FRESENIUS MEDICAL CARE

Report on the main characteristics of the internal control and risk management system with respect to the accounting process according to Sec. 289 para. 5 of the German Commercial Code

As an enterprise with global operations, the Company is naturally exposed to risks associated with its business activities. Ultimately, the Company can only leverage opportunities for its business if it is willing to take certain risks. Many years of expertise and the Company's extensive knowledge of the markets enable it to uncover and assess risks and opportunities for its business.

The Company sees 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 the Company with a basis for these activities. It enables management to identify risks that could jeopardize the Company's growth or going concern, and to take steps to minimize any negative impact. As such, it is an important component of the Company's management and governance.

1. Risk management system

Risk management is part of the Company'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 its risk management are the corporate controlling function, which is used for the identification and steering of short-term risks and the internal risk monitoring system, which is typically used for the identification and steering of mid- to long-term risks. In the monitoring system, regional risk managers are responsible for identifying, assessing, and managing potential as well as existing industry and market-related risks in their region and reporting them to the regional chief financial officers. Twice a year, the regional chief financial officers send their aggregated risk management reports to the central risk management coordinator who consolidates the reports and presents them to the Management Board. The main focus lays on material risks that may have a total negative impact of € 25 million 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. The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the Supervisory Board.

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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 the Company is informed on a monthly basis about the industry situation, the Company's operating and non-operating business, and the outcome of analyses of the Company's earnings and financial position, as well as of the assets position on a quarterly basis.

Part of the risk management system is the Global Internal Audit department, which is regularly informed about the results of the risk management system. This department 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.

2. Internal control and risk management system for the Group's accounting process

The Company´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.

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

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

Since the Company's shares are also listed on the New York Stock Exchange, as so-called American Depositary Receipts, the Company 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, the design and operating effectiveness of the internal control system over financial reporting are reviewed in regular internal audits. These criteria are also included in the review by the Company's independent auditors.

To assess the effectiveness of the internal control system over financial reporting, the Company applies the criteria of the COSO model. 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, the 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.

The Company's 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 under Section 13(a) or 15(d) of the Securities Exchange Act of 1934). For the review, the Company uses 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 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 at December 31, 2013, management assessed the Company'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.

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Hof an der Saale, April 2014

Fresenius Medical Care AG & Co. KGaA

represented by **Fresenius Medical Care Management AG**
as General Partner

gez. Rice Powell Member of the Management Board	gez. Michael Brosnan Member of the Management Board

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