fair Value Dec. 31, 2013*
Floating rate $ debt								
Principal payments on senior credit agreement Variable interest rate = 2.00%	200	200	200	2,038	–	–	2,638	2,641
Accounts receivable securitization programs Variable interest rate = 0.22%	–	–	351	–	–	–	351	351
Floating rate € debt								
Principal payments on senior credit agreement Variable interest rate = 1.95%	–	–	–	69	–	–	69	69
Euro notes 2009/2014 Variable interest rate = 5.843%	32	–	–	–	–	–	32	32
EIB loan Variable interest rate = 1.00%	193	–	–	–	–	–	193	193
Senior notes 2011/2016 Variable interest rate = 3.73%	–	–	138	–	–	–	138	144
Fixed rate $ debt								
Senior notes 2007/2017 Fixed interest rate = 6.875%	–	–	–	497	–	–	497	569
Senior notes 2011/2018 Fixed interest rate = 6.50%	–	–	–	–	396	–	396	453
Senior notes 2011/2021 Fixed interest rate = 5.75%	–	–	–	–	–	646	646	691
Senior notes 2012/2019 Fixed interest rate = 5.625%	–	–	–	–	–	800	800	864
Senior notes 2012/2022 Fixed interest rate = 5.875%	–	–	–	–	–	700	700	742
Fixed rate € debt								
Euro notes 2009/2014 Fixed interest rate = 8.3835%	15	–	–	–	–	–	15	15
Senior notes 2010/2016 Fixed interest rate = 5.50%	–	–	343	–	–	–	343	381
Senior notes 2011/2018 Fixed interest rate = 6.50%	–	–	–	–	547	–	547	650
Senior notes 2011/2021 Fixed interest rate = 5.25%	–	–	–	–	–	414	414	465
Senior notes 2012/2019 Fixed interest rate = 5.25%	–	–	–	–	–	345	345	390
Interest rate derivatives								
€ Payer swaps notional amount	–	–	138	–	–	–	138	(4)
Average fixed pay rate = 1.73%	–	–	1.73%	–	–	–	–	–
Receive rate = 3-month EURIBOR	–	–	–	–	–	–	–	–

All variable interest rates depicted above are as of December 31, 2013.

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.

195 – 272

CONSOLIDATED FINANCIAL STATEMENTS

4.1
Consolidated statements of income
195

4.2
Consolidated statements of comprehensive income
196

4.3
Consolidated balance sheets
196

4.4
Consolidated statements of cash flows
198

4.5
Consolidated statement of shareholders' equity
200

4.6
Notes to consolidated financial statements
202

4.7
Management's annual report on internal control over financial reporting
269

4.8
Report of independent registered public accounting firm on internal control over financial reporting
270

4.9
Report of independent registered public accounting firm
272

Consolidated statements of income

T. 4.1.1 **Consolidated statements of income**

in $ THOUS, except share data

	Note	2013	2012
Net revenue			
Dialysis care		11,414,734	10,772,124
Less: patient service bad debt provision		284,648	280,365
Net dialysis care		11,130,086	10,491,759
Dialysis products		3,479,641	3,308,523
▸ **Total**	24	**14,609,727**	**13,800,282**
Costs of revenue			
Dialysis care		8,266,635	7,649,514
Dialysis products		1,604,695	1,549,515
▸ **Total**		**9,871,330**	**9,199,029**
Gross profit		4,738,397	4,601,253
Operating (income) expenses			
Selling, general and administrative		2,391,927	2,224,715
Gain on sale of dialysis clinics	2	(9,426)	(36,224)
Research and development		125,805	111,631
Income from equity method investees	24	(26,105)	(17,442)
Other operating expenses		–	100,000
▸ **Operating income**		**2,256,196**	**2,218,573**
Other (income) expense			
Investment gain	2	–	(139,600)
Interest income		(38,942)	(44,474)
Interest expense		447,503	470,534
Income before income taxes		1,847,635	1,932,113
Income tax expense	18	592,012	605,136
Net income		1,255,623	1,326,977
Less: net income attributable to noncontrolling interests		145,733	140,168
▸ **Net income attributable to shareholders of FMC AG & Co. KGaA**		**1,109,890**	**1,186,809**
▸ **Basic income per share**	16	**3.65**	**3.89**
▸ **Fully diluted earnings per share**	16	**3.65**	**3.87**

See accompanying notes to consolidated financial statements.

CHAPTER 4.2

Consolidated statements of comprehensive income

T. 4.2.1 **Consolidated statements of comprehensive income**
in $ THOUS

	Note	2013	2012
▸ **Net income**		**1,255,623**	**1,326,977**
Gain (loss) related to cash flow hedges	21, 22	22,532	24,019
Actuarial gains (losses) on defined benefit pension plans	12, 22	64,989	(103,178)
Gain (loss) related to foreign currency translation	22	(114,439)	63,803
Income tax (expense) benefit related to components of other comprehensive income	21, 22	(33,600)	8,831
▸ **Other comprehensive income (loss), net of tax**	22	**(60,518)**	**(6,525)**
▸ **Total comprehensive income**		**1,195,105**	**1,320,452**
Comprehensive income attributable to noncontrolling interests		143,689	139,989
▸ **Comprehensive income attributable to shareholders of FMC AG & Co. KGaA**		**1,051,416**	**1,180,463**

See accompanying notes to consolidated financial statements.

CHAPTER 4.3

Consolidated balance sheets

T. 4.3.1 **Consolidated balance sheets**
in $ THOUS, except share data, December 31

Assets	Note	2013	2012
Current assets			
Cash and cash equivalents		682,777	688,040
Trade accounts receivable less allowance for doubtful accounts of $413,165 in 2013 and $328,893 in 2012		3,037,274	3,019,424
Accounts receivable from related parties	3	153,118	137,809
Inventories	4	1,097,104	1,036,809
Prepaid expenses and other current assets	5	1,037,391	977,537
Deferred taxes	18	279,052	267,837
▸ **Total current assets**		**6,286,716**	**6,127,456**
Property, plant and equipment, net	6	3,091,954	2,940,603
Intangible assets	7	757,876	710,116
Goodwill	7	11,658,187	11,421,889
Deferred taxes	18	104,167	89,152
Investment in equity method investees	24	664,446	637,373
Other assets and notes receivables	8	556,560	399,409
▸ **Total assets**		**23,119,906**	**22,325,998**

See accompanying notes to consolidated financial statements.

T. 4.3.1 **Consolidated balance sheets**

in $ THOUS, except share data, December 31

Liabilities and shareholders' equity	Note	2013	2012
Current liabilities			
Accounts payable		542,597	622,294
Accounts payable to related parties	3	123,929	123,350
Accrued expenses and other current liabilities	9	2,012,533	1,787,471
Short-term borrowings and other financial liabilities	10	96,648	117,850
Short-term borrowings from related parties	3	62,342	3,973
Current portion of long-term debt and capital lease obligations	11	511,370	334,747
Income tax payable		170,360	150,003
Deferred taxes	18	34,194	30,303
▸ **Total current liabilities**		**3,553,973**	**3,169,991**
Long-term debt and capital lease obligations, less current portion	11	7,746,920	7,785,740
Long-term debt from related parties		–	56,174
Other liabilities		329,561	260,257
Pension liabilities	12	435,858	457,673
Income tax payable		176,933	201,642
Deferred taxes	18	743,390	664,001
▸ **Total liabilities**		**12,986,635**	**12,595,478**
Noncontrolling interests subject to put provisions	13	648,251	523,260
Shareholders' equity			
Preference shares, no par value, €1.00 nominal value	14	–	4,462
Ordinary shares, no par value, €1.00 nominal value, 392,462,972 shares authorized, 308,995,730 issued and 301,446,779 outstanding	14	382,411	374,915
Treasury stock, at cost	14	(505,014)	–
Additional paid-in capital	14	3,530,337	3,491,581
Retained earnings	14	6,377,417	5,563,661
Accumulated other comprehensive (loss) income	22	(550,587)	(492,113)
▸ **Total FMC AG & Co. KGaA shareholders' equity**		**9,234,564**	**8,942,506**
Noncontrolling interests not subject to put provisions		250,456	264,754
▸ **Total equity**		**9,485,020**	**9,207,260**
▸ **Total liabilities and equity**		**23,119,906**	**22,325,998**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

T. 4.4.1 **Consolidated statements of cash flows**

in $ THOUS

	Note	2013	2012
Operating activities			
Net income		1,255,623	1,326,977
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6, 7, 24	648,225	602,896
Change in deferred taxes, net		15,913	75,170
(Gain) loss on sale of investments		(9,426)	(36,224)
(Gain) loss on sale of fixed assets		(23,558)	6,700
Investment (gain)	2	–	(139,600)
Compensation expense related to stock options	17	13,593	26,476
Cash inflow (outflow) from hedging		(4,073)	(13,947)
Investments in equity method investees, net		2,335	22,512
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(41,280)	(43,344)
Inventories		(54,918)	(48,279)
Prepaid expenses, other current and non-current assets		67,875	88,413
Accounts receivable from related parties		(10,968)	(25,859)
Accounts payable to related parties		(3,743)	10,064
Accounts payable, accrued expenses and other current and non-current liabilities		215,264	225,586
Income tax payable		(36,057)	(38,478)
▸ **Net cash provided by (used in) operating activities**		**2,034,805**	**2,039,063**

See accompanying notes to consolidated financial statements.

T. 4.4.1 **Consolidated statements of cash flows**

in $ THOUS

	Note	2013	2012
Investing activities			
Purchases of property, plant and equipment	24	(747,938)	(675,310)
Proceeds from sale of property, plant and equipment		19,847	9,667
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	2, 8, 23, 24	(495,725)	(1,878,908)
Proceeds from divestitures		18,276	263,306
▸ **Net cash provided by (used in) investing activities**		**(1,205,540)**	**(2,281,245)**
Financing activities			
Proceeds from short-term borrowings		381,603	174,391
Repayments of short-term borrowings		(397,682)	(163,059)
Proceeds from short-term borrowings from related parties		18,593	39,829
Repayments of short-term borrowings from related parties		(18,228)	(64,112)
Proceeds from long-term debt and capital lease obligations (net of debt issuance costs and other hedging costs of $178,593 in 2012)		441,278	4,750,730
Repayments of long-term debt and capital lease obligations		(617,499)	(3,589,013)
Increase (decrease) of accounts receivable securitization program		189,250	(372,500)
Proceeds from exercise of stock options		111,300	121,126
Proceeds from conversion of preference shares into ordinary shares	14	34,784	–
Purchase of treasury stock	14	(505,014)	–
Dividends paid	14	(296,134)	(271,733)
Distributions to noncontrolling interests		(216,758)	(195,023)
Contributions from noncontrolling interests		66,467	37,704
▸ **Net cash provided by (used in) financing activities**		**(808,040)**	**468,340**
▸ **Effect of exchange rate changes on cash and cash equivalents**		**(26,488)**	**4,590**
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		(5,263)	230,748
Cash and cash equivalents at beginning of period		688,040	457,292
▸ **Cash and cash equivalents at end of period**		**682,777**	**688,040**

See accompanying notes to consolidated financial statements.

Consolidated statement of shareholders' equity

T. 4.5.1 **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, 2011**		**3,965,691**	**4,452**	**300,164,922**	**371,649**	**–**	**–**
Proceeds from exercise of options and related tax effects	17	7,642	10	2,574,836	3,266	–	–
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, 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)**

See accompanying notes to consolidated financial statements.

4.5
CONSOLIDATED STATEMENT
OF SHAREHOLDERS' EQUITY

T. 4.5.1 **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, 2011**		**3,362,633**	**4,648,585**	**(485,767)**	**7,901,552**	**159,465**	**8,061,017**
Proceeds from exercise of options and related tax effects	17	110,510	–	–	113,786	–	113,786
Compensation expense related to stock options	17	26,476	–	–	26,476	–	26,476
Dividends paid	14	–	(271,733)	–	(271,733)	–	(271,733)
Purchase/sale of noncontrolling interests		(26,918)	–	–	(26,918)	86,705	59,787
Contributions from/to noncontrolling interests		–	–	–	–	(26,428)	(26,428)
Changes in fair value of noncontrolling interests subject to put provisions	13	18,880	–	–	18,880	–	18,880
Net income		–	1,186,809	–	1,186,809	45,450	1,232,259
Other comprehensive income (loss)	22	–	–	(6,346)	(6,346)	(438)	(6,784)
Comprehensive income		–	–	–	1,180,463	45,012	1,225,475
▸ **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**

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

Unless otherwise noted, numbers are stated in thousands, except 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, operating in both the field of dialysis care and the field of dialysis products for the treatment of end-stage renal disease (ESRD). The Company's dialysis care business, in addition to providing dialysis treatments, includes pharmacy services and vascular access surgery services (together, the expanded services). The Company's dialysis products business includes manufacturing and distributing products for the treatment of ESRD. The Company's dialysis business is vertically integrated, providing dialysis treatment at dialysis clinics it owns or operates and supplying these clinics with a broad range of products. In addition, the Company sells dialysis products to other dialysis service providers. In the United States (U.S.) the Company also provides laboratory testing services, and inpatient dialysis services as well as other services under contract to hospitals.

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 prior years' comparative consolidated financial statements have been reclassified to conform to the current year's presentation. Pension liabilities in the amount of $34,312 for the year ended December 31, 2012 have been reclassified from "other liabilities" to "pension liabilities" within the consolidated balance sheet to appropriately depict the Company's pension plans outside of Germany and the U.S. see note 12. Deferred tax assets in the amount of $39,776 and $44,601 for the current and non-current portions of deferred taxes have also been reclassified from "deferred taxes (current)" and "deferred taxes (non-current)" to "Prepaids and other current assets" and "Other assets and notes receivable", respectively, for the year ended December 31, 2012 to conform to the current year's presentation for the deferred tax effects on intercompany sales and purchases of assets see note 18.

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. In accordance with current accounting principles, 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 dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product distributor have either negative equity or are unable to provide their own funding for their operations. Therefore, the Company has agreed to fund their operations through loans. The compensation for the funding can carry interest, exclusive product supply agreements, or entitle the Company to a pro rata share of profits, if any. The Company has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. All VIEs generated approximately $203,333, $205,858 in revenue in 2013 and 2012, respectively. The Company provided funding to VIEs through loans and accounts receivable of $150,300 and $146,500 in 2013 and 2012, respectively.

The table below shows the carrying amounts of the assets and liabilities of VIEs at December 31, 2013 and 2012:

T. 4.6.1 **Carrying amounts VIEs**
in $ THOUS

	2013	2012
Trade accounts receivable, net	102,549	99,061
Other current assets	59,695	57,741
Property, plant and equipment, intangible assets & other non-current assets	26,274	26,823
Goodwill	32,759	31,678
Accounts payable, accrued expenses and other liabilities	133,977	122,891
Non-current loans to related parties	12,998	12,998
Equity	74,302	79,414

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 15 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 2013 and 2012 was $7,358 and $3,952, 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, lease agreements, and licenses acquired in a business combination 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

16 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is 9 years. Customer relationships are amortized over their useful life of 15 years. All other intangible assets are amortized over their weighted average useful lives of 7 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 healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The reporting units' respective expected growth rates for the period beyond ten years are: North America 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 6.17% for 2013. 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 2013, WACCs for the reporting units ranged from 6.12% to 13.83%.

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. 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

Dialysis care revenues 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 dialysis 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 dialysis 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.

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 dialysis 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 healthcare provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. 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 dialysis 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 note 1e.

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 healthcare providers throughout the world, and in providing kidney dialysis treatment, clinical laboratory testing, and other medical ancillary services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Approximately 32% and 32% of the Company's worldwide revenues were earned and subject to regulations under Medicare and Medicaid, governmental healthcare programs administered by the United States government in 2013 and 2012, respectively.

No single debtor other than U.S. Medicaid and Medicare 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, 2013 see note 4.

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 in the balance sheet) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of reimbursement against the fund or a right to reduce future payments to the fund. 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 January 31, 2013, FASB issued Accounting Standards Update 2013-01 (ASU 2013-01) an update to Balance Sheet (Topic 210), Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (Topic 210). The main purpose of ASU 2013-01 is to clarify the scope of balance sheet offsetting under Topic 210 to include derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset or subject to master netting agreements. The disclosures required under Topic 210 would apply to these transactions and other types of financial assets or liabilities will no longer be subject to Topic 210. The update is effective for fiscal years and interim periods within those years beginning on or after January 1, 2013. The Company does not utilize balance sheet offsetting for its derivative transactions, see note 21.

Recent accounting pronouncements not yet adopted

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. The Company will adopt ASU 2013-04 as of January 1, 2014. The Company has determined that the impact will be the inclusion of a disclosure within the notes to the 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. The Company will adopt ASU 2013-05 as of January 1, 2014. ASU 2013-05 will not have a material impact on the Company and its consolidated financial statements.

On July 17, 2013, FASB issued Accounting Standards Update 2013-10 (ASU 2013-10) Derivatives and Hedging (Topic 815), Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The purpose of 2013-10 is to provide the inclusion of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes. This rate will now be available to use along with U.S. government interest rates and the London Interbank offered rate. This update is effective prospectively for new or designated hedging relationships entered into on or after July 17, 2013. Currently, we do not intend to utilize the newly available Fed Funds Effective Swap Rate for our hedge accounting.

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. The Company will adopt ASU 2013-11 as of January 1, 2014. ASU 2013-11 will not have a material impact on the Company and its consolidated financial statements.

2. ACQUISITION OF LIBERTY DIALYSIS HOLDINGS

On February 28, 2012, the Company acquired 100% of the equity of Liberty Dialysis Holdings, Inc. (LD Holdings), the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the Liberty acquisition). The Company accounted for this transaction as a business combination and finalized the acquisition accounting on February 28, 2013.

Total consideration for the Liberty acquisition was $2,181,358, consisting of $1,696,659 cash, net of cash acquired and $484,699 non-cash consideration. Accounting standards for business combinations require previously held equity interests to be fair valued at the time of acquisition with the difference to book value to be recognized as a gain or loss in income. Prior to the Liberty acquisition, the Company had a 49% equity investment in Renal Advantage Partners, LLC, the fair value of which, $ 201,915, was included as part of the non-cash consideration. The fair value was determined based on the discounted cash flow method, utilizing a discount rate of approximately 13%. In addition to the Company's investment, it also had a loan receivable from Renal Advantage Partners, LLC of $279,793, at a fair value of $ 282,784, which was retired as part of the transaction.

The following table summarizes the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting from December 31, 2012 until finalization on February 28, 2013, net of related income tax effects, were recorded with a corresponding adjustment to goodwill.

T. 4.6.2 **Assets acquired and liabilities assumed at the date of the acquisition**

in $ THOUS

Assets held for sale	164,068
Trade accounts receivable	149,219
Other current assets	17,458
Deferred tax assets	14,932
Property, plant and equipment	168,335
Intangible assets and other assets	84,556
Goodwill	2,003,465
Accounts payable, accrued expenses and other current liabilities	(105,403)
Income tax payable and deferred taxes	(33,597)
Short-term borrowings, other financial liabilities, long-term debt and capital lease obligations	(72,101)
Other liabilities	(39,923)
Noncontrolling interests (subject and not subject to put provisions)	(169,651)
▸ **Total acquisition cost**	**2,181,358**
Less non-cash contributions at fair value	
Investment at acquisition date	(201,915)
Long-term notes receivable	(282,784)
▸ **Total non-cash items**	**(484,699)**
▸ **Net cash paid**	**1,696,659**

The amortizable intangible assets acquired in this acquisition have weighted average useful lives of 6–8 years.

Goodwill, in the amount of $2,003,465 was acquired as part of the Liberty acquisition and was allocated to the North America segment. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill arises principally due to the fair value placed on an estimated stream of future cash flows versus building a similar franchise. Of the goodwill recognized in this acquisition, approximately $436,000 is deductible for tax purposes and is being amortized over a 15 year period which began on the date of the acquisition.

The noncontrolling interests acquired as part of the acquisition are stated at fair value based upon contractual multiples typically utilized by the Company for such arrangements as well as the Company's overall experience.

The fair valuation of the Company's investment at the time of the Liberty acquisition resulted in a non-taxable gain of $139,600. The retirement of the loan receivable resulted in a benefit of $8,501.

Divestitures

In connection with the Federal Trade Commission's consent order relating to regulatory clearance of the Liberty acquisition under the Hart-Scott-Rodino Antitrust Improvements Act, the Company agreed to divest a total of 62 renal dialysis centers. During 2012, 61 clinics were sold, 24 of which were FMC AG & CO. KGAA legacy clinics which generated a gain of $33,455. During 2013, the remaining clinic required to be sold was sold for a gain of $7,705. The 38 clinics acquired and subsequently sold were categorized as assets held for sale in the table 4.6.2 at the time of the Liberty acquisition.

Pro forma financial information

The following financial information, on a pro forma basis, reflects the consolidated results of operations as if the Liberty acquisition and the divestitures described above had been consummated on January 1, 2011. The pro forma information includes adjustments primarily for elimination of the investment gain and the gain from the retirement of debt. The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transactions been consummated on January 1, 2011.

T. 4.6.3 **Pro forma financial information**

in $ THOUS, expect per share data

	2012	*2011*
Net revenue	13,900,540	13,215,111
Net income attributable to the shareholders of FMC AG & Co. KGaA	1,054,872	1,077,718
Income per ordinary share:		
Basic	3.46	3.56
Fully diluted	3.44	3.53

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 owned approximately 31.3% of the Company's shares at December 31, 2013, excluding the shares purchased through the Company's share buy-back program as they are not considered to be outstanding shares see note 14. The Company has entered into certain arrangements for the purchase and sale of products and services with Fresenius SE or its subsidiaries and with certain of the Company's joint ventures as described in items a), b) and d) below. The Company's terms related to the receivables or payables for these products and services are generally consistent with the normal terms of the Company's business. Financing arrangements as described in item c) below normally have agreed upon terms which are determined at the time such financing transactions occur and usually reflect market rates at the time of the transaction. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

a) Service and lease agreements

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. In 2013, the Company entered into a new five year information technology services agreement, expiring in 2018, which has an automatic continuation for an additional five year period with short-term continuations thereafter unless either party terminates the agreement at the end of the then-current term. The Company has complied with all corporate governance procedures for this agreement. During 2013 and 2012, amounts charged by Fresenius SE companies to the Company under the terms of these agreements were $103,577 and $80,778, respectively. The Company also provides certain services to the Fresenius SE Companies, including research and development, central purchasing and warehousing. The Company charged $7,550 and $5,810 for services rendered to the Fresenius SE companies during 2013 and 2012, respectively.

Under real estate operating lease agreements entered into with the Fresenius SE companies, which are leases for the corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany, the Company paid the Fresenius SE companies $26,976 and $25,179 during 2013 and 2012, respectively. The majority of the leases expire in 2016 and contain renewal options.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the members of the General Partner's management board (Management Board). The aggregate amount reimbursed to the General Partner was $16,327 and $18,995, respectively, for its management services during 2013 and 2012 and included $159 and $94, respectively, as compensation for its exposure to risk as general partner. The Company's Articles of Association set the annual compensation for assuming unlimited liability at 4% of the amount of the General Partner's share capital (€3,000).

b) Products

During 2013 and 2012 the Company sold products to the Fresenius SE companies for $30,062 and $22,098 respectively. During the same periods, the Company made purchases from the Fresenius SE companies in the amount of $34,201 and $46,072 respectively.

In addition to the purchases noted above, Fresenius Medical Care Holdings, Inc. (FMCH) currently 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. During 2013 and 2012, FMCH acquired approximately $17,700 and $14,136, respectively, of 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.

c) Financing provided by and to Fresenius SE and the General Partner

The Company receives short-term financing from and provides short-term financing to Fresenius SE. In addition, the Company 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, 2013 and December 31, 2012, the Company had accounts receivables from Fresenius SE in the amount of $112,568 and $120,071, respectively. As of December 31, 2013 and December 31, 2012, the Company had accounts payables to Fresenius SE in the amount of $102,731 and $82,029, 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.

At December 31, 2013, the Company provided a loan to Fresenius SE of €4,400 ($6,068 at December 31, 2013) at an interest rate of 1.563%. This loan was repaid on January 3, 2014.

On August 19, 2009, the Company borrowed €1,500 ($2,069 at December 31, 2013) from the General Partner at 1.335%. The loan repayment has been extended periodically and is currently due August 20, 2014 with an interest rate of 1.796%. On November 28, 2013, the Company borrowed an additional €1,500 ($2,069 at December 31, 2013) from the General Partner at 1.875%. This loan is due on November 28, 2014.

At December 31, 2013, the Company borrowed CNY 352,372 ($58,204 at December 31, 2013) from a subsidiary of Fresenius SE at an interest rate of 6.1% and a maturity date of May 23, 2014.

For further information about short-term borrowings from and short-term financing provided to related parties at December 31, 2013 see note 10.

d) Other

The Company performs clinical studies for certain of its joint ventures for which services the Company received $2,106 and $7,432 in 2013 and 2012, respectively. In addition, the Company also performs marketing and distribution services for a joint venture for which services the Company received $19,541 and $19,170 for 2013 and 2012, respectively.

At December 31, 2013 and 2012, a subsidiary of Fresenius SE held senior notes issued by the Company in the amount of €11,800 and €12,800 ($16,273 and $16,888), respectively. The respective senior notes have a coupon rate of 5.25% interest and were issued in 2011 and 2012 see note 11. The Company paid interest related to these holdings in the amount of €678 and €790 ($900 and $1,015) during 2013 and 2012, 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 $1,268 and $1,519 for these services during 2013 and 2012, 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, 2013 and December 31, 2012, inventories consisted of the following:

T. 4.6.4 **Inventories**
in $ THOUS

	2013	*2012*
Finished goods	640,355	627,338
Healthcare supplies	195,519	154,840
Raw materials and purchased components	185,146	171,373
Work in process	76,084	83,258
▸ **Total**	**1,097,104**	**1,036,809**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately $612,925 of materials, of which $337,027 is committed at December 31, 2013 for 2014. The terms of these agreements run 1 to 7 years.

Healthcare supplies inventories at December 31, 2013 and 2012 included $33,294 and $29,704, respectively, of Erythropoietin (EPO). On January 1, 2012, the Company entered into a three-year sourcing and supply agreement with its EPO supplier.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

At December 31, 2013 and 2012, prepaid expenses and other current assets consisted of the following:

T. 4.6.5 **Prepaid expenses and other current assets**
in $ THOUS

	2013	2012
Taxes refundable	133,673	149,536
Cost report receivable from Medicare and Medicaid	130,236	86,566
Receivables for supplier rebates	105,994	61,248
Other deferred charges	62,555	53,517
Prepaid rent	49,409	44,894
Leases receivable	48,538	46,198
Prepaid insurance	41,039	24,935
Payments on account	33,934	35,660
Amounts due from managed locations	22,676	17,298
Receivable for sale of investment to third party	21,846	16,527
Deposit/Guarantee/Security	19,212	20,903
Derivatives	16,664	31,235
Other	351,615	389,020
▸ **Total prepaid expenses and other current assets**	**1,037,391**	**977,537**

The other item in the table above includes interest receivables, notes receivables and loans to customers.

6. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2013 and 2012, property, plant and equipment consisted of the following:

T. 4.6.6 **Acquisition or manufacturing costs**
in $ THOUS

	Jan. 1, 2013	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2013
Land	54,775	(3,292)	35	218	1,706	(6,753)	46,689
Buildings and improvements	2,257,002	(11,881)	823	43,948	204,170	(61,238)	2,432,824
Machinery and equipment	3,470,972	2,092	11,956	399,817	77,228	(153,709)	3,808,356
Machinery, equipment and rental equipment under capitalized leases	36,316	(1,363)	122	11,748	(3,161)	(423)	43,239
Construction in progress	256,401	2,102	2,653	296,554	(279,900)	(10,157)	267,653
▸ **Property, plant and equipment**	**6,075,466**	**(12,342)**	**15,589**	**752,285**	**43**	**(232,280)**	**6,598,761**

T. 4.6.7 **Depreciation**
in $ THOUS

	Jan. 1, 2013	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2013***
Land	1,435	(122)	–	–	(772)	38	579
Buildings and improvements	1,135,638	(2,824)	(4)	180,318	2,161	(45,302)	1,269,987
Machinery and equipment	1,978,746	4,585	(961)	370,312	1,052	(138,627)	2,215,107
Machinery, equipment and rental equipment under capitalized leases	19,027	(907)	–	4,495	(1,060)	(354)	21,201
Construction in progress	17	14	–	–	27	(125)	(67)
▸ Property, plant and equipment	**3,134,863**	**746**	**(965)**	**555,125**	**1,408**	**(184,370)**	**3,506,807**

T. 4.6.8 **Net book value**
in $ THOUS, December 31

	2013	*2012*
Land	46,110	53,340
Buildings and improvements	1,162,837	1,121,364
Machinery and equipment	1,593,249	1,492,226
Machinery, equipment and rental equipment under capitalized leases	22,038	17,289
Construction in progress	267,720	256,384
▸ Property, plant and equipment	**3,091,954**	**2,940,603**

Depreciation expense for property, plant and equipment amounted to $555,125 and $515,455 for the years ended December 31, 2013 and 2012, respectively.

Included in machinery and equipment at December 31, 2013 and 2012 were $597,024 and $532,088, 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 $21,201 and $19,027 at December 31, 2013 and 2012, respectively.

7. INTANGIBLE ASSETS AND GOODWILL

At December 31, 2013 and 2012, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

T. 4.6.9 — **Acquisition costs**
in $ THOUS

	Jan. 1, 2013	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2013***
Amortizable intangible assets							
Non-compete agreements	317,080	(67)	10,277	1,486	–	(3,441)	325,335
Technology	107,696	–	–	–	(450)	(736)	106,510
Licenses and distribution agreements	225,393	3,145	–	2,537	–	(7,374)	223,701
Customer Relationships	–	–	98,000	–	–	–	98,000
Construction in progress	57,677	169	–	4,964	(23,225)	(15)	39,570
Self-developed software	72,328	1,334	–	10,880	21,126	(581)	105,087
Other	343,867	(1,579)	5,922	5,782	3,896	(7,413)	350,475
▸ Total	**1,124,041**	**3,002**	**114,199**	**25,649**	**1,347**	**(19,560)**	**1,248,678**
Non-amortizable intangible assets							
Tradename	241,019	(81)	1,000	–	–	–	241,938
Management contracts	8,343	(89)	(946)	–	(269)	–	7,039
▸ Total	**249,362**	**(170)**	**54**	**–**	**(269)**	**–**	**248,977**
▸ Intangible assets	**1,373,403**	**2,832**	**114,253**	**25,649**	**1,078**	**(19,560)**	**1,497,655**
▸ Goodwill	**11,869,299**	**(22,359)**	**258,216**	**–**	**240**	**–**	**12,105,396**

T. 4.6.10 **Amortization**
in $ THOUS

	Jan. 1, 2013	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2013***
Amortizable intangible assets							
Non-compete agreements	213,639	(291)	–	31,000	–	(3,936)	240,412
Technology	40,849	–	–	6,619	(2,884)	–	44,584
Licences and distribution agreements	98,757	2,493	–	18,765	–	(7,318)	112,697
Customer relationships	–	–	–	650	–	–	650
Construction in progress	–	–	–	–	–	–	–
Self-developed software	32,496	246	–	13,209	–	146	46,097
Other	246,239	(1,543)	(5)	22,857	3,015	(6,532)	264,031
▸ **Total**	**631,980**	**905**	**(5)**	**93,100**	**131**	**(17,640)**	**708,471**
Non-amortizable intangible assets							
Tradename	31,307	1	–	–	–	–	31,308
Management contracts	–	–	–	–	–	–	–
▸ **Total**	**31,307**	**1**	**–**	**–**	**–**	**–**	**31,308**
▸ **Intangible assets**	**663,287**	**906**	**(5)**	**93,100**	**131**	**(17,640)**	**739,779**
▸ **Goodwill**	**447,410**	**(22)**	**–**	**–**	**(179)**	**–**	**447,209**

T. 4.6.11 **Net book value**

in $ THOUS, December 31

	2013	2012
Amortizable intangible assets		
Non-compete agreements	84,923	103,441
Technology	61,926	66,847
Licences and distribution agreements	111,004	126,636
Customer relationships	97,350	–
Construction in progress	39,570	57,677
Self-developed software	58,990	39,832
Other	86,444	97,628
▸ **Total**	**540,207**	**492,061**
Non-amortizable intangible assets		
Tradename	210,630	209,712
Management contracts	7,039	8,343
▸ **Total**	**217,669**	**218,055**
▸ **Intangible assets**	**757,876**	**710,116**
▸ **Goodwill**	**11,658,187**	**11,421,889**

The amortization on intangible assets amounted to $93,100 and $87,441 for the years ended December 31, 2013 and 2012, respectively. The table shows the estimated amortization expense of these assets for the following five years.

T. 4.6.12 **Estimated amortization expense**

in $ THOUS

	2014	2015	2016	2017	2018
Estimated amortization expense	79,830	76,717	74,303	70,362	67,793

Goodwill

In 2013 and 2012, goodwill related to general manufacturing operations was reclassified from the North America and International segments to Corporate see note 24. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units see note 1e.

Changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2013 and 2012, the Company's acquisitions consisted primarily of the acquisition of clinics in the normal course of operations, the expansion of the laboratory business in 2013 and in 2012, the Liberty acquisition. The changes to goodwill in 2013 and 2012 are as follows:

T. 4.6.13 **Goodwill**
in $ THOUS

	North America	*International*	*Segment Total*	*Corporate*	*Total*
▸ **Balance as of December 31, 2011**	**7,314,622**	**1,464,089**	**8,778,711**	**407,939**	**9,186,650**
Goodwill acquired, net of divestitures	2,172,181	21,106	2,193,287	–	2,193,287
Reclassifications	–	(5,188)	(5,188)	5,188	–
Foreign currency translation adjustment	210	41,352	41,562	390	41,952
▸ **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**

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 is 18 months ending on February 12, 2015 and amounts drawn, whether repaid or prepaid, cannot be re-borrowed. 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. At December 31, 2013, $170,000 had been drawn ($165,542, net of commitment and closing fees) with $3,097 of interest income accrued. Interest is payable on a semi-annual basis for the length of the loan. The first interest payment was due and received on October 31, 2013.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At December 31, 2013 and 2012, accrued expenses and other current liabilities consisted of the following:

T. 4.6.14 **Accrued expenses and other current liablilities**
in $ THOUS

	2013	2012
Accrued salaries, wages and incentive plan compensations	542,230	481,920
Unapplied cash and receivable credits	302,337	198,834
Accrued insurance	201,346	187,254
Accrued interest	122,166	111,532
Special charge for legal matters	115,000	115,000
Accrued operating expenses	102,914	91,529
Withholding tax and VAT	93,407	96,157
Derivative financial instruments	25,701	26,578
Other	507,432	478,667
▸ **Total**	**2,012,533**	**1,787,471**

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 (the "Merger"), estimated liabilities and legal expenses arising in connection with the W. R. Grace & Co. Chapter 11 proceedings (the "Grace Chapter 11 Proceedings") and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among the Company, the committees representing the asbestos creditors and W. R. Grace & Co. Under the settlement agreement, the Company had agreed to pay $115,000, without interest, upon plan confirmation. On February 3, 2014, the plan was confirmed and became effective. The Company paid the $115,000 at that time. All other matters included in the special charge have now been resolved see note 20.

Included in the other item in the table above are accruals for legal and compliance costs, physician compensation, commissions, short-term portion of pension liabilities, bonuses and rebates, accrued rents, and pending payments for purchase considerations for certain acquisitions.

10. SHORT-TERM BORROWINGS AND SHORT-TERM BORROWINGS FROM RELATED PARTIES

Short-term borrowings under lines of credit

Short-term borrowings of $96,648 and $117,850 at December 31, 2013 and 2012, 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, 2013 and 2012 were 4.00% and 4.93%, respectively.

Excluding amounts available under the 2012 credit agreement see note 11, at December 31, 2013 and 2012, the Company had $232,943 and $261,825 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

From time to time during each of the years presented, the Company received advances under the existing loan agreements with Fresenius SE for those years. During the year ended December 31, 2013, the Company received advances ranging from €3,200 to €99,946 with interest rates ranging from 1.363% to 1.541%. During the year ended December 31, 2012, the Company received advances ranging from €8,300 to €196,400 with interest rates ranging from 1.365% to 1.838%. For further information on short-term borrowings from related party outstanding at December 31, 2013 and 2012, see note 3c. Annual interest expense on these borrowings during the years presented was $547 and $1,458 for the years 2013 and 2012, respectively.

11. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS AND LONG-TERM DEBT FROM RELATED PARTIES

As of December 31, 2013 and December 31, 2012, long-term debt and capital lease obligations and long-term debt from related parties consisted of the following:

T. 4.6.15 **Long-term debt and capital lease obligations and long-term debt from related parties**
in $ THOUS, December 31

	2013	2012
2012 credit agreement	2,707,145	2,659,340
Senior notes	4,824,753	4,743,442
Euro notes	46,545	51,951
European Investment Bank agreements	193,074	324,334
Accounts receivable facility	351,250	162,000
Capital lease obligations	24,264	15,618
Other	111,259	163,802
Long-term debt and capital lease obligations	8,258,290	8,120,487
Less current maturities	(511,370)	(334,747)
Long-term debt and capital lease obligations, less current portion	7,746,920	7,785,740
Long-term debt from related parties	–	56,174
▸ **Total**	**7,746,920**	**7,841,914**

The Company's long-term debt, all of which ranks equally in rights of payment, consists mainly of borrowings related to its 2012 credit agreement, its senior notes, its euro notes, borrowings under its European Investment Bank agreements, borrowings under its accounts receivable facility (A/R facility) and certain other borrowings as follows:

2012 credit agreement

The Company entered into a $3,850,000 syndicated credit facility (the "2012 credit agreement") with a large group of banks and institutional investors (collectively, the "lenders") on October 30, 2012 which replaced a prior credit agreement. The credit facility consists of:

▸ a 5-year revolving credit facility of approximately $1,250,000 comprising a $400,000 multicurrency revolving facility, a $200,000 revolving facility and a €500,000 revolving facility which will be due and payable on October 30, 2017.

▸ a 5-year term loan facility of originally $2,600,000, also scheduled to mature on October 30, 2017, requiring 17 quarterly payments of $50,000 each, which began in the third quarter of 2013 that permanently reduce the term loan facility. The remaining balance is due on October 30, 2017.

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 2012 credit agreement plus an applicable margin. At December 31, 2013, the dollar-denominated tranches outstanding under the 2012 credit agreement had a weighted average interest rate of 2.00%. The euro-denominated tranche had an interest rate of 1.95%.

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 2012 credit agreement).

In addition to scheduled principal payments, indebtedness outstanding under the 2012 credit agreement will be reduced by portions of the net cash proceeds received from certain sales of assets and the issuance of certain additional debt.

Obligations under the 2012 credit agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the lenders.

The 2012 credit agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Company and investments by the Company, and require the Company to maintain certain financial ratios defined in the agreement. Additionally, the 2012 credit agreement provides for a limitation on dividends and other restricted payments which is €330,000 ($455,103 based upon the December 31, 2013 spot rate) for dividends to be paid in 2014, and increases in subsequent years. In default, the outstanding balance under the 2012 credit agreement becomes immediately due and payable at the option of the lenders. The Company was in compliance with all covenants at December 31, 2013.

The following table shows the available and outstanding amounts under the 2012 credit agreement at December 31, 2013 and 2012:

T. 4.6.16 **2012 credit agreement**
in THOUS

	Maximum amount available		*Balance outstanding*	
2012 credit agreement	***Dec. 31, 2013***		***Dec. 31, 2013***	
Revolving credit *in $*	$600,000	$600.000	$138,190	$138,190
Revolving credit *in €*	€500,000	$689.550	€50,000	$68,955
Term loan A	$2,500,000	$2.500.000	$2,500,000	$2,500,000
▸ **Total**		**$3.789.550**		**$2,707,145**

	Maximum amount available		*Balance outstanding*	
2012 credit agreement	*December 31, 2012*		*December 31, 2012*	
Revolving credit *in $*	$600,000	$600,000	$59,340	$59,340
Revolving credit *in €*	€500,000	$659,700	–	–
Term loan A	$2,600,000	$2,600,000	$2,600,000	$2,600,000
▸ **Total**		**$3,859,700**		**$2,659,340**

In addition, at December 31, 2013 and December 31, 2012, the Company had letters of credit outstanding in the amount of $9,444 and $77,188, 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, 2013, the Company's senior notes consisted of the following:

T. 4.6.17 **Senior notes**

in THOUS, except nominal amounts, in $

Issuer/Transaction		Face Amount	Maturity	Coupon	Book value
FMC Finance VI S.A. 2010	€	250,000	July 15, 2016	5.50%	342,944
FMC Finance VIII S.A. 2011 [1]	€	100,000	October 15, 2016	3.73%	137,910
FMC US Finance, Inc. 2007	$	500,000	July 15, 2017	6 7/8%	496,894
FMC Finance VIII S.A. 2011	€	400,000	September 15, 2018	6.50%	546,531
FMC US Finance II, Inc. 2011	$	400,000	September 15, 2018	6.50%	396,297
FMC US Finance II, Inc. 2012	$	800,000	July 31, 2019	5.625%	800,000
FMC Finance VIII S.A. 2012	€	250,000	July 31, 2019	5.25%	344,775
FMC US Finance, Inc. 2011	$	650,000	February 15, 2021	5.75%	645,672
FMC Finance VII S.A. 2011	€	300,000	February 15, 2021	5.25%	413,730
FMC US Finance II, Inc. 2012	$	700,000	January 31, 2022	5.875%	700,000
▸ **Total**					**4,824,753**

[1] *This note carries a variable interest rate which was 3.73% at December 31, 2013.*

In January 2012, $800,000 and $700,000 of dollar-denominated senior notes and €250,000 ($344,775 at December 31, 2013) of euro-denominated notes were issued at par. Both the $800,000 senior notes and the €250,000 euro-denominated senior notes are due July 31, 2019 while the $700,000 senior notes are due January 31, 2022. The proceeds were used for acquisitions and for general corporate purposes.

In October 2011, €100,000 ($137,910 at December 31, 2013) of floating rate senior notes were issued at par. These floating rate senior notes are due October 15, 2016. Proceeds were used for acquisitions, to refinance indebtedness and for general corporate purposes.

In September 2011, $400,000 of dollar-denominated senior notes and €400,000 ($546,531, net of discount, at December 31, 2013) of euro-denominated senior notes were issued at an issue price of 98.623%. Both the dollar- and euro-denominated senior notes have a coupon of 6.50% and a yield to maturity of 6.75% and mature on September 15, 2018. Proceeds were used for acquisitions, to refinance indebtedness and for general corporate purposes.

In February 2011, $650,000 of dollar-denominated senior notes and €300,000 ($413,730 at December 31, 2013) of euro-denominated senior notes were issued with coupons of 5.75% and 5.25%, respectively, at an issue price of 99.060% and par, respectively. The dollar-denominated senior notes had a yield to maturity of 5.875%. Both the dollar- and euro-denominated senior notes mature on February 15, 2021. Proceeds were used to repay indebtedness for acquisitions and for general corporate purposes.

In January 2010, €250,000 ($342,944, net of discount, at December 31, 2013) of senior notes were issued with a coupon of 5.50% at an issue price of 98.6636%. These senior notes had a yield to maturity of 5.75% and are due July 15, 2016. Proceeds were used to repay short-term indebtedness and for general corporate purposes.

In June 2007, FMC Finance III S.A. (FMC Finance III) issued $500,000 6⅞% senior notes due 2017 (the 6⅞% senior notes). The 6⅞% notes were issued with a coupon of 6⅞% at a discount, resulting in an effective interest rate of 7⅛%. In June 2011, Fresenius Medical Care US Finance, Inc. acquired substantially all of the assets of FMC Finance III and assumed all obligations of FMC Finance III under the 6⅞% notes and the related indenture. The guarantees of the Company and its subsidiaries, FMCH and Fresenius Medical Care Deutschland GmbH (D-GmbH), (together, the "Guarantor subsidiaries") for the 6⅞% senior notes have not been amended and remain in full force and effect.

All senior notes are unsecured and guaranteed on a senior basis jointly and severally by the Company and 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, 2013, the Company was in compliance with all of its covenants under the senior notes.

Euro notes

In April 2009, the Company issued euro-denominated notes (euro notes) totaling €200,000, which are senior, unsecured and guaranteed by FMCH and D-GmbH, which originally consisted of four tranches having terms of 3.5 and 5.5 years with floating and fixed interest rate tranches. At December 31, 2013, only two tranches remain outstanding, which are due on April 27, 2014 and October 27, 2014. At December 31, 2013, the Company was in compliance with all of its covenants under the euro notes. At December 31, 2013, the euro notes had an outstanding balance of €33,750 ($46,545).

European Investment Bank agreements

The Company entered into various credit agreements with the European Investment Bank (EIB) in 2005, 2006 and 2009. The EIB is a not-for-profit long-term lending institution of the European Union and lends funds at favourable rates for the purpose of capital investment and R&D projects, normally for up to half of the funds required for such projects.

Borrowings under the four EIB credit facilities available at December 31, 2013 and 2012 are shown below:

T. 4.6.18 **EIB credit facilities**
in $ THOUS

		Balance outstanding, Dec. 31,	
	Maturity	***2013***	*2012*
Revolving credit	2013	–	90,812
Loan 2005	2013	–	48,806
Loan 2006	2014	124,119	118,746
Loan 2009	2014	68,955	65,970
▸ **Total**		**193,074**	**324,334**

While the EIB agreements were granted in euro, advances under the revolving credit, loan 2005 and loan 2006 could be denominated in certain foreign currencies, including U.S. dollars. As a result, the borrowings under the revolving credit and loan 2005 were drawn down in U.S. dollars, while the borrowings under loan 2006 and loan 2009 were drawn down in euro.

In 2013, both the revolving credit and loan 2005 matured and have been repaid. The balances of the remaining two loans outstanding on December 31, 2013 had been classified as current portion of long-term debt and capital lease obligations and were repaid on their maturity on February 3, 2014 for the loan 2006 and February 17, 2014 for the loan 2009.

Loans 2006 and 2009 had variable interest rates that changed quarterly. The borrowings under these loan agreements had interest rates of 0.201% and 2.426% at December 31, 2013. At December 31, 2012, the dollar borrowings had an interest rate of 0.438% and the euro borrowings had interest rates of 0.171% and 2.40%, respectively.

Borrowings under the 2006 agreement were secured by bank guarantees while the 2009 agreement was guaranteed by FMCH and D-GmbH. EIB agreements had customary covenants. At December 31, 2013, the Company was in compliance with the respective covenants.

Accounts receivable facility

The Company refinanced the A/R facility on January 17, 2013 for a term expiring on January 15, 2016 with the available borrowings at $800,000. At December 31, 2013 there were outstanding borrowings under the A/R facility of $351,250. The Company also had letters of credit outstanding under the A/R facility in the amount of $65,622 at December 31, 2013. These letters of credit were not included above as part of the balance outstanding at December 31, 2013; however, they reduced 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 2013 was 1.044%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2013 and 2012, in conjunction with certain acquisitions and investments, the Company had pending payments of purchase considerations totaling approximately $94,084 and $142,229, respectively, of which $60,036 and $75,266, respectively, were classified as the current portion of long-term debt.

Annual payments

Aggregate annual payments applicable to the 2012 credit agreement, senior notes, euro notes, EIB agreements, capital leases, the A/R facility and other borrowings for the five years subsequent to December 31, 2013 and thereafter are:

T. 4.6.19 **Annual payments**
in $ THOUS

	2014	*2015*	*2016*	*2017*	*2018*	*Thereafter*	***Total***
Annual payments	511,370	233,589	1,038,599	2,613,096	953,423	2,926,290	**8,276,367**

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 2013, FMCH's minimum funding requirement was $6,100. In addition to the compulsory contributions, the Company voluntarily provided $5,239 to the defined benefit plan. Expected funding for 2014 is $42,585.

The benefit obligation for all defined benefit plans at December 31, 2013, was $660,860 (2012: $655,447) which consists of the gross benefit obligation of $378,170 (2012: $423,509) for the U.S. plan, which is funded by plan assets, and the benefit obligation of $282,690 (2012: $231,938) 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. 4.6.20 **Funded status of employee benefit plans**
in $ THOUS

	2013	2012
Change in benefit obligation		
Benefit obligation at beginning of year	655,447	512,745
Foreign currency translation	11,998	4,955
Other adjustments	2,203	–
Service cost	15,900	10,704
Interest cost	26,859	26,194
Transfer of plan participants	(32)	(68)
Actuarial (gain) loss	(34,698)	122,800
Benefits paid	(16,817)	(21,883)
▸ **Benefit obligation at end of year**	**660,860**	**655,447**
Change in plan assets		
Fair value of plan assets at beginning of year	228,393	218,990
Actual return on plan assets	23,058	18,356
Employer contributions	11,339	10,804
Benefits paid	(14,295)	(19,757)
▸ **Fair value of plan assets at end of year**	**248,495**	**228,393**
▸ **Funded status at end of year**	**412,365**	**427,054**
▸ **Benefit plans offered by other subsidiaries**	**29,321**	**35,798**
▸ **Net pension liability**	**441,686**	**462,852**

The Company had a pension liability of $412,365 and $427,054 at December 31, 2013 and 2012, respectively. The pension liability consists of a current portion of $4,221 (2012: $3,693) 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 $408,144 (2012: $423,361) 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 was $614,576 and $616,572 at December 31, 2013 and 2012, respectively. The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $614,576 and $616,572 at December 31, 2013 and 2012, respectively; the related plan assets had a fair value of $248,495 and $228,393 at December 31, 2013 and 2012, 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 $29,321 and $35,798 at December 31, 2013 and 2012 respectively and consists of a pension asset of $77 (2012: $74) recognized as "Other non-current assets and notes receivables" and a current pension liability of $1,684 (2012: $1,560), which is recognized as a current liability in the line item "Accrued expenses and other current liabilities". The non-current pension liability of $27,714 (2012: $34,312) for these plans is recorded as "non-current pension liability" in the balance sheet.

At December 31, 2013 the weighted average duration of the defined benefit obligation was 18 years (2012: 18 years).

The table below reflects pre-tax effects of actuarial losses (gains) in other comprehensive income (OCI) relating to pension liabilities. At December 31, 2013, there are no cumulative effects of prior service costs included in other comprehensive income.

T. 4.6.21 **Other comprehensive income (loss) related to pension liabilities**
in $ THOUS

	Actuarial (gains) losses
▸ **Actuarial (gains) losses recognized in OCI at December 31, 2011**	**184,778**
Actuarial (gain) loss for the year	119,685
Amortization of unrealized losses	(18,334)
Foreign currency translation	1,827
▸ **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**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $16,541.

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, 2012 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. 4.6.22 **Weighted-average assumptions for benefit obligations**
in %

	2013	2012
Discount rate	4.55	4.14
Rate of compensation increase	3.29	3.32

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2013 as follows:

T. 4.6.23 **Sensitivity analysis**
in $ THOUS

	0.5% increase	0.5% decrease
Discount rate	(54,247)	62,866
Rate of compensation increase	7,230	(7,159)
Rate of pensions increase	18,573	(16,893)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2013. 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. 4.6.24 **Components of net periodic benefit cost**
in $ THOUS

	2013	2012
Service cost	15,900	10,704
Interest cost	26,859	26,194
Expected return on plan assets	(13,638)	(15,241)
Amortization of unrealized losses	25,418	18,334
▸ **Net periodic benefit costs**	**54,539**	**39,991**

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. 4.6.25 **Weighted-average assumptions for net periodic benefit costs**
in %

	2013	2012
Discount rate	4.14	5.10
Expected return of plan assets	6.00	7.00
Rate of compensation increase	3.32	3.69

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

T. 4.6.26 **Expected benefit payments**
in $ THOUS

	2014	2015	2016	2017	2018	2019–2023
Expected benefit payments	17,824	19,294	21,041	22,963	24,542	156,106

Plan assets

The following table presents the fair values of the Company´s pension plan assets at December 31, 2013 and 2012.

T. 4.6.27 **Plan assets**
in $ THOUS

		Fair value measurements at Dec. 31, 2013	
Asset category	***Total***	*Quoted prices in active markets for identical assets (Level 1)*	*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**

		Fair value measurements at Dec. 31, 2012	
Asset category	***Total***	*Quoted prices in active markets for identical assets (Level 1)*	*Significant observable inputs (Level 2)*
Equity investments			
Index funds[1]	58,511	–	58,511
Fixed income investments			
Government securities[2]	9,859	8,504	1,355
Corporate bonds[3]	152,332	–	152,332
Other bonds[4]	457	–	457
U.S. treasury money market funds[5]	2,975	2,975	–
Other types of investments			
Cash, money market and mutual funds[6]	4,259	4,259	–
▸ **Total**	**228,393**	**15,738**	**212,655**

[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 2013.

The Company´s overall investment strategy is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The investment policy, utilizing a revised target investment allocation of 30% equity and 70% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The Plan policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital US Strips 20+ Year 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, 2013 and 2012, was $38,999 and $38,582, 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, 2013 and December 31, 2012 the Company's potential obligations under these put options were $648,251 and $523,260, respectively, of which, at December 31, 2013, put options with an aggregate purchase obligation of $275,468 were exercisable. In the last three fiscal years ending December 31, 2013, three such put provisions have been exercised for a total consideration of $7,105.

The following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31, 2013 and 2012:

T. 4.6.28 **Noncontrolling interests subject to put provisions**
in $ THOUS

	2013	2012
▸ **Beginning balance at January 1**	**523,260**	**410,491**
Contributions to noncontrolling interests	(122,179)	(114,536)
Purchase/sale of noncontrolling interests	6,723	134,643
Contributions from noncontrolling interests	17,767	16,565
Changes in fair value of noncontrolling interests	108,575	(18,880)
Net income	113,156	94,718
Other comprehensive income (loss)	949	259
▸ **Ending balance at December 31**	**648,251**	**523,260**

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 for their effectiveness.

During the Annual General Meeting (AGM) and the Preference Shareholder Meeting held on May 16, 2013, resolutions were passed on the conversion of the Company's preference shares to ordinary shares. The preference share conversion was effected on June 28, 2013 with 3,975,533 preference shares in the amount of €3,976 ($4,465) converted on a 1:1 basis to 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, 2013.

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, 2013.

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 twelve million non-par value bearer ordinary shares with a nominal value of €1.00 each. For further information, see note 17.

By resolution of the Company's AGM on May 9, 2006, as amended by the AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a nominal value of €1.00. This conditional capital increase can only be effected by the exercise of stock options under the Company's Stock Option Plan 2006 with each stock option awarded exercisable for one ordinary share see note 17. The Company has the right to deliver ordinary shares that it owns or purchases in the market in place of increasing capital by issuing new shares.

Through the Company's other employee participation programs, the Company has issued convertible bonds and stock option/subscription rights (Bezugsrechte) to employees and the Members of the Management Board of the General Partner and employees and members of management of affiliated companies that entitle these persons to receive shares. At December 31, 2013, 10,790,755 convertible bonds or options remained outstanding with a remaining average term of 4.83 years under these programs. For the year ending December 31, 2013, 2,282,639 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, 2013 is $32,364 (€23,467) which includes $16,549 (€12,000) for the 2011 SOP, $10,425 (€7,559) for the 2006 Plan and $5,390 (€3,908) 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 buyback program to repurchase ordinary shares. On April 4, 2013, the Company issued an ad hoc announcement of a share buyback program in the aggregate value of up to €385,000 (approximately $500,000). The share buyback 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 buyback program, which ended on August 14, 2013:

T. 4.6.29 **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 2012 credit agreement see note 11.

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.

Cash dividends of $271,733 for 2011 in the amount of €0.71 per preference share and €0.69 per ordinary share were paid on May 11, 2012.

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 dialysis care revenue, for the years ended December 31, 2013 and 2012. 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. 4.6.30 **U.S. patient service revenue**
in $ THOUS

	2013	2012
Medicare ESRD program	4,411,285	4,029,773
Private/alternative payors	3,841,473	3,605,081
Medicaid and other government sources	392,908	474,520
Hospitals	411,340	400,791
▸ **Total patient service revenue**	**9,057,006**	**8,510,165**

16. EARNINGS PER SHARE

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per ordinary share computations for 2013 and 2012:

T. 4.6.31 **Reconciliation of basic and diluted earnings per share**
in $ THOUS, except per share data

	2013	2012
Numerators		
Net income attributable to shareholders of FMC AG & Co. KGaA	1,109,890	1,186,809
Less: dividend preference on preference shares [1]	–	102
▸ **Income available to all classes of shares**	**1,109,890**	**1,186,707**
Denominators		
Weighted average number of		
Ordinary shares outstanding	301,877,303	301,139,652
Preference shares outstanding	1,937,819	3,969,307
Total weighted average shares outstanding	303,815,122	305,108,959
Potentially dilutive ordinary shares	673,089	1,761,064
Potentially dilutive preference shares [1]	–	16,851
Total weighted average ordinary shares outstanding assuming dilution	302,550,392	302,900,716
Total weighted average preference shares outstanding assuming dilution	1,937,819	3,986,158
Basic earnings per ordinary share	3.65	3.89
Fully diluted earnings per ordinary share	3.65	3.87

[1] *As of the preference share conversion on June 28th, 2013, the Company has no longer two classes of shares.*

17. STOCK OPTIONS

In connection with its equity-settled stock option programs, the Company incurred compensation expense of $13,593 and $26,476 for the years ending December 31, 2013 and 2012, respectively. There were no capitalized compensation costs in any of the three years presented. The Company also recorded a related deferred income tax of $3,828 and $6,854 for the years ending December 31, 2013 and 2012, respectively.

Stock options and other share-based plans

At December 31, 2013, 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. 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. 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 twelve million 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 grant awards and exercise other decision making powers under the 2011 Incentive Program (including decisions regarding certain adjustments and forfeitures). The General Partner has such authority with respect to all other participants in the 2011 Incentive Program.

The 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 2013, under the 2011 Incentive Program, the Company awarded 2,141,076 stock options, including 328,680 stock options granted to the Management Board, at an average exercise price of $68.61 (€49.75), an 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 also awarded 186,392 shares of phantom stock, including 25,006 shares of phantom stock granted to Members of the Management Board at a measurement date 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.

During 2012, the Company awarded 2,166,035 stock options under the 2011 Incentive Program, including 310,005 stock options granted to the Management Board at an average exercise price of $75.41 (€57.15), an average fair value of $15.48 each and a total fair value of $33,538, which will be amortized over the four-year vesting period. The Company awarded 178,729 phantom shares, including 23,407 phantom shares granted to the Management Board at a measurement date average fair value of $64.58 (€48.95) each and a total fair value of $11,543 which will be revalued if the fair value changes, and amortized over the four year vesting period.

Incentive plan

In 2013, 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 2013 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 2013. 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 closing 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 incurred under this plan for years 2013 and 2012 was $1,110 and $2,751, 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 five million non-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, 2013, the Management Board held 1,993,305 stock options and employees of the Company held 8,797,450 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, 2013, the Management Board held 77,886 phantom shares and employees of the Company held 474,901 phantom shares under the 2011 Incentive Plan.

The table below provides reconciliations for stock options outstanding at December 31, 2013, as compared to December 31, 2012.

T. 4.6.32 **Reconciliation of options outstanding**

	Options	*Weighted average exercise*	
	in THOUS	*in €*	*in $*
Stock options for ordinary shares			
▸ **Balance at December 31, 2012**	**11,147**	**42.66**	**58.83**
Granted	2,141	49.75	68.61
Exercised	2,280	33.76	46.56
Converted from preference shares	32	18.86	26.01
Forfeited	249	44.75	61.71
▸ **Balance at December 31, 2013**	**10,791**	**45.83**	**63.20**
Stock options for preference shares			
▸ **Balance at December 31, 2012**	**38**	**19.26**	**26.56**
Exercised	2	18.35	25.31
Forfeited	4	23.56	32.49
Converted into ordinary shares	32	18.86	26.01
▸ **Balance at December 31, 2013**	**0**	**0.00**	**0.00**

The following table provides a summary of fully vested options outstanding and exercisable at December 31, 2013:

T. 4.6.33 **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	4,711	2.51	36.41	50.21	72,198	99,568

At December 31, 2013, there was $48,355 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 two years.

During the years ended December 31, 2013 and 2012, the Company received cash of $102,418 and $100,118, 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, 2013 and 2012 was $52,203 and $83,690,

respectively. The Company recorded a related tax benefit of $8,882 and $21,008 for the years ending December 31, 2013 and 2012, respectively.

In connection with cash-settled share-based payment transactions under the 2011 Incentive Program the Company recognized expense of $3,559 and $5,144 for the years ending December 31, 2013 and 2012, 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 2013 and 2012 grants are as follows:

T. 4.6.34 **Assumptions**

	2013	2012
Expected dividend yield *in %*	2.02	1.61
Risk-free interest rate *in %*	1.33	1.09
Expected volatility *in %*	22.44	22.20
Expected life of options *in years*	8	8
Weighted average exercise price *in €*	49.75	57.15
Weighted average exercise price *in $*	68.61	75.41

18. INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

T. 4.6.35 **Income before income taxes**
in $ THOUS

	2013	2012
Germany	234,336	263,651
United States	1,254,690	1,356,094
Other	358,609	312,368
▸ **Total**	**1,847,635**	**1,932,113**

Income tax expense (benefit) for the years ended December 31, 2013 and 2012, consisted of the following:

T. 4.6.36 **Expense (benefit) for income taxes**
in $ THOUS

	2013	2012
Current		
Germany	81,117	52,862
United States	387,017	342,250
Other	116,186	139,136
▸ **Total current**	**584,320**	**534,248**
Deferred		
Germany	(33,106)	10,478
United States	47,298	98,200
Other	(6,500)	(37,790)
▸ **Total deferred**	**7,692**	**70,888**
▸ **Total**	**592,012**	**605,136**

In 2013 and 2012, the Company was subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable and a trade tax rate of 13.34% and 12.88% for the fiscal years ended December 31, 2013 and 2012, respectively.

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The combined tax rates were 29.16%, and 28.71% for the fiscal years ended December 31, 2013 and 2012, respectively.

T. 4.6.37 **Reconciliation of income taxes**
in $ THOUS

	2013	2012
Expected corporate income tax expense	538,770	554,613
Tax free income	(64,141)	(90,943)
Income from equity investments	(4,869)	(2,133)
Tax rate differentials	132,977	137,527
Non-deductible expenses	20,564	19,961
Taxes for prior years	(6,389)	22,420
Change in valuation allowance	3,154	(19,680)
Noncontrolling partnership interests	(55,023)	(49,081)
Other	26,969	32,452
▸ **Actual income tax expense**	**592,012**	**605,136**
▸ **Effective tax rate**	**32.0%**	**31.3%**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2013 and 2012, are presented below:

T. 4.6.38 **Deferred income tax assets and liabilities**
in $ THOUS

	2013	2012
Deferred tax assets		
Accounts receivable	8,789	5,847
Inventory	9,731	9,434
Property, plant and equipment, intangible and other non-current assets	20,093	28,470
Accrued expenses and other liabilities	305,664	318,827
Pensions	97,958	123,363
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	141,727	107,595
Derivatives	2,169	4,856
Stock-based compensation	22,710	24,758
Other	13,632	13,136
▸ **Total deferred tax assets**	**622,473**	**636,286**
Less: valuation allowance	(48,563)	(44,191)
▸ **Net deferred tax assets**	**573,910**	**592,095**
Deferred tax liabilities		
Accounts receivable	43,031	17,036
Inventory	12,264	11,847
Property, plant and equipment, intangible and other non-current assets	776,254	748,271
Accrued expenses and other liabilities	17,197	21,651
Derivatives	2,274	2,202
Other	117,255	128,403
▸ **Total deferred tax liabilities**	**968,275**	**929,410**
▸ **Net deferred tax assets (liabilities)**	**(394,365)**	**(337,315)**

The valuation allowance increased by $4,372 in 2013 and decreased by $36,227 in 2012.

The expiration of net operating losses is as follows:

T. 4.6.39 **Net operating loss carryforwards**
in $ THOUS

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 and thereafter	Without expiration date	Total
38,550	38,134	54,139	55,956	50,907	39,707	33,619	34,042	34,046	34,676	92,906	**506,682**

In assessing the realizability of deferred taxes, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2013.

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, 2013, the Company provided for $8,396 of deferred tax liabilities associated with earnings that are likely to be distributed in 2014 and the following years. Provision has not been made for additional taxes on $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 1.4% on all dividends and capital gains.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and on-going tax audits in other jurisdictions.

In Germany, the tax years 2002 through 2009 are currently under audit by the tax authorities. The Company recognized and recorded the current proposed adjustments of this audit period in the financial statements. All proposed adjustments are deemed immaterial. Fiscal years 2010 until 2013 are open to audit.

In the U.S., the tax years 2009 and 2010 are currently under audit by the tax authorities. Fiscal years 2011 until 2013 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 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).

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. 4.6.40 **Reconciliation of unrecognized tax benefits (net of interest)**
in $ THOUS

	2013	2012
▸ **Balance at January 1**	**225,198**	**223,829**
Increases in unrecognized tax benefits prior periods	25,260	13,232
Decreases in unrecognized tax benefits prior periods	(11,445)	(5,913)
Increases in unrecognized tax benefits current period	10,062	17,903
Changes related to settlements with tax authorities	(52,325)	(14,763)
Foreign currency translation	3,174	(9,090)
▸ **Balance at December 31**	**199,924**	**225,198**

Included in the balance at December 31, 2013 were $203,497 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 other unrecognized tax benefits.

During the years ended December 31, 2013 and 2012 the Company recognized $2,155 and $11,071 in interest and penalties, respectively. At December 31, 2013 and December 31, 2012 the Company had a total accrual of tax related interest and penalties of $17,580 and $33,749, respectively.

19. OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2039. Rental expense recorded for operating leases for the years ended December 31, 2013 and 2012 was $670,963 and $617,195, respectively. For information regarding intercompany operating leases, see note 3a.

Future minimum rental payments under noncancelable operating leases for the five years succeeding December 31, 2013 and thereafter are:

T. 4.6.41 **Future minimum rental payments**
in $ THOUS

	2014	2015	2016	2017	2018	Thereafter	**Total**
Future minimum rental payments	609,521	524,898	456,143	354,705	277,940	1,002,340	**3,225,547**

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 healthcare services and products. Legal matters that the Company currently deems to be material are described below. For the matters described below in which the Company believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

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

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

In 2003, the Company reached agreement with the asbestos creditors' committees on behalf of the W. R. Grace & Co. bankruptcy estate and W. R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to the Company that arise out of the bankruptcy of W. R. Grace & Co. The District Court approved the terms of the settlement agreement as amended (the Settlement Agreement), in 2003, and included the terms of the Settlement Agreement within the First Amended Plan of reorganization (the Grace Bankruptcy Plan) that was ultimately approved and confirmed by the District Court. On February 3, 2014, the Court of Appeals dismissed the last of the appeals of the District Court order confirming the plan of reorganization, and the Grace Bankruptcy Plan went effective on that date. Pursuant to the terms of the Settlement Agreement and the Grace Bankruptcy Plan, all actions asserting fraudulent conveyance and other claims raised on behalf of asbestos claimants were dismissed with prejudice and the Company received protection against existing and potential future W. R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims by operation of injunctions and releases and the Company also received indemnification against income tax claims related to the non-NMC members of the W. R. Grace & Co. consolidated tax group. Also, pursuant to the Settlement Agreement on February 3, 2014, the Company paid a total of $115,000, which had previously been accrued and

is included on the Company's consolidated balance sheets, to the asbestos personal injury and property damage trusts created under the Grace Bankruptcy Plan. No admission of liability was made.

On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than $140,000 in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding all asserted claims of Baxter patents invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of $14,300. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. The Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. Upon remand, the district court reduced the post-verdict damages award to $10,000. Separately, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. On May 17, 2012 the Federal Circuit affirmed the USPTO's ruling and invalidated the final remaining Baxter patent. Baxter appealed to the Federal Circuit claiming that approximately $20,000 of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constituted a final judgment that may be collected. On July 2, 2013, the Federal Circuit denied Baxter's appeal and ordered the District Court to dismiss the case. The court-approved escrow account has been terminated and the escrow funds have been returned to FMCH.

On August 27, 2012, 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 that may or may not eventually be formally consolidated with the federal multidistrict litigation. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

Other litigation and potential exposures

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that the Company seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. 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, Southern New York, Eastern Virginia and Rhode Island to American Access Care LLC (AAC), which the Company acquired in October 2011, and to the Company's Fresenius Vascular Access subsidiary 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.

The Company has received communications alleging certain conduct in certain 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 internal review with the assistance of independent counsel retained for such purpose. The Company voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) that allegations have been made and of the Company's internal review. The Company's review and dialogue with the SEC and DOJ are ongoing.

The review has identified conduct that raises concerns under the FCPA or other anti-bribery laws that may result in monetary penalties or other sanctions. In addition, the Company's ability to conduct business in certain jurisdictions could be negatively impacted. Given the current status of the internal review, the Company cannot reasonably estimate the possible loss or range of possible loss that may result from the identified matters or from the final outcome of the continuing internal review. Accordingly, no provision with respect to these matters has been made in the accompanying consolidated financial statements.

The Company's independent counsel, in conjunction with the Company's Compliance Department, have 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 compliance.

In December 2012 and January 2013, FMCH received subpoenas from the United States Attorneys for the District of Massachusetts and the Western District of Louisiana requesting production of a broad range of documents.

Communications with the investigating United States Attorney Offices indicate that the inquiry relates to products manufactured by FMCH, which encompasses the Granuflo® and Naturalyte® acid concentrate products that are also the subject of personal injury litigation described above, as well as electron-beam sterilization of dialyzers, the Liberty peritoneal dialysis cycler, and 2008 series hemodialysis machines as related to the use of Granuflo® and Naturalyte®. FMCH is cooperating fully in the government's investigation.

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 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).

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the 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. 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 "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Company operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, 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 healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

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, 2013, and December 31, 2012:

T. 4.6.42 **Non-derivative financial instruments**

in $ THOUS, December 31

		2013		2012	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	1	682,777	682,777	688,040	688,040
Accounts receivable [1]	2	3,190,392	3,190,392	3,157,233	3,157,233
Long-term notes receivable	3	165,807	175,768	–	–
Liabilities					
Accounts payable [1]	2	666,526	666,526	745,644	745,644
Short-term borrowings [1]	2	158,990	158,990	121,823	121,823
Long-term debt, excluding 2012 credit agreement, euro notes and senior notes	2	679,847	679,847	721,928	721,928
2012 credit agreement	2	2,707,145	2,710,270	2,659,340	2,652,840
Senior notes	2	4,824,753	5,348,679	4,743,442	5,296,325
Euro notes	2	46,545	47,423	51,951	54,574
Noncontrolling interests subject to put provisions	3	648,251	648,251	523,260	523,260

[1] *Also includes amounts from related parties.*

The carrying amounts in the table are included in the consolidated balance sheet under the indicated captions or in the case of long-term debt, in the captions see note 11.

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

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

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The valuation of long-term 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 date 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, 2013 and December 31, 2012, the Company had $18,334 and $32,044 of derivative financial assets subject to netting arrangements and $16,371 and $19,193 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of $12,169 and $20,773 as well as net liabilities of $10,207 and $7,922 at December 31, 2013 and December 31, 2012, respectively.

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, 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 $238,983 and $611,488 at December 31, 2013 and December 31, 2012, 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 $1,512,559 and $1,574,667 at December 31, 2013 and December 31, 2012, 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 in 2016 and have an interest rate of 1.73%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

At December 31, 2013 and December 31, 2012, the notional amount of the euro-denominated interest rate swaps in place was €100,000 and €100,000 ($137,910 and $131,940 at December 31, 2013 and December 31, 2012, respectively).

In addition, the Company also enters into interest rate hedges (pre-hedges) in anticipation of future debt issuance to effectively convert the variable interest rate related to the future debt to a fixed interest rate. These pre-hedges are 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, 2013 and December 31, 2012, the Company had $118,844 and $132,881, 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, 2013 and December 31, 2012.

T. 4.6.43 **Derivative financial instruments valuation**
in $ THOUS, December 31

	2013		2012	
	Assets[2]	Liabilities[2]	Assets[2]	Liabilities[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	4,985	(2,719)	7,839	(7,510)
Non-current				
Foreign exchange contracts	759	(374)	942	(187)
Interest rate contracts	–	(4,392)	–	(6,221)
▸ **Total**	**5,744**	**(7,485)**	**8,781**	**(13,918)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	11,679	(22,982)	23,396	(19,068)
Non-current				
Foreign exchange contracts	1,060	(820)	132	(292)
▸ **Total**	**12,739**	**(23,802)**	**23,528**	**(19,360)**

[1] *At December 31, 2013 and December 31, 2012, the valuation of the Company's derivatives was determined using significant other observable inputs (level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.*
[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in prepaid expenses and other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the consolidated balance sheets in Other assets or Other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company includes its own credit risk for financial instruments deemed liabilities and counterparty-credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments.

T. 4.6.44 **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,*	
	2013	*2012*		***2013***	*2012*
Derivatives in cash flow hedging relationships					
Interest rate contracts	(6,601)	(16,762)	Interest income/expense	28,111	23,779
Foreign exchange contracts	3,684	21,834	Costs of revenue	(3,251)	(5,414)
Foreign exchange contracts			Interest income/expense	589	582
▸ **Total**	**(2,917)**	**5,072**		**25,449**	**18,947**

T. 4.6.45 **The effect of derivatives on the consolidated financial statements**

in $ THOUS

	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,*	
		2013	*2012*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	(15,190)	(8,804)
Foreign exchange contracts	Interest income/expense	7,161	8,033
▸ **Total**		**(8,029)**	**(771)**

For foreign exchange derivatives, the Company expects to recognize $2,351 of losses deferred in AOCI at December 31, 2013, in earnings during the next twelve months.

The Company expects to incur additional interest expense of $22,927 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 remaining interest rate swap maturing in 2016 at December 31, 2013.

At December 31, 2013, the Company had foreign exchange derivatives with maturities of up to 23 months and interest rate swaps with maturities of up to 34 months.

22. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2013 and 2012 are as follows:

T. 4.6.46 — **Other comprehensive income (loss)**
in $ THOUS

	Pretax	*Tax effect*	*Net, before non-controlling interests*	*Non-controlling interests*	*Other comprehensive income (loss), net of tax*
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)**
2012					
Other comprehensive income (loss) relating to cash flow hedges					
Changes in fair value of cash flow hedges during the period	5,072	(21,171)	(16,099)	–	(16,099)
Reclassification adjustments	18,947	(4,968)	13,979	–	13,979
Total other comprehensive income (loss) relating to cash flow hedges	24,019	(26,139)	(2,120)	–	(2,120)
Foreign-currency translation adjustment	63,982	–	63,982	(179)	63,803
Defined benefit pension plans					
Actuarial (loss) gain on defined benefit pension plans	(121,512)	42,159	(79,353)	–	(79,353)
Reclassification adjustments	18,334	(7,189)	11,145	–	11,145
Total other comprehensive income (loss) relating to defined benefit pension plans	(103,178)	34,970	(68,208)	–	(68,208)
▸ Other comprehensive income (loss)	**(15,177)**	**8,831**	**(6,346)**	**(179)**	**(6,525)**

Changes in AOCI by component for the years ended December 31, 2013 and 2012 are as follows:

T. 4.6.47 **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, 2011**	**(136,221)**	**(111,215)**	**(238,331)**	**(485,767)**	**3,048**	**(482,719)**
Other comprehensive income before reclassifications	(16,099)	(79,353)	63,982	(31,470)	(179)	(31,649)
Amounts reclassified from AOCI	13,979	11,145	–	25,124	–	25,124
Net current-period other comprehensive income	(2,120)	(68,208)	63,982	(6,346)	(179)	(6,525)
▸ **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)**

Reclassifications out of AOCI for the years ended December 31, 2013 and 2012 are as follows:

T. 4.6.48 **Reclassifications out of AOCI**
in $ THOUS

Details about AOCI components	Amount of (gain) loss reclassified from AOCI in income for the years ended December 31, 2013	Amount of (gain) loss reclassified from AOCI in income for the years ended December 31, 2012	Location of (gain) loss reclassified from AOCI in income
(Gain) loss related to cash flow hedges			
Interest rate contracts	28,111	23,779	Interest income/expense
Foreign exchange contracts	(3,251)	(5,414)	Costs of revenue
Foreign exchange contracts	589	582	Interest income/expense
	25,449	18,947	Total before tax
	(7,393)	(4,968)	Tax expense or benefit
	18,056	13,979	Net of tax
Actuarial gain (loss) on defined benefit pension plans			
Actuarial (gains)/losses	25,418	18,334	[1]
	25,418	18,334	Total before tax
	(9,725)	(7,189)	Tax expense or benefit
	15,693	11,145	Net of tax
Total reclassifications for the period	33,749	25,124	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. 4.6.49 **Supplementary cash flow information**
in $ THOUS

	2013	2012
Supplementary cash flow information		
Cash paid for interest	374,648	349,415
Cash paid for income taxes[1]	542,625	552,711
Cash inflow for income taxes from stock option exercises	8,882	21,008
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(417,669)	(2,519,189)
Liabilities assumed	31,335	241,342
Noncontrolling interest subject to put provisions	15,460	123,210
Noncontrolling interest	9,104	104,947
Obligations assumed in connection with acquisition	66,917	6,624
Cash paid	(294,853)	(2,043,066)
Less cash acquired	6,858	173,278
Net cash paid for acquisitions	(287,995)	(1,869,788)
Cash paid for investments	(195,921)	(387)
Cash paid for intangible assets	(11,809)	(8,733)
▸ **Total cash paid for acquisitions and investments, net of cash acquired, and purchases of intangible assets**	**(495,725)**	**(1,878,908)**

[1] *Net of tax refund.*

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 dialysis care services and the distribution of products and equipment for the treatment of ESRD. The Company has aggregated the EMEALA and Asia-Pacific operating segments as the "International segment". The segments are aggregated due to their similar economic characteristics. These characteristics include same services provided and same products sold, the same type of patient population, similar methods of distribution of products and services and similar economic environments. 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 a measure that reflects all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate measure in this regard is operating income which measures the Company's source of earnings. The Company does not include the effects of certain transactions, such as the investment gain resulting from the 2012 Liberty acquisition nor income taxes as it believes these items to be 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, global research and development, etc. (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. 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, 2013 and 2012 is set forth below.

T. 4.6.50 **Segment and corporate information**
in $ THOUS

	North America segment	International segment	Segment total	Corporate	**Total**
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	(330,371)	(185,570)	(515,941)	(132,284)	(648,225)
▸ **Operating Income**	**1,623,984**	**858,308**	**2,482,292**	**(226,096)**	**2,256,196**
Income (loss) from equity method investees	19,297	1,672	20,969	5,136	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	396,524	664,894	(448)	664,446
Capital expenditures, acquisitions and investments[1]	789,340	286,420	1,075,760	167,903	1,243,663
2012					
Net revenue external customers	9,031,108	4,740,132	13,771,240	29,042	13,800,282
Inter-segment revenue	10,072	–	10,072	(10,072)	–
▸ **Revenue**	**9,041,180**	**4,740,132**	**13,781,312**	**18,970**	**13,800,282**
Depreciation and amortization	(310,216)	(175,504)	(485,720)	(117,176)	(602,896)
▸ **Operating Income**	**1,615,348**	**809,269**	**2,424,617**	**(206,044)**	**2,218,573**
Income (loss) from equity method investees	23,408	919	24,327	(6,885)	17,442
Segment assets	14,170,453	5,892,477	20,062,930	2,263,068	22,325,998
thereof investments in equity method investees	266,521	378,626	645,147	(7,774)	637,373
Capital expenditures, acquisitions and investments[2]	2,147,522	230,888	2,378,410	175,808	2,554,218

[1] *North America and International acquisitions exclude $48,231 and $18,686, respectively, of non-cash acquisitions and investments for 2013.*
[2] *North America and International acquisitions exclude $484,699 and $6,624, respectively, of non-cash acquisitions and investments for 2012.*

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. 4.6.51 **Geographic division**
in $ THOUS

	2013		*2012*	
	Net revenue	*Long-lived assets*	*Net revenue*	*Long-lived assets*
Germany	437,459	609,040	409,195	493,782
North America	9,606,111	12,891,384	9,031,108	12,428,762
Rest of the world	4,566,157	3,226,779	4,359,979	3,185,773
▸ **Total**	**14,609,727**	**16,727,203**	**13,800,282**	**16,108,317**

CHAPTER 4.7

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, 2013, 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 (1992) 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, 2013.

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, 2013 has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included on page 272.

February 25, 2014

Fresenius Medical Care AG & Co. KGaA, a partnership limited by shares, represented by:
Fresenius Medical Care Management AG, its General Partner expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

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

In connection with the Company's annual report on form 20-F, filed with the U.S. Securities and Exchange Commission on February 25, 2014, KPMG AG Wirtschaftsprüfungsgesellschaft issued the following report of the independent registered public accounting firm on internal control over financial reporting and the report of the independent registered public accounting firm.

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, 2013, based on criteria established in Internal Control-Integrated Framework (1992) 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.

4.8 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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, 2013, based on criteria established in Internal Control-Integrated Framework (1992) 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, 2013 and 2012, 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, 2013, and our report dated February 25, 2014 expressed an unqualified opinion on those consolidated financial statements.

Frankfurt am Main, Germany
February 25, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

CHAPTER 4.9

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, 2013 and 2012 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, 2013. 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, 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, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Frankfurt am Main, Germany
February 25, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

275 – 294

FURTHER INFORMATION

5.1
Directorships
275

5.2
Regional organization
278

5.3
Major subsidiaries
279

5.4
Five-year summary
281

5.5
Glossary
283

5.6
Index of tables
290

5.7
Subject index
293

5.8
Contacts and Imprint
294

Directorships

Fresenius Medical Care AG & Co. KGaA

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman
Königstein, Germany

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
Munich, Germany

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)

Advisory Board
Else Kröner-Fresenius-Stiftung
(Chairman)

Dr. Walter L. Weisman
Former Chairman and Chief
Executive Officer of American
Medical International, Inc.,
Los Angeles, California, U.S.

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, since March 15, 2013)
Sundance Institute, U.S.
(Chairman)

William P. Johnston
Former Chairman of the Board of
Directors of Renal Care Group, Inc.,
Nashville, Tennessee, U.S.

Supervisory Board
Fresenius Medical Care
Management AG

Board of Directors
The Hartford Mutual Funds, Inc.,
U.S.
LifeCare Holdings, Inc., U.S.
(until May 31, 2013)
HCR-Manor Care, Inc., U.S.

Others
The Carlyle Group, U.S.
(Operating Executive)

Prof. Dr. Bernd Fahrholz
Attorney
Berlin, Germany

Supervisory Board
SMARTRAC N.V., The Netherlands
(Chairman)

Rolf A. Classon
Chairman of the Board of
Directors of Hill-Rom Holdings,
Inc., Martinsville,
New Jersey, U.S.

Supervisory Board
Fresenius Medical Care
Management AG

Board of Directors
Auxilium Pharmaceuticals, Inc.,
U.S.
(Chairman)
Tecan Group Ltd., U.S.
(Chairman)

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

Fresenius Medical Care Management AG
General Partner of Fresenius Medical Care AG & Co. KGaA

SUPERVISORY BOARD

Dr. Ulf M. Schneider
Chairman
Frankfurt am Main, Germany

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 Group
France S.A.S., France
(Chairman)
FPS Beteiligungs AG
(Chairman)

Board of Directors
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi U.S., Inc., U.S.

Dr. Dieter Schenk
Vice Chairman
Munich, Germany

Dr. Gerd Krick
Königstein, Germany

Dr. Walter L. Weisman
Los Angeles, California, U.S.

William P. Johnston
Nashville, Tennessee, U.S.

Rolf A. Classon
Martinsville, New Jersey, U.S.

Dr. Ben J. Lipps
Honorary Chairman

MANAGEMENT BOARD

Rice Powell
Chairman and Chief Executive
Officer
Boston, Massachusetts, U.S.

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
(Deputy Chairman)

Michael Brosnan
Chief Financial Officer
Bad Homburg v.d.H., Germany

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
Hong Kong, China

Dr. Emanuele Gatti
Chief Executive Officer for Europe, Latin America, Middle East and Africa, Global Chief Strategist
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care España S.A., Spain
(Chairman)
National Medical Care of Spain S.A., Spain

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France
(Vice Chairman)

Others
Italian Chamber of Commerce for Germany
(President)

Ronald Kuerbitz
Chief Executive Officer for North America
Boston, Massachusetts, U.S.

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.
Kidney Care Partners, Inc., U.S.
(Chairman until December 31, 2013)
SCSG EA Acquisition Co., Inc., U.S.

Dr. Rainer Runte
Chief Administrative Officer for Global Law, Compliance and Intellectual Property, Corporate Business Development and Labor Relations Director for Germany
Bad Homburg v.d.H., Germany

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France
Fresenius Medical Care SGPS, S.A., Portugal
Fresenius Medical Care Japan, K.K., Japan
Fresenius-Kawasumi Co., Ltd., Japan

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Olaf Schermeier
Chief Executive Officer for Research and Development
(since March 1, 2013)
Bad Homburg v.d.H., Germany

Kent Wanzek
Chief Executive Officer for Global Manufacturing Operations
Boston, Massachusetts, U.S.

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

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

Regional organization

T. 5.2.1

Europe/Middle East/Africa

Germany	FMC Deutschland GmbH	Bad Homburg v.d.H.	100 %
France	FMC France S.A.S.	Fresnes	100 %
Great Britain	FMC (U.K.) Ltd.	Nottinghamshire	100 %
Serbia	FMC Srbija d.o.o.	Vrsac	100 %
Italy	FMC Italia S.p.A.	Cremona	100 %
Spain	NMC of Spain S.A.	Madrid	100 %
South Africa	FMC South Africa (Pty.) Ltd.	Gauteng	100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100 %
Belgium	FMC Belgium N.V.	Antwerp	100 %
Morocco	FMC Maroc S.A.	Casablanca	100 %
Ireland	FMC (Ireland) Ltd.	Dublin	100 %
Poland	FMC Polska S.A.	Poznan	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 – dialyzacne sluzby, s.r.o.	Pieštany	100 %
Slovenia	FMC Slovenija d.o.o.	Zrece	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	Albertslund	100 %
Switzerland	FMC (Schweiz) AG	Oberdorf	100 %
Bosnia & Herzegovina	FMC BH d.o.o.	Sarajevo	100 %
Estonia	FMC Estonia OÜ	Tartu	100 %

North America

U.S.	FMC Holdings Inc.	New York	100 %
Mexico	FMC 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 %
Dutch 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 %
	FMC Hong Kong Ltd.	Hong Kong	100 %
Singapore	FMC Singapore Pte. Ltd.	Singapore	100 %
Taiwan	FMC Taiwan Co. Ltd.	Taipei	100 %
India	FMC India Pvt. Ltd.	New Delhi	100 %
Indonesia	P.T. 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* *Dialysis care*

Simplified chart of Fresenius Medical Care's regional organization. Line of Business in 2013 in respective country. We use FMC for Fresenius Medical Care. Some percentage of subsidiaries represent direct and indirect shareholdings.

Major subsidiaries

T. 5.3.1 **Major subsidiaries 2013**

in $ M, except employees

Name[4] 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	2,091.7	0	699.5	3,246
	FMC GmbH, Bad Homburg v.d.H.	100	348.0	0	60.1	327
France	FMC France S.A.S., Fresnes	100	155.1	3.6	25.3	197
	FMC SMAD S.A.S., Savigny	100	157.4	11.8	67.9	401
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	100.8	7.7	36.0	195
Italy	FMC Italia S.p.A., Cremona	100	158.2	6.1	73.3	228
	SIS-TER S.p.A., Cremona	100	114.1	5.3	32.1	300
Spain	FMC España, S.A., Madrid	100	130.5	6.9	57.9	189
	National Medical Care of Spain, S.A., Madrid	100	0.7	2.5	77.7	1,384
South Africa	FMC South Africa (PTY) Ltd., Gauteng	100	49.9	0.5	18.2	555
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	82.8	(13.0)	65.6	217
Belgium	FMC Belgium N.V., Antwerp	100	46.1	3.2	13.5	39
Morocco	FMC Maroc S.A., Casablanca	100	19.7	0.0	10.9	68
Serbia	FMC Srbija d.o.o., Vrsac	100	74.4	8.3	53.3	723
Poland	FMC Polska S.A., Poznan	100	65.7	6.0	195.4	73
	Fresenius Nephrocare Polska Sp.z.o.o., Poznan	100	119.7	(0.6)	15.6	1,064
Portugal	FMC Portugal, S.A., Maia	100	56.4	2.9	20.3	49
	NephroCare Portugal, S.A., Lisbon	100	143.3	14.6	91.8	1,006
Romania	FMC Romania Srl, Bucharest	100	39.8	3.3	21.3	73
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	21.8	1.5	11.1	25
Slovenia	FMC Slovenija d.o.o., Zrece	100	8.8	0.4	2.7	11
	NEFRODIAL d.o.o., Zrece	100	13.1	(1.3)	1.6	87
Czech Republic	FMC CR, s.r.o., Prague	100	54.2	4.9	13.4	64
Hungary	FMC Magyarország Egészségügyi Korlátolt Felelösségü Társaság, Budapest	100	25.9	0.3	22.6	42
	FMC Dializis Center Egészségügyi Kft., Budapest*	100	43.4	0.1	0.5	625
Denmark	FMC Danmark A/S, Albertslund	100	14.8	0.5	2.9	24
Finland	FMC Suomi OY, Helsinki	100	19.8	2.1	7.3	24
Lebanon	FMC Lebanon s.a.r.l., Beirut	99	4.8	0.0	1.0	14
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	27.5	1.5	6.8	44
Austria	FMC Austria GmbH, Vienna	100	33.6	2.5	5.3	33
Russia	ZAO Fresenius SP, Moscow	100	133.5	13.4	44.6	167
Sweden	FMC Sverige AB, Stockholm	100	34.2	1.6	13.4	32
Switzerland	FMC (Schweiz) AG, Oberdorf	100	38.8	3.4	9.6	49
Estonia	OÜ FMC Estonia, Tartu	100	3.3	0.1	0.9	27
Ukraine	FMC Ukraine TOV, Kiev	100	5.5	(2.4)	0.6	80

[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] *We use FMC for Fresenius Medical Care except for all subsidiaries marked with *.*

T. 5.3.1

Major subsidiaries 2013

in $ M, except employees

Name[4] 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	9,388.7	704.9	6,734.4	52,548
Mexico	FMC de México, S.A. de C.V., Guadalajara, Jalisco[5]	100	190.7	15.7	47.9	1,796
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	233.5	19.2	106.3	2,737
Colombia	FMC Colombia S.A., Bogotá	100	172.9	42.5	158.1	1,376
Brazil	FMC Ltda., São Paulo	100	147.5	(6.8)	82.9	674
Chile	Pentafarma S.A., Santiago	100	22.5	2.7	14.7	73
Venezuela	FMC de Venezuela, C.A., Caracas	100	40.7	(9.5)	17.6	633
Peru	FMC del Perú S.A., Lima	100	7.7	0.4	3.0	22
Ecuador	Manadialisis S.A., Quito	100	16.7	1.2	2.7	477
Asia-Pacific						
Australia	FMC Australia PTY Ltd., Sydney	100	136.0	8.7	76.0	367
Japan	FMC Japan K.K., Tokyo	100	86.5	19.7	101.8	651
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	13.2	(0.6)	19.5	62
China	FMC (Shanghai) Co., Ltd., Shanghai	100	252.2	(27.4)	55.7	340
	FMC (Jiangsu) Co., Ltd., Changshu	100	29.6	(1.2)	23.4	623
Hong Kong	FMC Hong Kong Ltd., Hong Kong	100	32.9	1.5	62.8	51
	Biocare Technology Company Ltd., Hong Kong	100	39.4	(4.0)	11.5	15
	Excelsior Renal Service Co., Ltd., Hong Kong	51	31.3	0.4	23.9	857
Singapore	FMC Singapore Pte. Ltd., Singapore	100	10.9	(0.8)	3.4	72
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	65.8	1.1	30.1	102
	Jiate Excelsior Co., Ltd., Taipei	51	3.3	(0.2)	3.4	32
India	FMC India Private Ltd., New Delhi	100	30.9	1.1	6.3	162
Indonesia	PT FMC Indonesia, Jakarta	100	17.3	2.4	14.1	41
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	28.8	1.6	32.5	207
Philippines	FMC Philippines, Inc., Makati City	100	22.2	2.0	18.3	50
	FMC Renalcare Corp., Makati City*	100	1.3	(0.6)	(0.4)	47
South Korea	FMC Korea Ltd., Seoul	100	136.3	19.6	83.2	212
	NephroCare Korea Inc., Seoul	100	8.8	0.7	4.6	14
Thailand	FMC (Thailand) Ltd., Bangkok	100	26.0	1.2	13.0	46
	NephroCare (Thailand) Co., Ltd., Bangkok	100	19.6	0.7	3.0	38
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	8.0	0.1	2.7	36
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	2.6	0.2	0.6	18

[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] *We use FMC for Fresenius Medical Care except for all subsidiaries marked with *.*
[5] *Included in the consolidated financial statement (U.S. GAAP) of FMC Holdings Inc.*

Five-year summary

T. 5.4.1 **Five-year summary**

$ in THOUS, except share data

	2013	2012	2011	2010	2009
Statements of income					
Net revenue[1]	14,609,727	13,800,282	12,570,515	11,844,194	11,047,489
Costs of revenue[2]	9,871,330	9,199,029	8,418,474	8,009,132	7,504,498
Gross profit[1, 2]	4,738,397	4,601,253	4,152,041	3,835,062	3,542,991
Selling, general and administrative expenses[1, 2]	2,391,927	2,224,715	2,001,825	1,823,674	1,698,119
Gain on sale of dialysis clinics	9,426	36,224	4,551		
Research and development expenses	125,805	111,631	110,834	96,532	93,810
Income from equity method investees	26,105	17,442	30,959	8,949	4,534
Other operating expenses		100,000			
Operating income	2,256,196	2,218,573	2,074,892	1,923,805	1,755,596
Investment gain		139,600			
Interest expenses, net	408,561	426,060	296,533	280,064	299,963
Income before income taxes	1,847,635	1,932,113	1,778,359	1,643,741	1,455,633
Income tax expense	592,012	605,136	601,097	578,345	490,413
Net income attributable to noncontrolling interests	145,733	140,168	106,108	86,879	74,082
▸ **Net income attributable to shareholders of FMC AG & Co. KGaA**	**1,109,890**	**1,186,809**	**1,071,154**	**978,517**	**891,138**
Basic earnings per ordinary share	3.65	3.89	3.54	3.25	2.99
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2,904,421	2,821,469	2,632,175	2,427,029	2,212,681
Personnel expenses	5,199,723	4,871,606	4,362,315	3,967,732	3,708,951
Depreciation	555,125	515,455	479,438	432,930	396,860
Amortization	93,100	87,441	77,845	70,294	60,225
Balance sheet					
Current assets	6,286,716	6,127,456	5,695,019	5,152,594	4,727,800
Non-current assets	16,833,190	16,198,542	13,837,831	11,942,067	11,093,515
▸ **Total assets**	**23,119,906**	**22,325,998**	**19,532,850**	**17,094,661**	**15,821,315**
Short-term debt	670,360	456,570	1,716,590	1,569,885	484,418
Other current liabilities	2,883,613	2,713,421	2,546,021	2,219,838	2,125,297
Current liabilities	3,553,973	3,169,991	4,262,611	3,789,723	2,609,715
Long-term debt	7,746,920	7,841,914	5,494,810	4,309,676	5,084,017
Other non-current liabilities	1,685,742	1,583,573	1,303,921	1,191,642	1,097,890
Non-current liabilities	9,432,662	9,425,487	6,798,731	5,501,318	6,181,907
Total liabilities	12,986,635	12,595,478	11,061,342	9,291,041	8,791,622
Noncontrolling interests subject to put provisions[3]	648,251	523,260	410,491	279,709	231,303
Equity[3]	9,485,020	9,207,260	8,061,017	7,523,911	6,798,390
▸ **Total liabilities and equity**	**23,119,906**	**22,325,998**	**19,532,850**	**17,094,661**	**15,821,315**
Total debt	8,417,280	8,298,484	7,211,400	5,879,561	5,568,435
Working capital[4]	3,518,103	3,529,035	3,263,998	3,047,756	2,717,503

[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; 2009: $200 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; 2009: $89 M).*

[3] *The Company has reclassified noncontrolling interests, which are subject to put provisions from equity into a mezzanine positon in the Consolidated Balance Sheets in 2010. The Consolidated Statement of Shareholders' Equity has been adjusted in 2009 retrospectively.*

[4] *Current assets less current liabilities (excluding short-term debt and accruals for special charge recorded in accrued expenses and other current liabilities).*

5.4
FIVE-YEAR SUMMARY

T. 5.4.1 **Five-year summary**

$ in THOUS, except share data

	2013	2012	2011	2010	2009
Credit rating					
Standard & Poor's					
Corporate credit rating	BB+	BB+	BB	BB	BB
Secured debt	BBB–	BBB–	BBB–	BB	BB
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba1	Ba1
Secured debt	Baa3	Baa3	Baa3	Ba3	Ba3
Fitch[5]					
Corporate credit rating	BB+	BB+	BB+	BB	BB
Secured debt	BBB–	BBB	BBB	B+	B+
Cash flow					
Net cash provided by (used in) operating activities	2,034,805	2,039,063	1,446,482	1,368,125	1,338,617
Capital expenditures, net	(728,091)	(665,643)	(570,530)	(507,521)	(561,876)
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	1,306,714	1,373,420	875,952	860,604	776,741
Acquisitions and investments	(495,725)	(1,878,908)	(1,785,329)	(764,338)	(188,113)
Proceeds from divestitures	18,276	263,306	9,990	146,835	51,965
Share data					
Year-end share price Frankfurt, XETRA *in €*					
Ordinary shares	51.73	52.31	52.50	43.23	36.94
Preference shares		42.24	42.95	35.21	33.31
Year-end share price (ADR) New York *in $*					
Ordinary shares	35.58	34.30	33.99	28.85	26.51
Preference shares		27.60	27.50	24.00	22.80
Weighted average number of ordinary shares	301,877,303	301,139,652	299,012,744	296,808,978	294,418,795
Weighted average number of preference shares	1,937,819	3,969,307	3,961,617	3,912,348	3,842,586
Total dividend amount *in € THOUS*	232,114	230,114	209,929	196,533	182,853
Dividend per ordinary share[6] *in €*	0.77	0.75	0.69	0.65	0.61
Employees					
Full-time equivalents	90,690	86,153	79,159	73,452	67,988
Operational ratios *in %*					
EBITDA margin	19.9	20.4	20.9	20.5	20.0
Operating income margin	15.4	16.1	16.5	16.2	15.9
Growth in basic earnings per share	–6.1	10.0	8.7	8.9	8.5
Organic revenue growth (currency-adjusted)	4.6	4.9	2.2	5.6	8.1
Return on invested capital (ROIC)[7]	7.7	7.7	8.7	8.8	8.5
Return on operating assets (ROOA)[7]	10.5	10.8	12.0	12.5	12.2
Return on equity before taxes[3, 8]	20.0	21.6	22.5	22.3	21.8
Return on equity after taxes[3, 8]	12.0	13.3	13.6	13.3	13.3
Cash flow return on invested capital (CFROIC)[7]	12.7	13.7	14.3	14.5	14.4
Debt/EBITDA ratio[7, 9]	2.8	2.8	2.7	2.4	2.5
Gearing ((total debt – cash)/equity)[3]	0.8	0.8	0.8	0.7	0.8
EBITDA/Interest expenses, net	7.1	6.6	8.9	8.7	7.4
Net cash provided by (used in) operating activities in % of revenue[1]	13.9	14.8	11.5	11.6	12.1
Equity ratio (equity/total assets)[3]	41.0	41.2	41.3	44.0	43.0
Dialysis care data					
Treatments *in M*	40.5	38.6	34.4	31.7	29.4
Patients	270,122	257,916	233,156	214,648	195,651
Clinics	3,250	3,160	2,898	2,744	2,553

[5] *Fitch is currently reviewing its rating for the Company.*
[6] *2013: Proposal to be approved by the Annual General Meeting on May 15, 2014.*
[7] *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] *Correction of non-cash charges (2013: $68 M; 2012: $64 M; 2011: $54 M; 2010: $45 M; 2009: $50 M).*

Glossary

A

ALBUMIN

A protein that has two important functions. On the one hand, it contributes through its relatively large amount to the fact that the liquid contained in the blood remains in the bloodstream and does not penetrate the arterial walls in 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)

Physical certificate proving ownership in one or several American Depositary Shares (ADS). Fresenius Medical Care's ordinary 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 decreased hemoglobin content in the blood.

ANTICOAGULANT

An agent (e.g. heparin) that prevents blood coagulation.

ARTERIOVENOUS (AV) FISTULA (SHUNT)

A direct surgically created connection between an artery and a vein in a patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for hemodialysis. Adequate vascular access is a prerequisite for hemodialysis.

ARTERY

A blood vessel that carries blood from the heart to the body.

AUTOMATED PERITONEAL DIALYSIS (APD)

Machine-supported version of peritoneal dialysis treatment usually performed at night.

B

BCM – BODY COMPOSITION MONITOR

This device can be used to precisely measure the composition of the human body and its fluid status and to quantify the level of overhydration in dialysis patients.

BIBAG

Dry bicarbonate concentrate for online production of liquid bicarbonate concentrate used in bicarbonate hemodialysis with our hemodialysis machines of the 4008 and 5008 series ONLINEplus System.

BIOFINE

Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

BLOOD

Fluid circulating in the body composed of plasma and cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

BLOOD CELLS, RED (ERYTHROCYTES)

Cells responsible for transporting oxygen. They are created with the help of erythropoietin, a hormone produced in the kidneys.

BLOOD CELLS, WHITE (LEUKOCYTES)

Cells that defend the human body against infection. They are involved in allergic reactions and destroy damaged, old and dead cells in the body.

BLOOD COAGULATION

A complex process during which blood forms solid clots. It is an important part of hemostasis whereby a damaged blood vessel wall is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Disorders in coagulation can lead to increased hemorrhaging and/or thrombosis and embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

BLOODLINE SYSTEM
System of tubes connecting a patient's blood circulation with a dialyzer during extracorporeal dialysis treatment.

C

CALCIMIMETICS
An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level in the bones.

CATHETER
A flexible tube inserted by surgery through the skin into a blood vessel or cavity to draw out body fluid or infuse fluid. In peritoneal dialysis, a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. In hemodialysis, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

COMPOSITE RATE
Medicare/Medicaid basic reimbursement rate for dialysis treatment.

CONTINUOUS AMBULATORY PERITONEAL DIALYSIS (CAPD)
A 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
A condition characterized by raised blood glucose (sugar) 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 the process of dialysis in order to remove the filtered-out 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 the "artificial kidney".

DIALYZER MEMBRANE
Semipermeable barrier in the dialyzer to separate the blood from the dialysis solution.

DIFFUSION
An exchange in the chemical concentration of two fluids that are divided by a semipermeable membrane. The molecules move from one fluid to the other, with metabolic toxins being transferred through the membrane into the 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 different 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)

It is an indicator of a company's earning power, irrespective of different regional taxation.

ERYTHROPOESIS-STIMULATING AGENTS (ESA)

Recombinant human EPO that is commonly prescribed to patients on dialysis who suffer from anemia.

ERYTHROPOIETIN (EPO)

Hormone that stimulates red blood cell production.

EUCLID

European Clinical Database for ensuring the quality of dialysis treatment. The database records the treatment data of dialysis patients and allows an efficient comparison of treatment quality among individual dialysis clinics.

F

FDA

U.S. Food and Drug Administration.

FREE FLOAT

The proportion of a company's listed shares that is freely available for trading. According to the definition of Deutsche Börse, block ownership (as opposed to free float) is considered to be shares held by a shareholder which, cumulatively, make up at least five percent of the registered share capital in one class of share.

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)

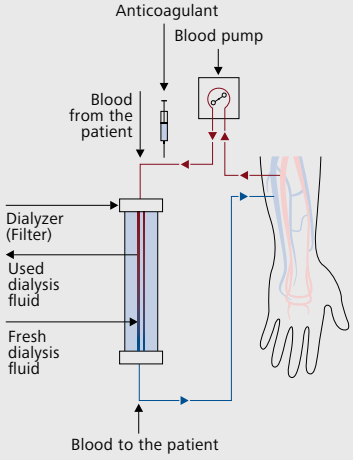
H

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 through diffusive transportation such as hemodialysis, whereas the larger molecules are to be predominantly removed through convective transportation as in hemofiltration. In hemodiafiltration (HDF), the total amount of removed toxins is greater than in the individual processes, as convection and diffusion do not complement each other, but run in parallel and affect 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 cleaned blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anticoagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.



HEMOFILTRATION (HF)

A type of treatment for chronic kidney failure that does not use dialysis solution. The solutes are removed using convective forces to filter plasma water through a semipermeable membrane. Substitution solution is used to replace the volume removed by filtration.

HEMOGLOBIN

Substance in red blood cells that carries oxygen around the body.

HEPARIN

Universal anticoagulant substance that is administered during hemodialysis to inhibit blood coagulation during hemodialysis.

HIGHVOLUME HDF

A therapy system of the hemodiafiltration. The convective transport is higher with HighVolumeHDF than with HDF. Studies proof that the HighVolumeHDF therapy significantly improves patient survival compared with conventional dialysis treatment.

I

IRON COMPOUND

Iron product used to treat anemia in dialysis patients resulting from iron deficiency. An example is the product Venofer.

ISO

International organization for standardization.

K

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 12cm long and weigh only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,500 liters of blood normally pass through the kidneys every 24 hours.

KIDNEY FAILURE, ACUTE

Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help completely restore kidney function in many patients.

KIDNEY FAILURE, CHRONIC (ENDSTAGE RENAL DISEASE, ESRD)

Permanent failure of the kidney (terminal kidney failure) resulting from slow and progressive loss of kidney function over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i.e. kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

KIDNEY FAILURE, TERMINAL

Terminal renal failure occurs when the kidneys no longer detoxify the body, have lost this function finally and thus kidney substitute therapies become necessary.

KIDNEY TRANSPLANTATION

A surgical procedure to implant a kidney from a donor.

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 length of treatment (dialysis time, t) by the filtration rate of certain toxins (the urea distribution volume in the patient, V).

L

LEAN SIX SIGMA

Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

LIBERTY CYCLER

Innovative device with PIN technology for automated peritoneal dialysis marketed exclusively in the U.S. The Liberty Cycler automatically regulates the exchange of used and fresh dialysis 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

OPERATING MARGIN

Earnings before interest and taxes (EBIT) divided by revenues.

ONLINE PLUS SYSTEM

A system for our 4008 and 5008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Online means that the dialysis machine automatically produces the infusion solution for treatment. The online method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

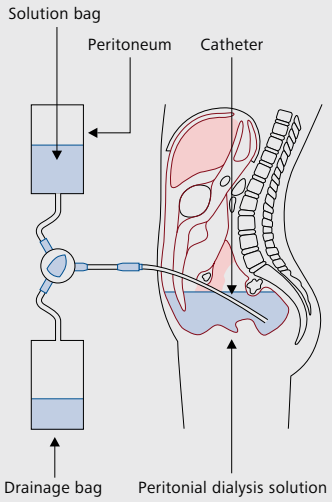
OSMOSIS

Passage of water from the blood through a semipermeable filter membrane. In osmosis, as opposed to diffusion, molecules move only in one direction.

P

PERITONEAL DIALYSIS (PD)

Dialysis treatment method using the patient's peritoneum, i.e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and excess water. Most treatments are supported by a machine, the cycler, and are administered by the patients in their home or workplace several times a day or during the night.



PHOSPHATE BINDER

Phosphate binders bind excess phosphate that is consumed with food within the intestines. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced through dialysis for patients with chronic kidney failure. Too much phosphate in the blood can have a number of adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo, OsvaRen or Velphoro (PA21) are examples of phosphate binders for patients with chronic kidney disease.

PIN TECHNOLOGY

Unique automatic inline-closing system that eliminates the risk of contamination during disconnection from peritoneal dialysis (PD) systems.

POLYSULFONE

A polymer (plastic) used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

PREVALENCE

Number of all patients who suffer from a specific disease within a defined period.

R

RATING

The rating is a classification of the creditworthiness of a company accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

RETURN ON EQUITY (ROE)

The Return on Equity is an indicator of company profitability related to the shareholders' financing.

RETURN ON INVESTED CAPITAL (ROIC)

The return on a Company's invested capital divided by average invested capital. Invested capital consists of current and noncurrent assets plus accumulated goodwill amortization less cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and other liabilities (including income tax accruals).

RETURN ON OPERATING ASSETS (ROOA)

EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current assets, noncurrent assets, less noncurrent deferred tax assets and accounts payable (including those due to related parties).

S

SARBANES-OXLEY ACT (SOX)

A law aimed at corporations and their auditors designed to improve financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders by extending regulations which relate to financial reporting and internal monitoring systems. SOX requirements include strict obligations for a company's management regarding the provision of complete and correct information. The new and expanded rules apply for all U.S. exchange-listed companies.

SECURITIES AND EXCHANGE COMMISSION (SEC)

A federal agency that regulates and monitors the U.S. financial markets.

SHARE INDEX

Indicates the development of the stock market as a whole and/or of individual groups of shares (e.g. DAX, DOW JONES, STOXX). Share indices act as a guide for investors to help them identify trends in the stock market. The index calculation is based on a weighted value for the average development of the stock corporations that make up the index.

SORBENT SYSTEMS/ SORB TECHNOLOGY

Technology used to treat tap water for dialysis so that the dialysis solution can be reused. As a result of its water- and space-saving properties, the technology is very suitable for home hemodialysis, and is thus an important step towards a portable artificial kidney. The technology centers on sorbents, specific substances that bind toxins in liquids so that they can be removed.

SUPPLY CHAIN MANAGEMENT

Management of all tasks along the supply chain, ranging from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

T

TRANSPLANTATION

Taking an organ or tissue from the body and grafting it into another area of the same body or into another individual.

U

U.S. GAAP

United States Generally Accepted Accounting Principles.

V

VEIN

A blood vessel that carries blood to the heart.

VOLATILITY

This means the price fluctuation of a security or currency. Often this is calculated from the form of standard deviation from the share price history or implicit from a price-setting formula.

W

WORKING CAPITAL

Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity position.

Index of tables

CHAPTER 1
To our shareholders

Stock indices/shares
T. 1.4.1 28

Index and share price performance, indexed December 31, 2012 – December 31, 2013
C. 1.4.2 29

Index and share price performance on a ten-year comparison, indexed December 31, 2003 – December 31, 2013
C. 1.4.3 29

Share price performance, absolute December 31, 2012 – December 31, 2013
C. 1.4.4 30

Development of the dividend
C. 1.4.5 31

Number of identified shares as per shareholder structure analysis
T. 1.4.6 32

Geographical distribution of identified shares
T. 1.4.7 33

Basic share data
T. 1.4.8 34

Key figures for Fresenius Medical Care's share
T. 1.4.9 36

CHAPTER 2
Our fiscal year

Major locations
C. 2.1.1 40–41

Fresenius Medical Care's corporate strategy
C. 2.1.2 45

Key performance indicators of Fresenius Medical Care
T. 2.1.3 48

Real gross domestic product
T. 2.2.1 49

Exchange rate development U. S. dollar/euro
C. 2.2.2 50

Sensitivity analysis
T. 2.2.3 50

Patients with chronic kidney failure in 2013
T. 2.2.4 51

Dialysis patients: regional development
T. 2.2.5 52

Regional breakdown of in-center dialysis and home dialysis in 2013
T. 2.2.6 53

Market position relating to major product groups in 2013
T. 2.2.7 54

Dialysis products in 2013
C. 2.2.8 54

Hemodialysis products in 2013
C. 2.2.9 55

Peritoneal dialysis products in 2013
C. 2.2.10 55

Dialysis clinic operators in 2013
C. 2.2.11 56

Dialysis providers in the different regions in 2013
C. 2.2.12 56

Top 5 dialysis providers worldwide in 2013
C. 2.2.13 57

Fresenius Medical Care: patients treated in 2013
C. 2.2.14 57

Targets and results for 2013
T. 2.2.15 60

Revenue by segment
T. 2.3.1 62

Revenue by region
T. 2.3.2 63

Patients
T. 2.3.3 64

Treatments
T. 2.3.4 64

Clinics
T. 2.3.5 64

Operating income (EBIT)
T. 2.3.6 65

Condensed statement of income
T. 2.3.7 65

Value added statement
T. 2.3.8 66

Major financing instruments of Fresenius Medical Care
T. 2.3.9 67

Credit rating
T. 2.3.10 68

Net investments and acquisitions by segment
T. 2.3.11 69

Net investments in property, plant and equipment by regions
C. 2.3.12 69

Days sales outstanding
T. 2.3.13 70

Abbreviated statement of cash flow
T. 2.3.14 70

Net cash provided by operating activities
C. 2.3.15 70

Balance sheet structure
T. 2.3.16 71

Expenditures for research and development
T. 2.4.1 76

Number of patents
T. 2.4.2 76

Number of employees in R&D
T. 2.4.3 76

Qualifications of R&D employees in Europe
C. 2.4.4 77

Professional background of R&D employees in Europe
C. 2.4.5 77

Global Manufacturing Operations (GMO)
C. 2.5.1 78

Quality data
T. 2.7.1 89

Number of employees
C. 2.8.1 92

Employees by functional area
T. 2.8.2 92

Employees by region
T. 2.8.3 93

Percentage of men and women in the Company
T. 2.8.4 94

5.6
INDEX OF TABLES

Profit sharing
T. 2.8.5 96

Development of the average electricity consumption
C. 2.9.1 103

Development of the average water consumption
C. 2.9.2 103

Development of the average amount of blood contaminated waste
C. 2.9.3 103

Risk reporting
C. 2.10.1 107

COSO-framework
C. 2.10.2 109

Real gross domestic product
T. 2.12.1 121

Expected growth in patient numbers
T. 2.12.2 122

Number of dialysis patients worldwide – forecast to 2020
C. 2.12.3 123

Targets 2014
T. 2.12.4 124

Structure of Fresenius Medical Care AG & Co. KGaA
C. 2.13.1 128

Organizational structure of the compliance program
C. 2.13.2 136

Director's Dealings 2013
T. 2.13.3 143–144

Minimum and maximum amounts of the short-term performance-related cash compensation (annual bonus) 2013
T. 2.13.4 147

Amount of cash payments
T. 2.13.5 148

Long-term incentive effect
T. 2.13.6 149

Development and status of the stock options
T. 2.13.7 150

Total compensation
T. 2.13.8 151

Expenses for long-term incentive components
T. 2.13.9 152

Development and status of pension commitments
T. 2.13.10 153

Fixed compensation of the Supervisory Board
T. 2.13.11 156

Performance related compensation of the Supervisory Board
T. 2.13.12 156

CHAPTER 3
Operating and financial review and prospects

Aging of net trade accounts receivable by major payor groups 2013
T. 3.1.1 163

Aging of net trade accounts receivable by major payor groups 2012
T. 3.1.2 164

Reconciliation of EBITDA to net cash provided by (used in) operating activities
T. 3.1.3 166

Significant cash flow key performance indicators
T. 3.1.4 167

Segment data
T. 3.2.1 174

Key indicators for consolidated financial statements
T. 3.2.2 175

Key indicators for North America segment
T. 3.2.3 178

Key indicators for International segment
T. 3.2.4 179

Development of days sales outstanding
T. 3.2.5 182

Available sources of liquidity
T. 3.2.6 184

Contractual obligations and commitments
T. 3.2.7 185

Foreign currency risk management
T. 3.3.1 189

Exchange rates
T. 3.3.2 189

Net positions in foreign currencies
T. 3.3.3 190

Interest rate exposure
T. 3.3.4 191

CHAPTER 4
Consolidated financial statements

Consolidated statements of income
T. 4.1.1 195

Consolidated statements of comprehensive income
T. 4.2.1 196

Consolidated balance sheets
T. 4.3.1 196–197

Consolidated statements of cash flows
T. 4.4.1 198–199

Consolidated statement of shareholders' equity
T. 4.5.1 200–201

Carrying amounts VIEs
T. 4.6.1 203

Assets acquired and liabilities assumed at the date of the acquisition
T. 4.6.2 212

Pro forma financial information
T. 4.6.3 213

Inventories
T. 4.6.4 216

Prepaid expenses and other current assets
T. 4.6.5 217

Acquisition or manufacturing costs
T. 4.6.6 217

Depreciation
T. 4.6.7 218

Net book value
T. 4.6.8 218

5.6
INDEX OF TABLES

Acquisition costs
T. 4.6.9 219

Amortization
T. 4.6.10 220

Net book value
T. 4.6.11 221

Estimated amortization expense
T. 4.6.12 221

Goodwill
T. 4.6.13 222

Accrued expenses and other current liablilities
T. 4.6.14 223

Long-term debt and capital lease obligations and long-term debt from related parties
T. 4.6.15 225

2012 credit agreement
T. 4.6.16 226

Senior notes
T. 4.6.17 227

EIB credit facilities
T. 4.6.18 229

Annual payments
T. 4.6.19 230

Funded status of employee benefit plans
T. 4.6.20 232

Other comprehensive income (loss) related to pension liabilities
T. 4.6.21 233

Weighted-average assumptions for benefit obligations
T. 4.6.22 234

Sensitivity analysis
T. 4.6.23 234

Components of net periodic benefit cost
T. 4.6.24 235

Weighted-average assumptions for net periodic benefit costs
T. 4.6.25 235

Expected benefit payments
T. 4.6.26 235

Plan assets
T. 4.6.27 236

Noncontrolling interests subject to put provisions
T. 4.6.28 238

Share buyback
T. 4.6.29 241

U.S. patient service revenue
T. 4.6.30 242

Reconciliation of basic and diluted earnings per share
T. 4.6.31 242

Reconciliation of options outstanding
T. 4.6.32 246

Fully vested outstanding and exercisable options
T. 4.6.33 246

Assumptions
T. 4.6.34 247

Income before income taxes
T. 4.6.35 247

Expense (benefit) for income taxes
T. 4.6.36 248

Reconciliation of income taxes
T. 4.6.37 248

Deferred income tax assets and liabilities
T. 4.6.38 249

Net operating loss carryforwards
T. 4.6.39 249

Reconciliation of unrecognized tax benefits (net of interest)
T. 4.6.40 251

Future minimum rental payments
T. 4.6.41 251

Non-derivative financial instruments
T. 4.6.42 257

Derivative financial instruments valuation
T. 4.6.43 260

The effect of derivatives on the consolidated financial statements
T. 4.6.44 261

The effect of derivatives on the consolidated financial statements
T. 4.6.45 261

Other comprehensive income (loss)
T. 4.6.46 263

Changes in AOCI by component
T. 4.6.47 264

Reclassifications out of AOCI
T. 4.6.48 265

Supplementary cash flow information
T. 4.6.49 266

Segment and corporate information
T. 4.6.50 268

Geographic division
T. 4.6.51 268

CHAPTER 5
Further information

Regional organization
T. 5.2.1 278

Major subsidiaries 2013
T. 5.3.1 279–280

Five-year summary
T. 5.4.1 281–282

Subject index

A

Acquisition 182, 230
Analyst recommendations 33
Annual General Meeting 32
Assets and liabilities 70
Auditor's report 272
Authorized capital 239

B

Balance sheet 70, 196
Basic earnings per share 65, 124, 210, 242
Business development 58

C

Cash flow 48, 69, 125, 180, 198, 266
Cash flow statement 69, 167, 198
Compensation report 145
Compliance 135
Conditional capital 240
Consolidated financial statements 175, 195
Corporate governance 128
Corporate management 44
Current assets 71

D

Debt and liabilities 223
Declaration of compliance 137
Declaration on corporate governance 128
Derivative financial instruments 206, 257
Dialysis market 51, 122
Dialysis products 43, 54, 62, 82
Dialysis service 43, 56, 62, 87
Directorships 275
Divestitures 58, 62
Dividend 32, 68, 124, 241

E

EBIT 63, 173
EBITDA 166
Economic environment 49
Employees 92
Environment 100

F

Financial instruments 66, 206, 257
Financial situation 66, 169

G

Goodwill 159, 204

H

Hemodialysis 42

I

Income taxes 65, 247
Internal control systems 107
Inventories 204, 216
Investment 68, 182
Investor relations 33

K

Key performance indicators 47

L

Leases 225, 251
Litigations 114, 160, 254

M

Management Board 18
Market capitalization 31
Market risks 187

N

Net income 60, 64, 124, 195
Non-current assets 71

O

Objectives 44, 60
Opportunities 116
Other comprehensive income (loss) 263
Outlook 121

P

Patents 72
Pension 210, 231
Peritoneal dialysis 42
Personnel expense 92
Procurement 78
Products 82
Production 78
Profit sharing 96
Property, plant and equipment 217

Q

Quality 80, 110

R

Rating 68
Research and development 72
Responsibility 98
Results of operations 62
Revenue 62, 173, 206
Risk report 106
ROE 47
ROIC 47
ROOA 47

S

Sector-specific conditions 52
Share 28
Shareholders' equity 200, 238
Shareholder structure 32
Statement of income 195
Stock option 243
Strategy 44
Subsequent events 120
Supervisory Board 22

T

Taxes 65
Trade accounts receivable 161
Training 92

W

WACC 47

Contacts

FRESENIUS MEDICAL CARE
61346 Bad Homburg v.d.H.
Germany
Tel. +49 6172 609 0
www.fmc-ag.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

Gerrit Jost
Tel. +49 6172 609 52 16
Fax +49 6172 609 23 01
E-Mail: ir@fmc-ag.com

NORTH AMERICA INVESTOR RELATIONS
Terry L. Morris
Tel. +1 800 948 25 38
Fax +1 615 345 56 05
E-Mail: ir@fmc-ag.com

TRANSFER AGENT
The Bank of New York Mellon
P.O. Box 358516
Pittsburgh, PA 15252–8516, U.S.
Tel. +1 866 246 7190
(toll-free number in the U.S.)
Tel. + 1 201 680 6825 (international)
E-Mail: shrrelations@bnymellon.com
www.bnymellon.com/shareowner

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Fresenius Medical Care AG & Co. KGaA
Registered seat and commercial register:
Hof an der Saale (Germany), HRB 4019

Chairman of the Supervisory Board:
Dr. Gerd Krick

General partner:
Fresenius Medical Care Management AG

Registered seat and commercial register:
Hof an der Saale (Germany), HRB 3894

Management Board:
Rice Powell (Chairman),
Michael Brosnan, Roberto Fusté,
Dr. Emanuele Gatti, Ronald Kuerbitz,
Dr. Rainer Runte, Dr. Olaf Schermeier,
Kent Wanzek

Chairman of the Supervisory Board:
Dr. Ulf M. Schneider

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FINANCIAL CALENDAR

subject to change

May 6, 2014
Report on the first quarter 2014

May 15, 2014
Annual General Meeting
Frankfurt am Main, Germany

May 16, 2014
Payment of dividend
subject to the approval of the Annual General Meeting

August 5, 2014
Report on the second quarter 2014

November 4, 2014
Report on the third quarter 2014

IMPORTANT FAIRS

April 25 – 27, 2014
7th Congress of International Society for Hemodialysis (ISHD)
Okinawa, Japan

May 3 – 6, 2014
American Society for Pediatric Nephrology Annual Meeting
Vancouver, Canada

May 31 – June 3, 2014
51st Congress of European Renal and the European Dialysis and Transplantation Association (ERA-EDTA)
Amsterdam, Netherlands

September 6 – 9, 2014
43rd International Conference of the European Dialysis & Transplant Nurses Association and European Renal Care Association (EDTNA/ERCA)
Riga, Latvia

September 7 – 10, 2014
Congress of the International Society for Peritoneal Dialysis (ISPD)
Madrid, Spain

September 18 – 20, 2014
47th Annual Scientific Meeting of the European Society for Paediatric Nephrology (ESPN)
Porto, Portugal

November 11 – 16, 2014
ASN Kidney Week 2014 The American Society of Nephrology
Philadelphia, U.S.

FRESENIUS MEDICAL CARE
Else-Kröner-Str. 1
61352 Bad Homburg v.d.H., Germany
www.fmc-ag.com