FRESENIUS

2015

Consolidated Financial Statements and Management Report

of Fresenius SE & Co. KGaA,
Bad Homburg v. d. H.

at December 31, 2015

applying Section 315a HGB in accordance with

International Financial Reporting Standards

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MANAGEMENT REPORT. 2015 was an outstanding year for Fresenius. We fully met our guidance, exceeding €28.0 billion in sales and achieving €1.4 billion in net income. Operating cash flow margin was 12.0%.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

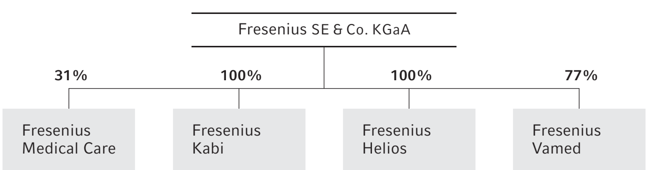
THE GROUP'S BUSINESS MODEL

Fresenius is a global health care group in the legal form of an SE & Co. KGaA (a partnership limited by shares). We offer products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations. We also manage projects and provide services for hospitals and other health care facilities worldwide.

The operating business comprises four **business segments**, all of which are legally independent entities managed by the operating parent company Fresenius SE & Co. KGaA. The business segments have a regional and decentralized structure.

- **Fresenius Medical Care** offers services and products for patients with chronic kidney failure. As of December 31, 2015, Fresenius Medical Care treated 294,381 patients at 3,418 dialysis clinics. Dialyzers, dialysis machines, and renal pharmaceuticals are among the most important product lines. In addition, Fresenius Medical Care offers dialysis-related services, among others in the field of Care Coordination.
- **Fresenius Kabi** specializes in intravenously administered generic drugs (IV drugs), clinical nutrition, and infusion therapies. The company is also a supplier of medical devices and products of transfusion technology. The company sells its products mainly to hospitals.
- **Fresenius Helios** is the largest hospital operator in Germany. At the end of 2015, Fresenius Helios operated a total of 111 hospitals with more than 34,000 beds in Germany. In addition to 87 acute care hospitals, including seven maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden, and Wuppertal, the HELIOS Group has 24 post-acute care clinics.
- **Fresenius Vamed** manages projects and provides services for hospitals and other health care facilities worldwide. The portfolio ranges along the entire value chain – from project development, planning, and turnkey construction, via maintenance, and technical management, to total operational management.
- The segment **Corporate/Other** comprises the holding activities of Fresenius SE & Co. KGaA and the IT service provider Fresenius Netcare, which operates mainly for Group companies. In addition, Corporate/Other includes the consolidation measures conducted among the business segments.

GROUP STRUCTURE



Fresenius has an international sales network and maintains approximately 90 production sites. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries and in Latin America, Asia-Pacific, and South Africa.

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are North America and Europe with 46% and 38% of sales, respectively.

Fresenius Medical Care holds the leading position worldwide in dialysis care as it serves about 10% of all dialysis patients, as well as in dialysis products, with a market share of about 34%. **Fresenius Kabi** holds leading market positions in Europe and has significant market shares in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. **Fresenius Helios** is the largest hospital operator in Germany. **Fresenius Vamed** is one of the world's leading companies in its field.

LEGAL AND ECONOMIC FACTORS

Overall, the legal and economic factors for the Fresenius Group were largely unchanged. The life-saving and life-sustaining products and therapies that the Group offers are of intrinsic importance for people worldwide. Therefore, our markets are fundamentally stable and relatively independent of economic cycles. For detailed information on our markets, please see pages 36 ff.

Furthermore, the diversification across four business segments and our global reach provide additional stability for the Group.

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate between the U.S. dollar and the euro. In 2015, the average annual exchange rate between the U.S. dollar and the euro of 1.11 was below the 2014 rate of 1.33, and therefore had a significant positive effect on the income statement. The changed spot rate of 1.09 as of December 31, 2015 – compared to 1.21 as of December 31, 2014 – also caused a significant increase on the balance sheet due to exchange rate effects.

There were no legal aspects that significantly affected business performance in 2015.

MANAGEMENT AND CONTROL

In the legal form of a KGaA, the Company's corporate bodies are the General Meeting, the Supervisory Board, and the general partner, Fresenius Management SE. Fresenius Management SE is wholly owned by Else Kröner-Fresenius-Stiftung. The KGaA has a **two-tier management system** – management and control are strictly separated.

The **general partner**, represented by its **Management Board**, conducts the business and represents the Company in dealings with third parties. The Management Board has seven members. According to the Management Board's rules of procedure, each member is accountable for his or her own area of responsibility. However, the members have joint responsibility for the management of the Group. In addition to the Supervisory Board of Fresenius SE & Co. KGaA, Fresenius Management SE has its own Supervisory Board. The Management Board is required to report to the Supervisory Board of Fresenius Management SE regularly, in particular on its corporate policy and strategies, business profitability, current operations, and any other matters that could be of significance for the Company's profitability and liquidity. The Supervisory Board of Fresenius Management SE also advises and supervises the Management Board in its management of the Company. It is prohibited from managing the Company directly. However, the Management Board's rules of procedure require it to obtain the approval of the Supervisory Board of Fresenius Management SE for specific activities.

The members of the Management Board are appointed and dismissed by the Supervisory Board of Fresenius Management SE. Appointment and dismissal is in accordance with Article 39 of the SE Regulation. The articles of association of Fresenius Management SE also provide that deputy members of the Management Board may be appointed.

The **Supervisory Board of Fresenius SE & Co. KGaA** advises and supervises the management of the Company's business by the general partner, reviews the annual financial statements and the consolidated financial statements, and performs the other functions assigned to it by law and the Company's articles of association. It is involved in corporate planning and strategy, and in all matters of fundamental importance for the Company. The Supervisory Board of Fresenius SE & Co. KGaA has six shareholder representatives and six employee representatives. A Nomination Committee of the Supervisory Board of Fresenius SE & Co. KGaA has been instituted for election proposals for the shareholder representatives. Its activities are aligned with the provisions of law and the Corporate Governance Code. The shareholder representatives are elected by the **General Meeting of Fresenius SE & Co. KGaA**. The European works council elects the employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board must meet at least twice per calendar half-year. The Supervisory Board of Fresenius SE & Co. KGaA has two permanent **committees**: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed on page 158 of this Annual Report. The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on the website www.fresenius.com.

The description of both the **compensation system** and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA, are included in the Compensation Report on pages 137 to 149 of the Group's Management Report. The Compensation Report is part of the Group's Management Report.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The subscribed capital of Fresenius SE & Co. KGaA amounted to 545,727,950 ordinary shares as of December 31, 2015 (December 31, 2014: 541,532,600).

The shares of Fresenius SE & Co. KGaA are non-par-value bearer shares. Each share represents €1.00 of the capital stock. Shareholders' rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz).

Fresenius Management SE, as general partner, is authorized, subject to the consent of the Supervisory Board of Fresenius SE & Co. KGaA:

- to increase the subscribed capital of Fresenius SE & Co. KGaA by a total amount of up to €120.96 million, until May 15, 2019, through a single or multiple issuance of new bearer ordinary shares against cash contributions and/or contributions in kind **(Authorized Capital I)**. Shareholders' pre-emptive rights of subscription can be excluded.

In addition, there are the following **Conditional Capitals**, of which the Conditional Capitals I and II are adjusted for stock options that have been exercised in the meantime:

- The subscribed capital is conditionally increased by up to €5,261,987.00 through the issuance of new bearer ordinary shares **(Conditional Capital I)**. The conditional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.
- The subscribed capital is conditionally increased by up to €7,216,907.00 through the issuance of new bearer ordinary shares **(Conditional Capital II)**. The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own shares to service the subscription rights or does not exercise its right to make payment in cash.
- The general partner is authorized, with the approval of the Supervisory Board, until May 15, 2019, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €48,971,202.00 through issuance of new bearer ordinary shares **(Conditional Capital III)**. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash, or of warrants from option bonds issued for cash, exercise their conversion or option rights and as long as no other forms of settlement are used.
- The share capital is conditionally increased by up to €25,200,000.00 by the issuance of new ordinary bearer shares **(Conditional Capital IV)**. The conditional capital increase will only be implemented to the extent that subscription rights have been, or will be, issued in accordance with the Stock Option Program 2013 and the holders of subscription rights exercise their rights, and the Company does not grant own shares to satisfy the subscription rights.

The Company is authorized, until May 15, 2019, to purchase and use its **own shares** up to a maximum amount of 10% of the subscribed capital. In addition, when purchasing own shares, the Company is authorized to use equity derivatives with possible exclusion of any tender right. The Company had not utilized these authorizations as of December 31, 2015.

As the **largest shareholder**, Else Kröner-Fresenius-Stiftung informed the Company on December 18, 2015, that it held 144,695,094 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 26.51% as of December 31, 2015.

Amendments to the articles of association are made in accordance with Section 278 (3) and Section 179 (2) of the German Stock Corporation Act (AktG) in conjunction with Section 17 (3) of the articles of association of Fresenius SE & Co. KGaA. Unless mandatory legal provisions require otherwise, amendments to the articles of association require a simple majority of the subscribed capital represented in the resolution. If the voting results in a tie, a motion is deemed rejected. Furthermore, in accordance with Section 285 (2) sentence 1 of the German Stock Corporation Act (AktG), amendments to the articles of association require the consent of the general partner, Fresenius Management SE. The Supervisory Board is entitled to make such amendments to the articles of association that only concern their wording without a resolution of the General Meeting.

Under certain circumstances, a **change of control** as the result of a takeover bid could impact some of our long-term financing agreements, which contain customary change of control provisions that grant creditors the right to terminate agreements early or to request early repayments of outstanding amounts in case of a change of control. These termination rights partly become effective if the change of control is followed by a decline of the Company's rating or of the respective financing instruments.

GOALS AND STRATEGY

Our goal is to strengthen the position of Fresenius as a leading global provider of products and therapies for critically and chronically ill people. With our four business segments, we are concentrating on a limited number of health care areas. Thanks to this clear focus, we have developed unique competencies. We are following our long-term strategies consistently and are seizing our opportunities.

The key elements of Fresenius Group's strategy and goals are to:

- **Expand market position and worldwide presence**: Fresenius seeks to ensure and expand its long-term position as a leading international provider of products and services in the health care industry. To this end, and to geographically expand our business, we plan to grow organically as well as through selective small to medium-sized acquisitions, complementing our existing portfolio. We focus on markets with strong growth rates.

  Fresenius Medical Care is the worldwide leader in dialysis, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products, as well as the expansion in the field of Care Coordination. In this area, Fresenius Medical Care offers additional services for dialysis patients. These include, e.g., vascular care services, laboratory services as well as hospitalist and intensivist services. In 2015, Fresenius Medical Care has significantly strengthened this area through several acquisitions. By expanding its business, the company addresses a growing need for integrated patient care.

  Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs. In addition, Fresenius Kabi is one of the most important providers of transfusion technology. Fresenius Kabi plans to roll out products from its existing portfolio to the growth markets and to launch existing products in the United States. Market share is to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition, as well as in transfusion technology.

  With 111 hospitals, Fresenius Helios is operating in nearly the whole of Germany. Building on this, Fresenius Helios is now in the position to develop new patient care models and take advantage of further growth opportunities arising from the privatization process in the German hospital market.

  Fresenius Vamed will further expand its position as a global specialist for projects and services for hospitals and other health care facilities.

- **Strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We want to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet our requirements of best-in-class medical standards by developing and offering more effective products and treatment methods for the critically and chronically ill.
- **Enhance profitability**: Last but not least, it is our goal to improve Group profitability. To contain costs, we are concentrating particularly on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and practicing strict cost control. By focusing on our operating cash flow and employing efficient working capital management, we will increase our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding. In the present capital market conditions, we optimize our cost of capital if we hold the net debt/EBITDA ratio within a range of 2.5 to 3.0. Please see the following section, and pages 21, 32 f., for more details.

We report on our goals in detail in the Outlook section on pages 34 to 40.

CORPORATE PERFORMANCE CRITERIA

The Management Board controls the business segments by setting strategic and operating targets and through financial ratios according to U.S. generally accepted accounting principles (U.S. GAAP). In the consolidated segment reporting as well as in the Group Management Report, all ratios of the business segments are in accordance with U.S. GAAP (please see the consolidated segment reporting). The most important ratios are explained below.

In line with our growth strategy, **sales growth (in constant currency)** of the Group and, in our business segments, in particular **organic sales growth** are of central importance. **EBIT, EBIT growth,** and the **EBIT margin**, respectively, are useful yardsticks for measuring the profitability of the business segments. At Group level, we primarily use **net income** and **net income growth** to this end.

At Group level, **operating cash flow** and the **cash flow margin** are also used as key performance figures. With regard to the operating cash flow contributions of our business segments, we also analyze the key performance indicators days sales outstanding (DSO) and scope of inventory (SOI).

Our **investments** are controlled using a detailed coordination and evaluation process. As a first step, the Management Board sets the Group's investment targets and the budget based on investment proposals. In a second step, the respective business segments and the internal Acquisition & Investment Council (AIC) determine the proposed projects and measures while taking into account the overall strategy, the total investment budget, and the required and potential return on investment. The investment projects are evaluated based on commonly used processes, such as the internal rate of return (IRR) and net present value (NPV). Graduated according to investment volume, a project is submitted for approval to the executive committees or respective managements of the business segments, or to the Management Board of Fresenius Management SE or its Supervisory Board.

Another key performance indicator at the Group level is the **leverage ratio**, which is the ratio of net debt to EBITDA. This measure indicates how far a company is in a position to meet its payment obligations. Our business segments usually hold leading positions in growing and mostly non-cyclical markets. They generate mainly stable, predictable cash flows since the majority of our customers are of high credit quality. The Group is therefore able to finance its growth with a high proportion of debt compared to companies in other industries.

At Group level, we use **return on operating assets (ROOA)** and **return on invested capital (ROIC)** as benchmarks for evaluating our business.

RESEARCH AND DEVELOPMENT

Product and process development as well as the improvement of therapies are at the core of our growth strategy. Fresenius focuses its R & D efforts on its core competencies in the following areas:

- Dialysis
- Infusion and nutrition therapies
- Generic IV drugs
- Medical devices

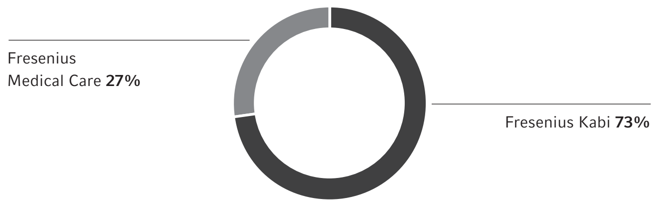
Apart from new products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services.

Research and development **expenses** were €451 million (2014: €365 million), approximately 5.2% of our product sales (2014: 4.7%). They include € 7 million impairment gains (2014 impairment losses: € 2 million) from capitalized in-process R & D activities. Fresenius Medical Care increased its R & D spending by 37%, Fresenius Kabi increased its R & D spending by 22%. Detailed figures are included in the segment reporting on pages 58 f.

As of December 31, 2015, there were 2,247 employees in research and development (2014: 2,107). Of that number, 671 were employed at Fresenius Medical Care (2014: 628) and 1,576 at Fresenius Kabi (2014: 1,479).

Our main research sites are in Europe, the United States, and India. Product-related development activities are also carried out in China. Our R & D projects are mainly conducted in-house; external research is commissioned only on a limited scale.

R & D EXPENSES BY SEGMENT [1]



2015: €451 million

[1] All segment data according to U.S. GAAP

FRESENIUS MEDICAL CARE

The complex interactions and side effects that lead to kidney failure are better explored today than ever before. Technological advances develop in parallel to improve the possibilities for treating patients. Our R & D activities at Fresenius Medical Care aim to translate new insights into novel developments and to bring them to market as quickly as possible, and thus make an important contribution towards rendering the treatment of patients increasingly comfortable, safe, and individualized.

With our **global R & D portfolio management**, we seek to standardize basic functions and single components of our therapy systems internationally and to standardize process and control structures. This allows us to address local requirements, to reduce development time, and to bundle our resources. We benefit from our **vertical integration** in the development of **new technologies and applications**. It gives us access to the experiences of patients and specialized medical personnel.

In 2015, we moved forward with the development of our products and have introduced several innovative products onto the markets in which we are active. For example, we developed the multiFiltratePRO therapy system for continuous renal replacement therapy (CRRT). It is used mainly in the treatment of acute kidney failure in intensive care units. Other innovations include software that facilitates workflows in dialysis centers by providing easier access to patient and treatment data at the patient's bedside, improved centralized monitoring, and optimized treatment orders for individual patients.

The year 2016 will be marked by the launch of a new dialysis machine, our next-generation hemodialysis platform for the treatment of chronic renal failure. At the core of this system is an array of new technologies and inventions that combine user-friendliness and cost-efficiency with the highest treatment quality.

In the area of peritoneal dialysis, we are working with our partners to develop a portfolio of advanced technologies for Automated Peritoneal Dialysis (APD).

In addition, we develop products for the **emerging markets** that meet the highest quality requirements and are also affordable. In 2015, we opened our China Design Center in Shanghai as part of this effort.

FRESENIUS KABI

Fresenius Kabi's research and development activities concentrate on products for the therapy and care of critically and chronically ill patients. Our products help to support medical advancements in acute and post-acute care and improve the patients' quality of life. Our **development expertise** includes all the related components, such as the drug raw material, the pharmaceutical formulation, the primary packaging, the medical device needed for application, and the production technology.

In the area of **IV drugs**, we are continuously working on the extension of our drug portfolio. Our aim is to launch new generic drug formulations directly after the patents of the branded products expire. We also develop new formulations for non-patented drugs. In 2015, we had around 112 active projects in the area of generics. We focus, among other items, on complex formulations such as active ingredients in liposomal[1] solutions. We develop ready-to-use products that are especially convenient and safe, including, for example, pre-filled syringes and ready-to-use solutions in our freeflex infusion bags.

Clinical nutrition provides care for patients who cannot nourish themselves normally or sufficiently. This includes, for example, patients in intensive care and those with serious or chronic illnesses or malnourishment. Early and correct intervention can help patients avoid malnutrition and its consequences.

In **parenteral nutrition**, we devote our efforts to products that make a significant contribution to improving clinical treatment and the nutritional condition of patients and to innovative containers such as multi-chamber bags that are safe and convenient in everyday use. In 2015, we continued the development of, among other products, parenteral formulations designed specifically for the needs of individual patient groups. One example is a parenteral nutrition solution that addresses the protein needs of critically ill patients.

In **enteral nutrition**, we worked on sip feed products with high nutritional concentration in a range of flavors and textures. Patient acceptance and therapeutic compliance increases when the volume to be ingested is lowered as much as possible and when a variety of flavors and textures is available. In tube feed nutrition, we are developing concepts for products with high protein content for critically ill patients.

In the development of our **medical devices / transfusion technology**, we concentrate on the safe application of IV drugs and infusion therapies as well as enteral and parenteral nutrition products. In **transfusion technology** we are developing medical devices and disposables to support the secure, user-friendly, and efficient production of blood products. In 2015, we developed a version of our Agilia pumps for the home care area, as well as a remote alarm management system and a version for integration within the clinical network environment. We plan to introduce the extensions to the Agilia pumps in 2016.

EMPLOYEES

The knowledge, experience, and commitment of our employees are critical to our success. For this reason, Fresenius values a culture of **diversity**. The interplay of a wide range of views, opinions, cultural backgrounds, experiences, and values helps us to achieve our full potential and contributes to our success.

KEY FIGURES RESEARCH AND DEVELOPMENT

	2015	2014	2013	2012	2011
R & D expenses, € in millions	**451**	365	390	305	296
as % of product sales [1]	**5.2**	4.7	4.6	4.3	4.3
R & D employees	**2,247**	2,107	1,969	1,903	1,592

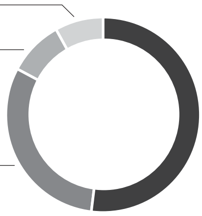
[1] Excluding impairment losses from capitalized in-process R & D activities

[1] Liposomes are tiny capsules used as a vehicle for active pharmaceutical ingredients. They allow for a targeted transportation of these ingredients to the location where they are needed within an organism.

The **number of employees** increased to 222,305 employees at the end of 2015, which was 3% more than last year. The increase applies to all business segments.

Personnel expenses for the Fresenius Group were €10,835 million in 2015 (2014: €8,979 million), equivalent to 38.7% of sales (2014: 38.3%). The increase of 21% is mainly attributable to currency effects but also to acquisitions and wage scale progression due to tariff agreements. Personnel expenses per employee were at €49.2 thousand (2014: €42.6 thousand) and at €45.6 thousand in constant currency. In Germany, Fresenius companies have signed tariff agreements with IG BCE, Marburger Bund, as well as ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2015.

EMPLOYEES BY REGION



HUMAN RESOURCES MANAGEMENT

We are constantly adapting our human resources tools to meet new requirements arising from demographics, the transformation to a service economy, skills shortages, and the compatibility of job and family life. For example, we offer **flexible working hours**.

Part of our identity as a health care company includes creating the right conditions to foster the **health of the employees**.

EMPLOYEE RECRUITMENT AND PERSONNEL DEVELOPMENT

In order to ensure that our long-term needs for highly qualified employees are met, and to recruit new employees, we make use of online personnel marketing and regularly participate in recruiting events and careers fairs. In addition, we encourage long-term retention with attractive development programs.

The approaches and measures for employee recruitment and personnel development in the business segments are based on the market structure of each segment. They are coordinated, developed, and realized independently for each business segment.

We support the development of our employees' **professional and personal skills** across the Group through personal career talks as well as through our comprehensive range of training sessions and seminars. We continue to expand these at all hierarchy levels.

Fresenius promotes the long-term, sustainable **advancement of women**. At Fresenius, qualifications are the only thing that matters in the selection of personnel. Consequently, at Fresenius women and men with comparable qualifications will continue to have the same career opportunities. As of December 31, 2015, the proportion of female employees within the Fresenius Group was 68%. Women also held 30% of

Number of employees	**Dec. 31, 2015**	Dec. 31, 2014	Change	% of total
Fresenius Medical Care	**110,242**	105,917	4%	50%
Fresenius Kabi	**33,195**	32,899	1%	15%
Fresenius Helios	**69,728**	68,852	1%	31%
Fresenius Vamed	**8,262**	7,746	7%	4%
Corporate/Other	**878**	861	2%	0%
Total	**222,305**	216,275	3%	100%

senior management positions, based on the number of worldwide participants in the stock option plans. Detailed information on the statutory targets for the participation of women and men in management positions is available within the Corporate Governance Declaration pursuant to Section 289a of the German Commercial Code (HGB) on www.fresenius.com (″Corporate Governance″ section).

The Fresenius Group devotes a lot of attention to **vocational training**. We trained more than 3,600 young people in 48 different occupations at our German locations in 2015, and also put more than 70 university students through 12 degree programs in cooperation with dual institutions of higher learning. Alongside the traditional channel of direct job entry, Fresenius offers trainee programs for university graduates.

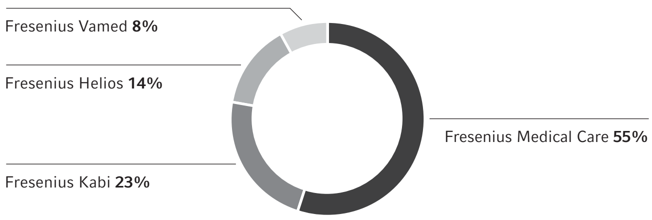
You can visit our award-winning **careers portal** at www.career.fresenius.com.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

For many years, we have paid a stock-based **profit-sharing bonus** that is tied to the annual operating profit (EBIT) of Fresenius Group. The table below shows the development in the profit-sharing bonus over the last several years.

With our **Long Term Incentive Program 2013**, we have a global compensation instrument linking management's entrepreneurial responsibility to future opportunities and risks. It comprises the Stock Option Plan 2013, as well as the Phantom Stock Plan 2013, and combines the granting of stock options with the granting of phantom stock awards. For further information on stock options, please see pages 125 ff. of this Report.

COST OF MATERIAL BY BUSINESS SEGMENT [1]



2015: €7,973 million

[1] All data of the business segments according to U.S. GAAP; before consolidation

PROCUREMENT

In 2015, the cost of raw materials and supplies and of purchased components and services was €7,973 million (2014: €7,054 million). The cost of raw materials and supplies was 13% above the previous year's level. The increase was mainly due to higher sales volume.

€ in millions	2015	2014
Cost of raw materials and supplies	**6,923**	6,079
Write-downs of raw materials, supplies and purchased components	**0**	1
Cost of purchased components and services	**1,050**	974
Total	**7,973**	7,054

An efficient value chain is important for our profitability. In an environment characterized by ongoing cost-containment pressure from health insurers as well as price pressure, security and quality of supply play a crucial role. Within each business segment of the Fresenius Group, **procurement processes** are coordinated centrally, enabling us to bundle similar requirements, negotiate global framework agreements, constantly monitor market and price trends, and ensure the safety and quality of materials.

PROFIT-SHARING BONUS

	2014	2013	2012	2011	2010
Profit-sharing bonus [1] in €	2,335	2,134	2,164	2,036	2,000
Eligible employees [2]	2,310	2,155	2,313	2,220	1,790

[1] The profit-sharing bonus is paid retroactively for the respective fiscal year. It forms part of compensation in some German Group companies.
[2] Without eligible employees of Fresenius Medical Care AG & Co. KGaA

QUALITY MANAGEMENT

The quality of our products, services, and therapies is the basis for optimal medical care. All processes are subject to the highest quality and safety standards, for the benefit of the patients and to protect our employees. Our quality management has the following three main objectives:

- to identify value-enhancing processes oriented toward efficiency and the needs of our customers
- to monitor and manage these processes on the basis of performance indicators
- to improve procedures

FRESENIUS MEDICAL CARE

As a life-saving treatment, the highest demands are placed on dialysis in terms of safety and quality. This applies both to the production of our dialysis products and to the administration of dialysis treatments in our own hospitals. For this reason, Fresenius Medical Care has established **quality management systems** at all production sites and dialysis clinics and we commission regular external audits on their use.

In Europe, the German technical certification organization TÜV audits our clinical organizations annually to verify their compliance with ISO 9001 for quality management and ISO 14001 for environmental management. In the United States, our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a public health care authority. We also regularly review our quality management systems through internal audits.

We measure and compare our **quality performance** in our dialysis clinics using generally recognized quality standards. In addition to industry-specific clinical benchmarks, they include our own quality targets, set by Fresenius Medical Care, and linked to the services and advice we provide, for example. Fresenius Medical Care uses **quality parameters** that are generally recognized in the dialysis industry, e.g., the hemoglobin value.

FRESENIUS KABI

The global **quality management system** at Fresenius Kabi is based on the internationally recognized ISO 9001 standard. This covers, for example, Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), the Code of Federal Regulations (CFR) of the U.S. Food and Drug Administration (FDA), as well as the ISO 13485 quality management standard for medical devices. The global quality management system is certified and audited by TÜV. Our quality management comprises:

- **Global processes and standards**: Specialist teams develop enterprise-wide standards and guidelines. Those are implemented by subsidiaries in all countries.
- **Early warning system**: We have established reporting processes for standard procedures and unforeseen events, which are evaluated against key performance indicators, e.g., complaint rates.
- **Global product risk management**: Safety officers respond immediately when we are informed of a problem with quality of patient safety. They manage product recalls centrally.

At Fresenius Kabi, inspections by regulatory authorities and audits by independent organizations and customers are performed along the entire **value chain**.

However, our quality management system does not just extend to internal processes. It also covers the application of our products and services by customers. In order to be able to receive information about their problems in a timely manner and deal with them appropriately, Fresenius Kabi has set up a **global monitoring and reporting system** (vigilance system). The responsible regulatory authorities monitor this system and keep an increasingly close eye on it in the interests of **patient safety**.

In 2015, we made further progress in transferring our quality management processes into electronic quality systems. These global systems support further harmonization of our processes and the availability of data for risk prevention.

FRESENIUS HELIOS

The **HELIOS quality management system** has been further expanded and implemented at all hospitals acquired from Rhön-Klinikum AG. HELIOS has developed a method that combines the **use of quality indicators** with internal quality management measures. The quality of medical outcomes resulting from the different treatments is measured using key indicators compiled from administrative data and then made transparent on the basis of **G-IQI quality indicators** (German Inpatient Quality Indicators). The results are continuously monitored, and should statistical abnormalities arise, HELIOS examines these in a peer review process using patient data.

In addition, HELIOS is involved in the **Initiative of Quality Medicine (IQM)** to exchange ideas and knowledge with other hospital operators. IQM members are committed to observing three basic principles: quality measurement with administrative data, publication of results, and peer review processes. The IQM members provide acute care for approximately 5 million patients in 350 hospitals in Germany and Switzerland. In Germany, their share of acute care is 28%.

We have defined specific targets for 45[1] of the G-IQI quality indicators. These targets are set at a level above the national average for Germany. In 2015, we achieved this target for 41 quality indicators, a **success rate of 91%** (2014: 91%). If targets are not met, HELIOS analyzes the cases in the hospitals concerned in order to identify opportunities for improvement and to implement appropriate measures for all HELIOS hospitals. HELIOS has focused strongly on the area of hygiene in 2015. In addition to inspections by our hospital hygienists and the public health service, 3 of the 19 HELIOS peer review processes were carried out in this segment, for the first time.

We are convinced that transparency creates the best incentive for improvement. HELIOS provides full transparency for all quality data. For each acute care hospital, the results for medical treatment quality, results of patient surveys as well as key indicators in the field of hygiene are published on the website www.helios-kliniken.de. HELIOS exceeds mandatory legal requirements.

From 2016, a new national quality institute will rate the quality of care in German hospitals and publish comparative data. With its own quality management system, HELIOS is well prepared.

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR[1])	2015 SMR	2014 SMR[2]
Chronic obstructive pulmonary disease (COPD)	**0.76**	0.71
Acute myocardial infarction (AMI)	**0.73**	0.80
Heart failure	**0.63**	0.67
Ischemic stroke	**0.85**	0.88
Pneumonia[3]	**0.68**	0.68
Hip fracture	**0.81**	0.90

[1] SMR 1 corresponds to the German average.
SMR < 1 = means that mortality is below the German average.
[2] Adjusted for the current reference value of the German Federal Statistical Office, and updated considering the hospitals acquired from Rhön-Klinikum AG
[3] Adjusted for the final target indicator for pneumonia (G-IQI 14.2, version 4.2H)

More information can be found at: www.helios-kliniken.de/medizin/qualitaetsmanagement

FRESENIUS VAMED

In the planning and construction of hospitals, Fresenius Vamed sets high quality standards. In particular, these are aimed at optimizing processes by care level, and ensuring maximum flexibility in the use of buildings and wards.

Internally, Fresenius Vamed designs its processes for efficiency and sustainability, using **interdisciplinary quality standards**. These standards are mostly based on the ISO 9001:2008, ISO 13485:2003, ISO 14001:2009, and ISO 15224:2012 standards, as well as the standards of the European Foundation for Quality Management (EFQM). EFQM honored VAMED, which is responsible for the technical operation of Vienna's General Hospital, with an "Excellence Award" for the fourth time in 2015.

For health care facilities, VAMED uses, alongside others, the certification model **JCI (Joint Commission International)**. Four facilities managed by VAMED in the Czech Republic and Austria received this certification. These hospitals were certified to have the highest level of quality, firstly regarding patient care, secondly regarding hygiene and safety, and thirdly regarding patient and employee satisfaction.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients and employees, as well as shareholders and business partners, in a sustainable manner. Our **responsibility as a health care group** goes beyond our business operations. We are committed to protecting nature as the basis

[1] By decision of the specialists for gynecology the indicator "non-abdominal hysterectomy" has been downgraded from the target value to the observed value, so that in 2015 a total of 45 goals are still attainable.

of life and using its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics, and to comply with legal requirements.

The international ISO Standard 14001 for **environmental management** is implemented at our various production plants and most of our dialysis clinics. Among other things, key environmental performance indicators are, for instance, not only energy and water consumption, but also the volumes of waste and recycling rates at our locations.

In Europe, our production sites are subject to the **EU regulation REACH** (Registration, Evaluation, and Authorization of CHemicals). The aim of REACH is to protect human health and the environment against hazards and risks from chemical substances.

FRESENIUS MEDICAL CARE

In the **environmental management** of our operations we work to comply with environmental regulations and to make our products and processes resource-efficient. We also support the business segments in creating added value for our clients with eco-friendly products and services.

In Europe, the Middle East, and Africa (EMEA), TÜV-certified **environmental management** is part of the integrated management system. At the end of 2015, eight (2014: nine) European **production sites** and our medical device development department were certified according to ISO 14001. The decrease is due to the closure of an Italian production site. We use an energy management system as per ISO 50001 at our German production sites in St. Wendel and Schweinfurt. We have also implemented the certified environmental management system in 14 (2014: 13) European countries.

One of our central concerns is to further reduce the environmental effects of **dialysis treatments**. We have set ourselves the goal of further reducing water consumption by an average of 11% and electricity use by 7% per dialysis treatment from 2013 to 2018. By 2015, we had already achieved reductions of 7% (water) and 15% (electricity). The central element for managing the resource efficiency of our dialysis centers in EMEA and Latin America is the software e-con5 that we use in 518 (2014: 502) European and 209 (2014: 206) Latin American dialysis centers.

This **environmental data management system** allows us to capture and compare data on resource efficiency and take prompt advantage of opportunities for improvements. The results for the EMEA region show that we have been able to use this system to consistently reduce water and energy use and the amount of contaminated blood waste in our dialysis centers in recent years.

In the United States, we work with external service providers in our dialysis centers, who collect and document the energy and water use of all the centers. At the end of 2015, two of our North American dialysis centers were certified in accordance with ISO 14001. Our goal is to work towards establishing this environmental standard in other dialysis centers in the region.

FRESENIUS KABI

An integral component of the quality management of Fresenius Kabi is an **environmental management system** that complies with the international standard ISO 14001. We have also implemented the occupational health and safety assessment system OHSAS 18001 at several sites and set guidelines for all of our sites worldwide. In 2015, all sites of Fresenius Kabi Deutschland GmbH were certified under ISO 50001, the international standard for energy management systems.

We continued to implement environmental measures at our production sites. At the site in Graz, in **Austria**, we were able to keep **energy consumption** at the previous year's level despite the growth in production volume and area. By recycling packaging, we saved nearly 2,200 t of CO_2. We also maintained our recycling rate of over 80% in 2015.

At the Uppsala site in **Sweden**, energy consumption per liter of solution produced was reduced by 6% in 2015. Approximately 40% of the energy needed at the Swedish sites in

Uppsala and Brunna is provided by renewable sources (2014: 38%). We increased our recycling rate to 99.5% (2014: 97%).

We also expanded our environmental activities outside of Europe. At our site in Wuxi, **China**, we rebuilt a cooling unit as part of a project for continuous energy savings, reducing total power consumption by 12%. In July 2015, the site was successfully certified as compliant with ISO 50001, the international standard for energy management systems. At the Haina site in the **Dominican Republic**, noise was reduced from 99 dB(A) to 82 dB(A) by isolating the power production facility. At our Melrose Park site in the United States, we reduced water consumption per manufactured product by 13.5%.

FRESENIUS HELIOS

Hospitals require a great deal of energy and water. In order to create awareness for the economical use of resources, we intensified the environmental campaign within HELIOS.

The structural condition of a hospital building has an important influence on **energy consumption**. All new construction projects and modernizations conform to the latest standards of efficient heat insulation pursuant to the currently valid energy savings regulations. Further improvements are based on our comprehensive controlling system for property management, which makes possible the timely analysis of targets against figures achieved. Compared to the previous year, adjusted energy consumption has been reduced by 4.6%. This represents a CO_2 reduction of around 2,231 Mg/a and saves approximately €2 million, which can be usefully invested in medicine.

This system also formed the basis for the certification of all HELIOS hospitals in accordance with the requirement of the new Energy Services Act (Energiedienstleistungsgesetz; EDL-G). We continually review measures to further reduce the resources required and we implement these measures as promptly as possible. In addition, we continue to shift heating to renewable energies, for instance wood pellets. This form of heating is CO_2-neutral and therefore more eco-friendly than gas or oil heating. Thanks to the steps taken, we saved approximately 29,747 Mg CO_2 (2014: 34,500 Mg CO_2).

Water consumption in all HELIOS hospitals was 4,434,810 m^3 (2014: 4,152,704 m^3). The majority of all water is consumed for sterilization processes, process cooling, and water recycling plants. To reduce consumption, some hospitals are using well water, for instance for the cooling towers of air-conditioning systems.

Proper **waste disposal** is of great importance to hospitals. HELIOS views waste disposal management as a process. It starts with avoiding any future waste, and ends with the consistent recycling or environmentally friendly disposal of the same. Requirements pertaining to environmental protection, occupational health and safety, as well as infection protection and hospital hygiene, are taken into account. That relates particularly to major waste groups such as clinical waste, i.e., from the diagnosis and treatment of human diseases. In 2015, the total amount of waste generated in all HELIOS hospitals was 20,775 t (2014: 21,125 t).

FRESENIUS VAMED

In the fiscal year 2015, the energy management of Fresenius Vamed in Austria was certified as compliant with ISO 50001:2011.

In our **project business**, we already integrate national environmental standards and regulations into the planning and construction of a hospital or other health care facility. VAMED's extensive expertise in environmental management is an important success factor, especially in growth markets in Africa and Asia. For instance, VAMED built and now operates a hospital in Gabon, which features a modern sewage treatment plant and a high-temperature incineration plant designed to European standards.

We also achieved success in the **service business** in the area of environmental protection. VAMED, for instance, has been responsible for the technical management of the hospital AKH, Vienna, for over 29 years. During the period, energy and water consumption were significantly reduced: energy consumption decreased by 13%, demand for long-distance heat by 21%, and drinking water consumption by 47%. The volume of waste classified as hazardous medical waste at AKH fell by about 79%.

ECONOMIC REPORT

HEALTH CARE INDUSTRY

The health care sector is one of the world's largest industries. It is relatively insensitive to economic fluctuations compared to other sectors and has posted above-average growth over the past several years.

The main **growth factors** are:

- rising medical needs deriving from aging populations
- the growing number of chronically ill and multimorbid patients
- stronger demand for innovative products and therapies
- advances in medical technology
- the growing health consciousness, which increases the demand for health care services and facilities.

In the **emerging countries**, drivers are:

- expanding availability and correspondingly greater demand for basic health care
- increasing national incomes and hence higher spending on health care.

At the same time, the **cost of health care** is rising and claiming an ever-increasing share of national income. Health care spending averaged 8.9% of GDP in the OECD countries in 2013, with an average of US$3,453 spent per capita.

As in previous years, the United States had the highest per capita spending (US$8,713). Germany ranked sixth among the OECD countries with per capita spending of US$4,819.

In Germany, 76% of **health spending** was funded by public sources in 2013, above the average of 73% in the OECD countries.

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2013, average life expectancy in the OECD countries was 80.5 years.

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising **health care expenditures**. However, such measures cannot compensate for the cost pressure. Market-based elements are increasingly being introduced into the health care system to create incentives for cost- and quality-conscious behavior. Overall treatment costs will be reduced through improved quality standards. In addition, ever-greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

Our most important **markets** developed as follows:

THE DIALYSIS MARKET

In 2015, the global **dialysis market** (products and services) was worth approximately US$73 billion. In constant currency, the global dialysis market grew by 4%.

Worldwide, approximately 3.5 million **patients with chronic renal failure** were treated in 2015. Of these patients, around 2.8 million received dialysis treatments and about 709,000 were living with a transplanted kidney. About 88% were treated with hemodialysis and 12% with peritoneal dialysis.

HEALTH CARE SPENDING AS % OF GDP

in %	2013	2000	1990	1980	1970
USA	16.4	12.5	11.3	8.2	6.2
France	10.9	9.5	8.0	6.7	5.2
Germany	11.0	9.8	8.0	8.1	5.7
Switzerland	11.1	9.3	7.4	6.6	4.9

Source: OECD Health Data 2015 (2013 data most recent available)

Sources: OECD Health Data 2015 (2013 data most recent available)

The major growth driver is the growing number of patients suffering from diabetes and high blood pressure, two diseases that often precede the onset of chronic kidney failure.

The number of **dialysis patients** worldwide increased by about 6% in 2015. The United States, Japan, and Western and Central Europe recorded below-average growth in the number of patients in 2015. In economically weaker regions, growth was above average.

The **prevalence rate**, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region. In developing countries it can be well below 100. It averages just over 1,100 in the countries of the European Union. Prevalence is very high in countries such as Japan and the United States, being well over 2,000. The significant divergence in prevalence rates is due, on the one hand, to differences in age demographics, incidence of renal risk factors, genetic predisposition, and cultural habit, such as nutrition. On the other hand, access to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics.

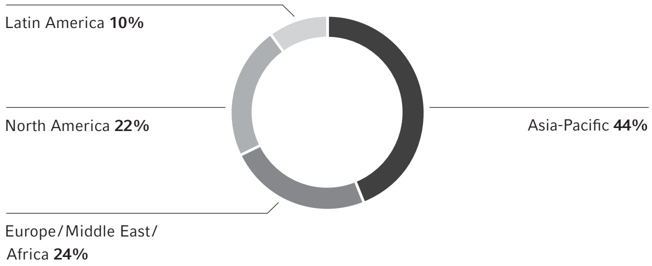
Dialysis care

In 2015, the global **dialysis care market** (including renal pharmaceuticals) was worth approximately US$60 billion.

10% of worldwide dialysis patients were treated by Fresenius Medical Care. With 3,418 dialysis clinics and 294,381 dialysis patients in over 45 countries, Fresenius Medical Care operates by far the largest and most international network of hospitals. In the United States, Fresenius Medical Care maintained its position of approximately 37% (~178,000) dialysis patients in 2015. The market for dialysis care in the United States is already highly consolidated. Taken together, Fresenius Medical Care and DaVita – another provider of dialysis care – treat over 75% of all U.S. dialysis patients.

Outside the United States, the market for dialysis care is much more fragmented. Here, Fresenius Medical Care **competes** mainly with independent clinics and with clinics that are affiliated with hospitals.

DIALYSIS PATIENTS BY REGION



2015: 2,818,000 patients

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. The public health care programs, the Centers for Medicare & Medicaid Services (CMS), cover the medical services for the majority of all dialysis patients in the United States.

Dialysis products

In 2015, the global **dialysis products market** was worth approximately US$13 billion.

Fresenius Medical Care is the leading provider of dialysis products in the world, with a **market share** of about 34%, followed by its largest **competitor**, Baxter, with 28%. Each of the other competitors, mainly from Japan, held a single-digit percentage market share.

Fresenius Medical Care is the leading supplier worldwide of hemodialysis products with a market share of 38%. With a market share of 21%, Fresenius Medical Care is the second-largest provider worldwide of products for peritoneal dialysis after Baxter.

Care Coordination

The **market for care coordination** includes medical services outside dialysis, such as services in the area of vascular surgery, non-dialysis-related laboratory services, administrative services for resident physicians, hospitalist and intensivist services, health plan services for dialysis patients, coordinated delivery of pharmacy services as well as primary care.

In the United States, Fresenius Medical Care provides care coordination mainly within its network of more than 2,000 specialized inpatient physicians (hospitalists and intensivists) and post-acute care providers. The company cared for more than one million patients in 2015, at over 180 hospitals.

THE MARKET FOR GENERIC IV DRUGS, CLINICAL NUTRITION, INFUSION THERAPY, AND MEDICAL DEVICES / TRANSFUSION TECHNOLOGY [1]

The global market for generic IV drugs, clinical nutrition, infusion therapy, and medical devices/transfusion technology was worth about €33 billion in 2015.

Thereof, the global **market for generic IV drugs** was worth about €15 billion. In Europe and the United States, the market for generic IV drugs grew by about 6% to 7%. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. The market is characterized by moderate volume growth, steady price erosion, and fierce competition. In the United States, the most important generic IV drug market for Fresenius Kabi, the company is one of the leading suppliers. Competitors include Pfizer, Sandoz, and Teva Pharmaceutical Industries.

The global **market for clinical nutrition** was worth about €7billion in 2015. In Europe, the market grew by about 3%. In the emerging markets of Asia-Pacific, Latin America, and Africa, the clinical nutrition market saw growth of up to 10% in individual countries. Growth potential is offered by the often insufficient administration of nutrition therapies within patient care – although studies have demonstrated the medical and economical benefit. In cases of health or age-induced nutritional deficiencies, for example, the administration of clinical nutrition can reduce hospital costs through shorter stays and less nursing care. Estimates regarding the European Union situation indicate that as many as 20 million individuals are at risk of malnutrition. In the market for clinical nutrition, Fresenius Kabi is one of the leading companies worldwide. In parenteral nutrition, the company is the leading supplier worldwide. In the market for enteral nutrition, Fresenius Kabi is one of the leading suppliers in Europe. In parenteral nutrition, competitors include Baxter and B. Braun. In the market for enteral nutrition, Fresenius Kabi competes with, among others, Abbott, Danone, and Nestlé.

Fresenius Kabi considers its global **market for infusion therapy** to have been worth about €5 billion in 2015. In Europe, the market declined slightly due to restrictions imposed on the use of blood volume substitutes. In the regions Asia-Pacific, Latin America, and Africa, the market grew by 7%. Infusion therapies, such as electrolytes, are standard medical products to hospitals worldwide. Market growth is mainly driven by increasing product demand in the emerging markets. Fresenius Kabi is the market leader in infusion therapy in Europe. Competitors include Baxter and B. Braun.

The global **market for medical devices/transfusion technology** was worth about €6 billion in 2015, including approximately €4 billion for medical devices and about €2 billion for transfusion technology. The market grew about 3% in 2015. In the medical devices market, the main growth drivers are technical innovations that focus on application safety and therapy efficiency. In the transfusion technology market, growth is driven by increased demand in emerging markets. Moreover, growth is driven by the growing demand for apheresis and other automated transfusion systems. Reduced demand for blood bags and related price reductions have a negative effect. In the medical devices segment, Fresenius Kabi ranks among the leading suppliers worldwide. International competitors include Baxter, B. Braun, and Becton, Dickinson and Company, as well as Pfizer. In transfusion technology, Fresenius Kabi is one of the world's leading companies. Competitors include Haemonetics, Macopharma, and Terumo. In all product segments, Fresenius Kabi also competes with smaller local providers.

[1] Market data refer to Fresenius Kabi's addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things.

Sources: Company research, German Society for Nutritional Medicine (DGEM) 2009; Ljungqvist O., Clinical Nutrition 2010, 29:149-150

THE GERMAN HOSPITAL MARKET [1]

In 2014, the market of acute care hospitals in Germany was about €91 billion[2]. Personnel costs accounted for about 61% of hospital costs, and material costs for 38%. Personnel and material costs each rose by approximately 4%.

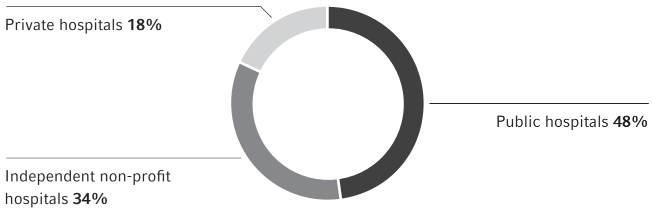
Through the increase in admissions, the organic growth of the acute care hospital market was around 1%. In addition, potential for growth for private hospital operators arises from hospital acquisitions or privatization.

The financial situation at hospitals in Germany remained difficult in 2014, despite a slight easing. 32% of all hospitals reported a loss at year-end (2013: 42%). The difficult economic and financial situation is often accompanied by significant **investment needs**. This is due, in large part, to an investment backlog that has accumulated because, in the past, the federal states failed to meet their statutory obligation to finance necessary investments and major maintenance measures sufficiently due to budget constraints. At the same time, investment needs are driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the annual investment requirement at German hospitals (not including university hospitals) is at least €5.3 billion. This is twice the funding for investment currently being provided by the federal states.

The **number of hospitals** in 2014 was 1,980 and the **number of beds** was 500,680. For further figures on the German hospital market please see the table below.

Fresenius Helios is the leading hospital operator in Germany, with a share of about 6% in the acute care market.

HOSPITAL BEDS BY OPERATOR



2014: 500,680

Source: German Federal Statistical Office 2015

The hospitals of Fresenius Helios compete mainly with individual hospitals or local and regional hospital associations. Among private hospital chains, our main competitors are Asklepios, Rhön-Klinikum, and Sana Kliniken.

The so-called change in value figure is relevant for the increase in **reimbursements of hospital treatments**. It is used to compensate for rising costs in the hospital market, particularly with regard to personnel and material costs. The change in value figure is redetermined each year for the following year. For the year 2015 it was 2.53% (2014: 2.81%).

The **post-acute care market** in Germany comprised 1,158 **clinics** with a total of 165,657 **beds**. Of these, two-thirds (66%) were in private preventive or post-acute care clinics, 15% were in independent non-profit clinics, and 19% in public clinics. The number of treated patients increased nationwide by over 19,000 to 1.97 million. The average length of stay was 25.3 days (2013: 25.3 days).

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2014	2013	2012	2011	2010	Change 2014/2013
Hospitals	**1,980**	1,996	2,017	2,045	2,064	-0.8%
Beds	**500,680**	500,671	501,475	502,029	502,749	0%
Beds per 1,000 population	**6.18**	6.21	6.24	6.26	6.15	-0.5%
Length of stay (days)	**7.4**	7.5	7.6	7.7	7.9	-1.3%
Number of admissions (millions)	**19.15**	18.79	18.62	18.34	18.03	1.9%
Average costs per admission in € [1]	**4,893**	4,792	4,663	4,547	4,432	2.1%

[1] Total costs, gross

Source: German Federal Statistical Office 2015

[1] Most recent data available on the German hospital market
[2] Total costs, gross of the German hospitals less academic research and teaching

Sources: German Federal Statistical Office 2015; German Hospital Institute (DKI), Krankenhaus Barometer 2015; OECD Health Data 2015; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2015

THE MARKET FOR PROJECTS AND SERVICES FOR HOSPITALS AND OTHER HEALTH CARE FACILITIES

The **market for projects and services for hospitals and other health care facilities** is very fragmented. Therefore, an overall market size cannot be determined. The market is country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, and levels of privatization, as well as demographics and economic and political conditions.

In **markets with established health care systems** and mounting cost pressure, the challenge for hospitals and other health care facilities is to increase their efficiency. Here, demand is especially high for sustainable planning and energy-efficient construction, optimized hospital processes, and the outsourcing of medical-technical support services to external specialists. This enables hospitals to concentrate on their core competency – treating patients. In **emerging markets**, the focus is on building and developing infrastructure and improving the level of health care.

Fresenius Vamed is one of the world's leading companies in the market for projects and services for hospitals and other health care facilities. The company has no **competitors** that cover its comprehensive portfolio of services across the entire life cycle worldwide. Competitors offer only parts of Fresenius Vamed's service portfolio. Depending on the service, the company competes with international companies and consortia, as well as with smaller local providers.

OVERALL BUSINESS DEVELOPMENT

THE MANAGEMENT BOARD'S ASSESSMENT OF THE EFFECT OF GENERAL ECONOMIC DEVELOPMENTS AND THOSE IN THE HEALTH CARE SECTOR FOR FRESENIUS

Overall, the development of the world economy had an only negligible impact on our industry in 2015. On the whole, the health care sector, both in mature and growth markets, developed positively, with continued increasing demand for health services. This had a positive effect on our business development.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS AND SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE [1]

The Management Board is of the opinion that the Fresenius Group's performance in 2015 was excellent – with sales and earnings growth across all business segments.

Fresenius Medical Care sales increased by 6% to US$16,738 million. The business was significantly influenced by currency developments. Growth in constant currency was 11%. Net income attributable to shareholders of Fresenius Medical Care excluding one-time items [2] increased by 2%. Fresenius Kabi achieved organic sales growth of 8% and increased EBIT [3] by 36% (21% in constant currency) to €1,189 million. Persisting IV drug shortages and new product launches in the United States led to a better than expected development in this region. Organic sales growth of Fresenius Helios was 3%. The integration of the hospitals acquired from Rhön-Klinikum AG progressed well in 2015. The company increased EBIT [3] by 16% to €640 million. Fresenius Vamed achieved organic sales growth of 6%. EBIT grew by 8% to €64 million.

[1] All business segment data according to U.S. GAAP
[2] 2015 before settlement costs for an agreement in principle for GranuFlo®/NaturaLyte® case (-US$37 million after tax), before divestiture of dialysis business in Venezuela (-US$27 million after tax) and European pharmaceutical business (US$11 million after tax); 2014 before closing of manufacturing plant (-US$13 million after tax)
[3] Before special items

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate/Other segment.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2015, we had assumed that strong demand for our products and services would continue. This proved to be the case.

The table below shows the guidance development according to U.S. GAAP for 2015 for the Group as well as for the business segments.

Based on the strong business development, exceeding our expectations, especially at Fresenius Kabi in the United States, we increased **Group guidance** three times during the year.

The forecast for the currency-adjusted **sales growth** was achieved by Fresenius Group. At 9%, this was well in line with the targeted range. **Net income**[1] increased by 21% in constant currency and was well in line with the targeted range of 20% to 22%.

Fresenius invested €1,512 million in **property, plant and equipment** (2014: €1,345 million). That was well in line with the budgeted level of about 6% as percentage of sales.

Operating cash flow was €3,327 million (2014: €2,585 million). The cash flow margin was 12.0% (2014: 11.1%) and therefore above our expectations. We had expected to achieve a cash flow margin between 9% and 11%.

Group **net debt/EBITDA** was 2.68[2] and thus as expected below 3.0.

Group ROIC increased to 8.3%[3] (2014: 7.5%[4]), and Group ROOA was 10.1%[3] (2014: 9.1%[4]) and hence as expected above the level of 2014.

ACHIEVED GROUP TARGETS 2015 [1]

	Targets for 2015 announced in February 2015	Guidance announced in April 2015	Guidance announced in July 2015	Guidance announced in October 2015	Achieved in 2015 (U.S. GAAP)
Group					
Sales (growth, in constant currency)	7% – 10%		8% – 10%		9%
Net income [2] (growth, in constant currency)	9% – 12%	13% – 16%	18% – 21%	20% – 22%	21%
Fresenius Medical Care [3]					
Sales (growth)	5% – 7%				6%
Net income (growth) [4]	0% – 5%				2% [5]
Fresenius Kabi [6]					
Sales (growth, organic)	3% – 5%	4% – 7%	6% – 8%	~8%	8%
EBIT (growth, in constant currency)	4% – 6%	11% – 14%	18% – 21%	19% – 22%	21%
Fresenius Helios [7]					
Sales (growth, organic)	3% – 5%				3%
EBIT	€630 m – €650 m				€640 m
Fresenius Vamed					
Sales (growth, organic)	Single-digit %			5% – 10%	6%
EBIT (growth)	5% – 10%				8%

[1] All Group targets according to U.S. GAAP
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2015 before integration costs (€12 million before tax for hospitals acquired from Rhön-Klinikum AG), before costs for the efficiency program at Fresenius Kabi (€105 million before tax), and before the disposal gains from the divestment of two HELIOS hospitals (€34 million before tax); 2014 before special items
[3] Savings from the global efficiency program are included, while earnings contributions from potential acquisitions are not. The outlook reflects further operating cost investments within the Care Coordination segment.
[4] Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA
[5] 2015 before settlement costs for an agreement in principle for GranuFlo®/NaturaLyte® case (-US$37 million after tax), before divestiture of dialysis business in Venezuela (-US$27 million after tax) and European pharmaceutical business (US$11 million after tax); 2014 before closing of manufacturing plant (-US$13 million after tax)
[6] 2015 Fresenius Kabi's outlook excludes €105 million costs before tax for the efficiency program, 2014 before special items
[7] 2015 Fresenius Helios' outlook excludes integration costs for the hospitals acquired from Rhön-Klinikum AG (€12 million before tax) and disposal gains from the divestment of two HELIOS hospitals (€34 million before tax), 2014 before special items

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA; before special items
[2] At average exchange rates for the last 12 months for both net debt and EBITDA; without large unannounced acquisitions; before special items
[3] Before special items
[4] Pro forma acquisitions; before special items; adjusted due to debt issuance cost restatement (U.S. GAAP standard ASU 2015-03)

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate/Other segment.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

Sales

In 2015, we increased Group sales by 9% in constant currency and by 19% at actual rates to €27,995 million (2014: €23,459 million). The chart on the right shows the various influences on Fresenius' Group sales.

In 2015, there were no major effects due to changes in **product mix**, as expected.

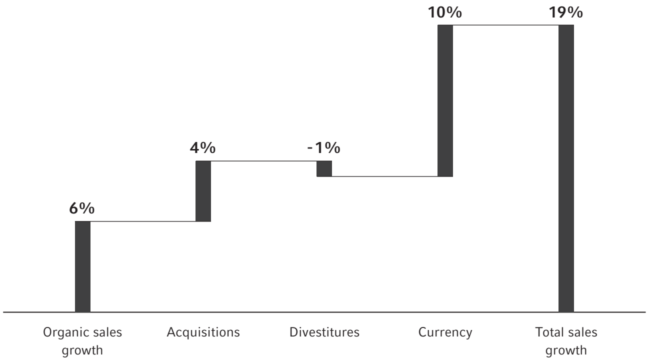
Price effects occurred at Fresenius Medical Care. Medicare reimbursement rates remained virtually unchanged in 2015, while personnel costs have increased.

Sales growth by region is shown in the table below.

Sales growth in the business segments[1] was as follows:

- Fresenius Medical Care increased sales by 27% to €15,086 million (2014: €11,917 million). The business was significantly influenced by currency developments. Growth in constant currency was 11%. Organic sales growth was 6%, while acquisitions contributed 6%. Divestitures reduced sales by 1%.
- Fresenius Kabi increased sales by 16% to €5,950 million (2014: €5,146 million). Sales growth was mainly driven by persisting IV drug shortages and new product launches in the United States. The company achieved organic sales growth of 8%. Acquisitions contributed 1% to sales growth. Divestitures reduced sales by 2%.

SALES GROWTH ANALYSIS



Positive currency translation effects (9%) were mainly related to the euro's depreciation against the U.S. dollar and the Chinese yuan.

- Fresenius Helios increased sales by 6% to €5,578 million (2014: €5,244 million). The increase is positively influenced by the full-year consolidation of the acquired hospitals from Rhön-Klinikum AG. An increase in admissions and price increases for hospital services contributed to organic sales growth of 3%. Acquisitions contributed 4% to sales growth. Divestitures reduced sales growth by 1%.
- Fresenius Vamed increased sales by 7% to €1,118 million (2014: €1,042 million). Acquisitions had no major impact on sales growth. Sales in the project business increased by 3% to €575 million (2014: €558 million). Sales in the service business grew by 12% to €543 million (2014: €484 million). The increase in sales is due to new and

SALES BY REGION

€ in millions	2015	2014	Change	Organic sales growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**12,990**	9,535	36%	8%	22%	6%	46%
Europe	**10,557**	10,162	4%	3%	0%	1%	38%
Asia-Pacific	**2,779**	2,205	26%	9%	12%	5%	10%
Latin America	**1,297**	1,186	9%	10%	-3%	2%	5%
Africa	**372**	371	0%	-1%	1%	0%	1%
Total	**27,995**	23,459	19%	6%	10%	3%	100%

[1] All business segment data according to U.S. GAAP.

existing business. **Order intake** in the project business again developed well; it increased to €904 million (2014: €840 million). The prior-year period was boosted by the major project for the modernization of the University Hospital of Schleswig-Holstein in Germany. Fresenius Vamed increased its **order backlog** by 18% to €1,650 million (December 31, 2014: €1,398 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog.

Earnings structure

Group net income (before special items)[1] rose by 32% to €1,436 million (2014: €1,088 million). Growth in constant currency was 22%. This includes impairment gains from capitalized in-process R & D activities of €5 million (2014 impairment losses: €1 million). Excluding impairment gains from capitalized in-process R & D activities, the increase was 31%. **Earnings per share (before special items)**[1] rose to €2.64 (2014: €2.01). This represents an increase of 31% at actual rates and of 21% in constant currency. The weighted average number of shares was 543.9 million.

Including special items, Group net income attributable to shareholders of Fresenius SE & Co. KGaA increased by 30% to €1,386 million (2014: €1,070 million). Earnings per share[1] increased by 29% to €2.55 (2014: €1.98).

Inflation had no significant effect on results of operations in 2015.

Group EBITDA[2] increased by 25% to €5,125 million (2014: €4,114 million). This corresponds to an increase of 13% in constant currency. **Group EBIT**[2] increased by 27% to €4,001 million (2014: €3,159 million). This corresponds to an increase of 14% in constant currency. Group EBIT includes impairment gains from capitalized in-process R & D activities of €7 million (2014 impairment losses: €2 million).

EBIT[3] development by business segment was as follows:

- Fresenius Medical Care's EBIT increased by 24% (constant currency: 8%) to €2,097 million (2014: €1,697 million). Unchanged Medicare reimbursement rates in North America were offset by cost savings on the procurement side for pharmaceutical products and cost savings from the global efficiency program. In addition, Care Coordination made a positive contribution to operating income. The EBIT margin of Fresenius Medical Care Group decreased to 13.9% (2014: 14.2%). The agreement in principle to resolve the GranuFlo®/NaturaLyte® product liability litigation, had a 2015 pre-tax financial impact at Fresenius Medical Care of US$60 million. Adjusted for one-time items[4], EBIT increased by 5% to € 2.388 million.

SALES BY BUSINESS SEGMENT[3]

€ in millions	2015	2014	Change	Organic sales growth	Currency translation effects	Acquisitions/ Divestitures	% of total sales
Fresenius Medical Care	15,086	11,917	27%	6%	16%	5%	55%
Fresenius Kabi	5,950	5,146	16%	8%	9%	-1%	21%
Fresenius Helios	5,578	5,244	6%	3%	0%	3%	20%
Fresenius Vamed	1,118	1,042	7%	6%	1%	0%	4%

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED[3]

€ in millions	2015	2014	2013	2012	2011
Order intake	904	840	744	657	604
Order backlog (December 31)	1,650	1,398	1,139	987	845

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Before special items
[3] All business segment data according to U.S. GAAP.
[4] 2015 before settlement costs for an agreement in principle for GranuFlo®/NaturaLyte® case (-US$60 million before tax), before divestiture of dialysis business in Venezuela (-US$26 million before tax) and European pharmaceutical business (US$25 million before tax); 2014 before closing of manufacturing plant (-US$16 million before tax)

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate/Other segment.

- Fresenius Kabi's EBIT[1] increased by 36% (21% in constant currency) to €1,189 million (2014: €873 million). The increase was mainly driven by persisting IV drug shortages and new product launches in the United States. The EBIT[1] margin increased to 20.0% (2014: 17.0%). Fresenius Kabi's initiatives to increase production efficiency and streamline administrative structures were well on track. Costs of €105 million before tax were incurred in the year under review. These costs are reported in the Group Corporate/Other segment.
- Fresenius Helios increased EBIT[1] by 16% to €640 million (2014: €553 million). The EBIT[1] margin increased to 11.5% (2014: 10.5%). The increase is attributable both to the successful integration of the acquired hospitals from Rhön-Klinikum AG and to continuous improvements of the established business.
- Fresenius Vamed increased EBIT by 8% to €64 million (2014: €59 million). The EBIT margin remained unchanged at 5.7% (2014: 5.7%).

Reconciliation to Group net income

The Group's IFRS financial results as of December 31, 2015, and as of December 31, 2014, comprise special items. In order to show the operating performance of the Group in the reporting period, the relevant positions of the profit and loss statement were adjusted for these special items. The table below shows the special items and the reconciliation from net income (before special items) to earnings according to IFRS.

Development of other major items in the statement of income

Group gross profit rose to €8,923 million, exceeding the previous year's gross profit of €7,072 million by 26% (14% in constant currency). The gross margin increased to 31.9% (2014: 30.1%). The **cost of sales** rose by 16% to €19,072 million (2014: €16,387 million). Cost of sales as a percentage of Group sales decreased to 68.1% in 2015, compared to 69.9% in 2014.

Selling, general, and administrative expenses consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 26% to €4,538 million (2014: €3,590 million). The increase is primarily due to currency translation effects, business expansion as well as the agreement in principle to resolve the GranuFlo®/NaturaLyte® product liability litigation. Their ratio as a percentage of Group sales increased therefore to 16.2% (2014: 15.3%). **R & D expenses** were €451 million (2014: €365 million). With 5.2% they are slightly above the targeted range of approximately 4% to 5% of our product sales. **Depreciation and amortization** was €1,124 million (2014: €955 million). The ratio as a percentage of sales was 4.0%

RECONCILIATION

€ in millions	**Q1–4/ 2015 according to IFRS (before special items)**	Kabi efficiency program	Integration costs for acquired Rhön hospitals	Disposal gains from two HELIOS hospitals	**Q1–4/ 2015 according to IFRS (incl. special items)**	Q1–4/ 2014 according to IFRS (before special items)	Fenwal integration costs	Integration costs for acquired Rhön hospitals	Disposal gains from two HELIOS hospitals	Disposal gain from Rhön stake	Q1–4/ 2014 according to IFRS (incl. special items)
Sales	**27,995**				**27,995**	23,459					23,459
EBIT	**4,001**	-89	-12	34	**3,934**	3,159	-48	-51	22	35	3,117
Interest result	**-613**				**-613**	-602					-602
Net income before taxes	**3,388**	-89	-12	34	**3,321**	2,557	-48	-51	22	35	2,515
Income taxes	**-994**	15	2	0	**-977**	-727	16	10	-1	-1	-703
Net income	**2,394**	-74	-10	34	**2,344**	1,830	-32	-41	21	34	1,812
Less noncontrolling interest	**-958**				**-958**	-742					-742
Net income[1]	**1,436**	-74	-10	34	**1,386**	1,088	-32	-41	21	34	1,070

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA

The costs are reported in the Group Corporate/Other segment.

[1] Before special items

For a detailed overview of special items please see the reconciliation table above. The special items are reported in the Group Corporate/Other segment.

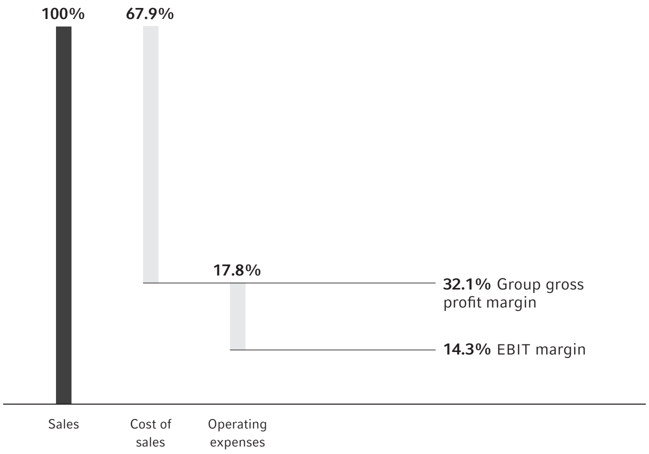
(2014: 4.1%). Group **Personnel costs** increased to €10,835 million (2014: €8,979 million). The personnel cost ratio was 38.7% (2014: 38.3%). The chart beside shows the earnings structure in 2015.

Group net interest increased slightly to -€613 million (2014: -€602 million). More favorable financing terms and interest rate savings on lower debt were more than offset by currency translation effects.

The **Group tax rate** (before special items) was 29.3% and hence above the prior-year level (2014: 28.4%). **Noncontrolling interest** increased to €958 million (2014: €742 million). Of this, 96% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table on page 26 shows the profit margin development in 2015.

EARNINGS STRUCTURE (BEFORE SPECIAL ITEMS)



FINANCIAL POSITION

Financial management policies and goals

The financing strategy of the Fresenius Group has the following main objectives:

- Ensure financial flexibility
- Optimize the weighted-average cost of capital

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. This is achieved through a broad spectrum of financing instruments, taking market capacity, investor diversification, utilization flexibility, credit covenants, and the current maturity profile into consideration.

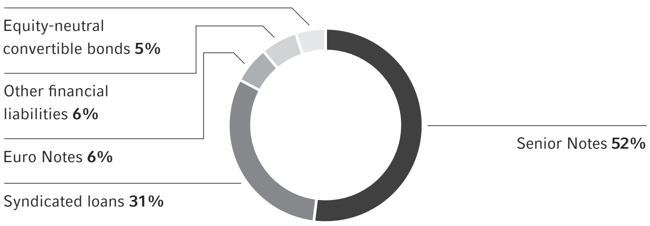
STATEMENT OF INCOME (SUMMARY)

€ in millions	2015	2014	Change	Change in constant currency
Sales	**27,995**	23,459	19%	9%
Cost of goods sold	**-19,072**	-16,387	-16%	-7%
Gross profit	**8,923**	7,072	26%	14%
Selling, general, and administrative expenses	**-4,538**	-3,590	-26%	-14%
Research and development expenses	**-451**	-365	-24%	-13%
EBIT (operating result after special items)	**3,934**	3,117	26%	13%
Net interest	**-613**	-602	-2%	8%
Income taxes	**-977**	-703	-39%	-24%
Noncontrolling interest in profit	**-958**	-742	-29%	-12%
Net income (before special items) [1]	**1,436**	1,088	32%	22%
Net income [1]	**1,386**	1,070	30%	19%
Earnings per ordinary share in € (before special items) [1]	**2.64**	2.01	31%	21%
Earnings per ordinary share in € [1]	**2.55**	1.98	29%	18%
EBITDA	**5,058**	4,072	24%	12%
Depreciation and amortization	**1,124**	955	18%	8%

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate/Other segment.

FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2015: €14,769 million

The Group's **maturity profile** is characterized by a broad spread of maturities with a large proportion of mid- to long-term financing. We also take into account the currency in which our earnings and cash flows are generated when selecting the **financing instruments**, and match them with appropriate debt structures in the respective currencies.

The Group's main debt financing instruments are illustrated in the chart above.

Sufficient **financial cushion** is assured for the Fresenius Group by unused syndicated and bilateral credit lines. In addition, Fresenius SE & Co. KGaA has a commercial paper program. The Fresenius Medical Care receivable securitization program offers additional financing options.

Another main objective of Fresenius Group's financing strategy is to **optimize the weighted-average cost of capital** by employing a balanced mix of equity and debt. Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing, and non-cyclical markets, predictable and sustainable cash flows are generated. These allow for a reasonable proportion of debt, i.e., the use of a comprehensive mix of financial instruments. A capital increase may also be considered in exceptional cases to ensure long-term growth, for example to finance a major acquisition.

In line with the Group's structure, financing for Fresenius Medical Care and the rest of the Fresenius Group is conducted separately. There are no joint financing facilities and no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA, in order to avoid any structural subordination.

Financing

Fresenius meets its **financing needs** through a combination of operating cash flows generated in the business segments and short-, mid-, and long-term debt. In addition to bank loans, important financing instruments include the issuance of Senior Notes, Schuldschein Loans, a commercial paper program, and a receivable securitization program.

Financing activities during the past fiscal year were related to the refinancing of matured Senior Notes, to further improving terms and conditions, and to extending the Company's maturity profile.

- In February 2015, Fresenius SE & Co. KGaA extended the revolving facilities and term loan A tranches under the syndicated credit agreement by two years. These

in %	2015	2014	2013	2012	2011[2]
EBITDA margin[1]	**18.3**	17.5	19.0	19.9	19.7
EBIT margin[1]	**14.3**	13.5	14.6	15.8	15.4
Return on sales (before taxes and noncontrolling interest)[2]	**12.1**	10.9	11.8	12.4	12.2

[1] 2012 – 2015 before special items
[2] 2011 – 2015 before special items

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate / Other segment.

tranches would have been due in June 2018. As part of an amendment to the agreement, its terms were improved and certain loan covenants were simplified.

- In March 2015, Fresenius SE & Co. KGaA voluntarily terminated floating rate tranches of Schuldschein Loans in the amount of €172 million due in 2016 and 2018 ahead of time. In addition, a termination offer for Schuldschein Loans in the amount of €156 million was submitted to investors in a fixed-rate tranche due in April 2016, of which €48 million was accepted. The respective repayments and the disbursement of new Schuldschein Loans with maturities of 3.5 and 7 years in the amount of €112 million were made on April 7, 2015.
- In September 2015, Fresenius US Finance II, Inc. issued US$300 million Senior Notes with a maturity of 7.25 years and a coupon of 4.50%. The Senior Notes were issued at par. The proceeds were used to repay commercial papers which had been issued in July 2015 for the short-term refinancing of maturing bonds.

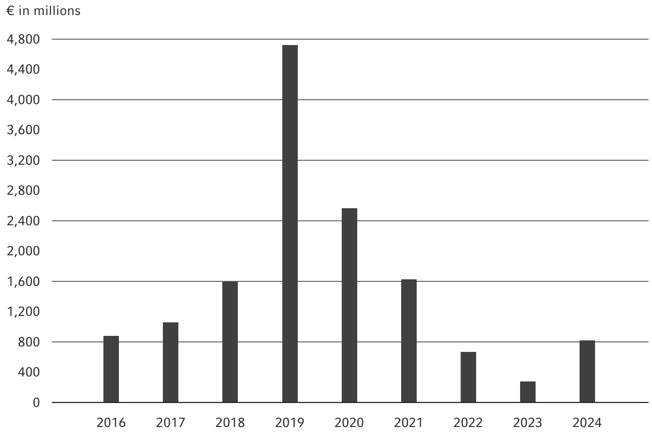
The chart on the right shows the maturity profile of the Fresenius Group.

Fresenius SE & Co. KGaA has a commercial paper program under which up to €1 billion in short-term notes can be issued. As of December 31, 2015, the commercial paper program was not utilized.

The Fresenius Group has drawn about €5.2 billion of bilateral and syndicated credit lines. In addition, as of December 31, 2015, the Group had approximately €3.4 billion in unused credit lines available (including committed credit lines of about €2.8 billion). These credit facilities are generally used for covering working capital needs and – with the exception of the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care – are usually unsecured.

As of December 31, 2015, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under its debt arrangements.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2015, major long-term financing instruments

Detailed information on the Fresenius Group's financing can be found on pages 90 to 98 of the Notes. Further information on financing requirements in 2016 is included in the Outlook section on page 39.

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

Fresenius is not involved in any off-balance-sheet transactions that could, or will, have a significant impact on its financial position, expenses or income, results of operations, liquidity, investments, assets and liabilities, or capitalization.

Liquidity analysis

In 2015, key sources of liquidity were **operating cash flows** and **cash inflow from financing activities** including short-, mid-, and long-term debt. Cash flow from operations is influenced by the profitability of the business of Fresenius and by net working capital, especially accounts receivable. Cash inflow from financing activities is generated from short-term borrowings through the commercial paper program, and by drawing on bilateral bank credit agreements. Additionally, receivables under the Fresenius Medical Care accounts receivable securitization program can be sold. Mid- and long-term funding are mostly provided by the syndicated credit facilities of Fresenius SE & Co. KGaA and Fresenius Medical Care, and by Senior Notes. Fresenius is convinced that its existing credit facilities, inflows from Senior Note issuances, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

Dividend

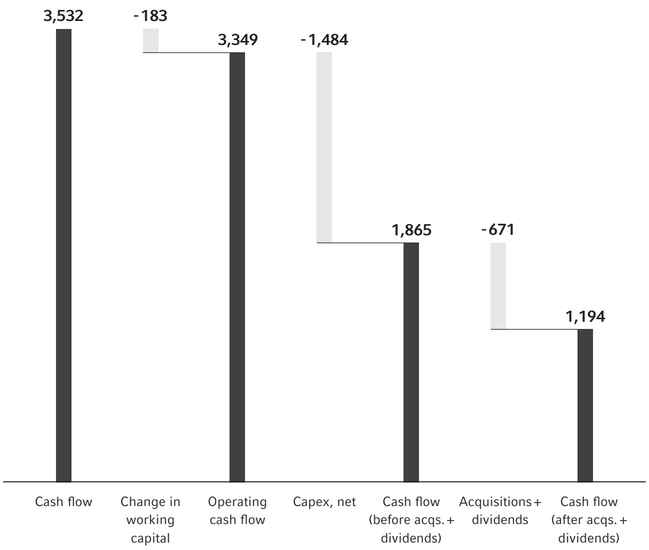
The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2015, a dividend of €0.55 per share is proposed. This is an increase of about 25%. The total dividend distribution will increase by about 26% to €300 million (2014: €238 million).

Cash flow analysis

Cash flow increased by 24% to €3,532 million (2014: €2,843 million). The change in working capital was -€183 million (2014: -€283 million), mainly due to business expansion.

Operating cash flow increased by 31% to €3,349 million (2014: €2,560 million). The cash flow margin was

CASH FLOW IN € MILLIONS



12.0% (2014: 10.9%). Operating cash flow in the prior-year period was reduced by the US$115 million payment for the W.R. Grace bankruptcy settlement. Operating cash flow was more than sufficient to meet all financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €1,511 million, and proceeds from the sale of property, plant and equipment were €27 million (2014: €1,366 million and €22 million, respectively).

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	2015	2014	2013	2012	2011
Operating cash flow	**3,349**	2,560	2,337	2,453	1,699
as % of sales	**12.0**	10.9	11.4	12.6	10.3
Working capital [1]	**6,091**	5,451	4,579	4,474	4,067
as % of sales	**21.8**	23.2	22.3	22.9	24.6
Investments in property, plant and equipment, net	**1,484**	1,344	1,064	967	772
Cash flow before acquisitions and dividends	**1,865**	1,216	1,273	1,486	927
as % of sales	**6.7**	5.2	6.2	7.6	5.6

[1] Trade accounts receivable and inventories, less trade accounts payable and payments received on accounts

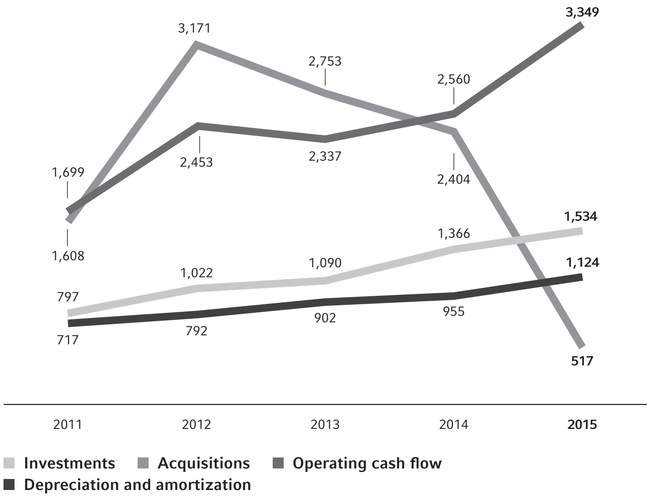
Cash flow before acquisitions and dividends was €1,865 million (2014: €1,216 million). This was sufficient to finance the Group dividends of €639 million. Group dividends consisted of dividend payments of €238 million to the shareholders of Fresenius SE & Co. KGaA, payments of €237 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €237 million (primarily relating to Fresenius Medical Care). These payments were offset by the dividend of €74 million, which Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care. Net acquisition expenditures of €32 million were financed by cash flow.

Cash used for financing activities (without dividend payments) was -€1,343 million (2014: €1,625 million). In 2015, it was predominantly characterized by the reduction of debt due to the strong free cash flow and refinancing measures. Cash and cash equivalents as of December 31, 2015, were €1,044 million (December 31, 2014: €1,175 million).

Investments and acquisitions

In 2015, the Fresenius Group provided €2,051 million (2014: €3,770 million) for investments and acquisitions. **Investments in property, plant and equipment** increased to €1,534 million (2014: €1,366 million). At 5.5% of sales (2014: 5.8%), this was well above the depreciation level of €1,124 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. A total of €517 million was invested in **acquisitions** (2014: €2,404 million). Of the total capital expenditure in 2015, 75% was invested in property, plant and equipment, 25% was spent on acquisitions.

INVESTMENTS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN € MILLIONS – FIVE-YEAR OVERVIEW



CASH FLOW STATEMENT (SUMMARY)

€ in millions	2015	2014	Change	Margin
Earnings after tax	2,344	1,812	29%	
Depreciation and amortization	1,124	955	18%	
Change in pension provisions	64	76	-16%	
Cash flow	3,532	2,843	24%	**12.6%**
Change in working capital	-183	-283	35%	
Operating cash flow	3,349	2,560	31%	**12.0%**
Property, plant and equipment	-1,511	-1,366	-11%	
Proceeds from the sale of property, plant and equipment	27	22	23%	
Cash flow before acquisitions and dividends	1,865	1,216	53%	**6.7%**
Cash used for acquisitions/proceeds from disposals	-32	-1,982	98%	
Dividends	-639	-582	-10%	
Cash flow after acquisitions and dividends	1,194	-1,348	189%	
Cash provided by/used for financing activities (without dividends paid)	-1,343	1,625	-183%	
Effect of exchange rate changes on cash and cash equivalents	18	34	-47%	
Change in cash and cash equivalents	-131	311	-142%	

The detailed cash flow statement is shown in the consolidated financial statements.

The table below shows the distribution of investments/acquisitions by business segment. The chart on the right shows the regional breakdown.

The cash outflow for acquisitions is primarily related to the following business segments:

Fresenius Medical Care invested primarily in the acquisition of companies to expand the business in medical services related to dialysis.

Fresenius Kabi invested primarily in the acquisition of 100% of the shares in medi1one medical gmbh, Germany, and the purchase of further shares in Fresenius Kabi Bidiphar JSC, Vietnam.

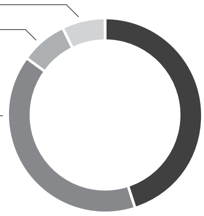
Fresenius Helios' acquisition spending was mainly for subsequent purchase price payments, the acquisition of outpatient facilities, and the purchase of 94% of the shares in Lungenklinik Diekholzen gGmbH, Germany.

Fresenius Vamed invested primarily as a partner in the expansion of a thermal spa in Austria.

The main investments in property, plant and equipment were as follows:

- optimization and expansion of production facilities, primarily in North America and Europe for Fresenius Medical Care, and for Fresenius Kabi, primarily in Europe, North America, and Asia
- modernization of existing, and equipping of new, dialysis clinics at Fresenius Medical Care
- new building and modernization of hospitals at Fresenius Helios. The most significant individual projects were the hospitals in Duisburg, Schleswig, Hamburg, Stralsund, and Wiesbaden

INVESTMENTS BY REGION



2015: €1,534 million

Investments in property, plant and equipment of €206 million will be made in 2016, to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly for hospitals at Fresenius Helios as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

INVESTMENTS/ACQUISITIONS BY BUSINESS SEGMENT [1]

€ in millions	2015	2014	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**1,244**	2,196	859	385	-43%	61%
Fresenius Kabi	**389**	479	352	37	-19%	19%
Fresenius Helios	**376**	1,090	277	99	-66%	19%
Fresenius Vamed	**15**	22	11	4	-32%	1%
Corporate/Other	**5**	8	13	-8	-38%	0%
IFRS Reconciliation	**22**	-25	22	0	188%	0%
Total	**2,051**	3,770	1,534	517	-46%	100%

[1] All business segment data according to U.S. GAAP

INVESTMENTS AND ACQUISITIONS

€ in millions	2015	2014	Change
Investment in property, plant and equipment	**1,534**	1,366	12%
thereof maintenance	**47%**	42%	
thereof expansion	**53%**	58%	
Investment in property, plant and equipment as % of sales	**5.5**	5.8	
Acquisitions	**517**	2,404	-78%
Total investments and acquisitions	**2,051**	3,770	-46%

ASSETS AND LIABILITIES

Asset and liability structure

The **total assets** of the Group rose by 9% to €43,387 million (Dec. 31, 2014: €39,955 million). In constant currency, this was an increase of 3%. Inflation had no significant impact on the assets of Fresenius in 2015.

Current assets increased to €10,433 million (Dec. 31, 2014: €9,566 million). Within current assets, trade accounts receivable increased by 8% to €4,597 million (Dec. 31, 2014: €4,238 million). At 61 days, average days sales outstanding was below the previous year's level of 65 days.

Inventories rose by 23% to €2,860 million (Dec. 31, 2014: €2,333 million). The scope of inventory in 2015 was 55 days (Dec. 31, 2014: 52 days). The ratio of inventories to total assets increased to 6.6% (Dec. 31, 2014: 5.8%).

Non-current assets increased by 8% to €32,954 million (Dec. 31, 2014: €30,389 million). In constant currency, the increase was 2%. Additions to property, plant and equipment, and acquisitions had an effect. The goodwill in the amount of €21,646 million (Dec. 31, 2014: €19,977 million) has proven sustainable and increased mainly due to currency translation effects. In fiscal year 2015, the additions to the goodwill from acquisitions was €189 million. Please see page 85 ff. of the Notes for further information.

Shareholders' equity, including **noncontrolling interest**, rose by 16% to €18,453 million (Dec. 31, 2014: €15,860 million). In constant currency, shareholders' equity, including noncontrolling interest, rose by 11%. **Group net income** attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €1,386 million. The equity ratio, including noncontrolling interest, was 42.5% as of December 31, 2015 (Dec. 31, 2014: 39.7%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 56% of non-current assets (Dec. 31, 2014: 52%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 97% of inventories.

Long-term liabilities increased by 1% to €17,269 million as of December 31, 2015 (Dec. 31, 2014: €17,113 million). **Short-term liabilities** increased by 10% to €7,665 million (Dec. 31, 2014: €6,982 million).

The Group has one major **accrual** of US$250 million related to the reached agreement in principle to resolve the resolution of the GranuFlo®/NaturaLyte® product liability litigation, within the business segment Fresenius Medical Care. At the same time, receivables against insurers were recorded as they will fund the majority of the settlement amount (US$220 million).

Group debt decreased by 4% to €14,769 million (Dec. 31, 2014: €15,348 million). In constant currency, the decrease was 9%. Its relative weight in the balance sheet was 34% (Dec. 31, 2014: 38%). Approximately 52% of the Group's debt is in U.S. dollars. Liabilities due in less than 1 year were €1,162 million (Dec. 31, 2014: €1,418 million), while liabilities with a remaining term of 1 to 5 years and over 5 years were €13,607 million (Dec. 31, 2014: €13,930 million).

The net debt to equity ratio including noncontrolling interest (gearing) is 74% (Dec. 31, 2014: 89%).

The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) increased to 12.9% [1] (Dec. 31, 2014: 11.4% [1]). The return on total assets after taxes and before noncontrolling interest increased to 5.5% [1] (2014: 4.6% [1]).

Group ROIC increased to 8.4% [1] (2014: 7.5% [2]), and Group ROOA to 10.2% [1] (2014: 9.0% [2]). Within the position invested capital, the goodwill of €21.6 billion had a significant effect on the calculation of ROIC. It is important to take into account that approximately 64% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS Kliniken in 2006, APP Pharmaceuticals in 2008, Liberty Dialysis Holdings in 2012, and hospitals of Rhön-Klinikum AG in 2014. Those have significantly strengthened the competitive position of the Fresenius Group.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	2015	2014 [5]	2015	2014 [5]
Fresenius Medical Care [1,2]	**6.9**	6.9	**9.6**	9.7
Fresenius Kabi [1,3]	**10.6**	8.7	**13.2**	10.6
Fresenius Helios [1,2,3]	**7.7**	7.0	**8.1**	7.4
Fresenius Vamed [1,4]	**–**	–	**11.1**	11.2
Group (IFRS) [2,3]	**8.4**	7.5	**10.2**	9.0

[1] All business segment data according to U.S. GAAP
[2] 2014: pro forma acquisitions
[3] Before special items
[3] ROIC: Invested capital is insignificant due to prepayments, cash and cash equivalents.
[4] Adjusted due to debt issuance cost restatement (U.S. GAAP standard ASU 2015-03)

In 2015, the Fresenius Group's return on invested capital (ROIC) substantially exceeded our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 6.2%, the WACC of the other business segments was 5.6%.

The return on assets for 2015 was calculated before special items.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2015	2014	2013	2012	2011
Total assets	**43,387**	39,955	32,859	30,899	26,510
Shareholders' equity [1]	**18,453**	15,860	13,595	13,149	11,031
as % of total assets [1]	**43**	40	41	43	42
Shareholders' equity [1]/non-current assets, in %	**56**	52	54	57	55
Debt	**14,769**	15,348	12,716	10,932	9,703
as % of total assets	**34**	38	39	35	37
Gearing in %	**74**	89	71 [2]	76	82

[1] Including noncontrolling interest
[2] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG

[1] Before special items
[2] Pro forma acquisitions; before special items

For a detailed overview of special items please see the reconciliation table on page 24. The special items are reported in the Group Corporate/Other segment.

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was €2,372 million as of December 31, 2015. These contracts had a market value of €26 million. The nominal value of interest rate hedging contracts was €587 million. These contracts had a market value of -€6 million. Please see the Risk Report on pages 48 f. and the Notes on pages 114 to 121 for further details.

CORPORATE RATING

The credit quality of Fresenius is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Standard & Poor's raised Fresenius rating to investment-grade status in January 2015 and Moody's followed suit in November 2015.

The table below shows the company rating and the respective outlook as of December 31, 2015.

RATING OF FRESENIUS SE & CO. KGAA

	Dec. 31, 2015	Dec. 31, 2014
Standard & Poor's		
Corporate Credit Rating	BBB-	BB+
Outlook	stable	positive
Moody's		
Corporate Credit Rating	Baa3	Ba1
Outlook	stable	negative
Fitch		
Corporate Credit Rating	BB+	BB+
Outlook	stable	positive

	Dec. 31, 2015 [1]	Dec. 31, 2014 [2]	Dec. 31, 2013 [3]	Dec. 31, 2012 [2]	Dec. 31, 2011
Debt/EBITDA	**2.9**	3.7	2.7	2.7	3.0
Net debt/EBITDA [4]	**2.7**	3.2	2.5	2.6	2.7
EBITDA/interest ratio	**8.4**	6.8	6.7	5.8	6.1

[1] Before special items
[2] Pro forma acquisitions; before special items
[3] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG; before special items
[4] At LTM average exchange rates for both net debt and EBITDA

SUBSEQUENT EVENTS

On January 8, 2016, Fresenius Kabi and Becton, Dickinson and Company (BD) announced that Fresenius Kabi has acquired the BD Rx business, which includes a pharmaceutical manufacturing plant in the United States and the BD line of seven drugs in ready-to-administer prefilled glass syringes. Fresenius Kabi and BD have also signed a 10-year supply and distribution agreement under which Fresenius Kabi will supply BD with a portfolio of intravenous (IV) solutions.

On February 17, 2016, Fresenius Medical Care announced that Fresenius Medical Care North America has reached an agreement in principle with a committee designated by the plaintiffs to resolve litigation in the United States involving GranuFlo®/NaturaLyte®. Under the agreement in principle, the settlement amount would be US$250 million, provided that 97% of all plaintiffs agree to the settlement by July 2016 with the funding provided in August 2016. Insurers will fund the settlement amount with US$220 million. Therefore, the settlement has a pre-tax charge of US$60 million including other costs to finalize this matter.

On February 22, 2016, Fresenius announced, that HELIOS will acquire the municipal hospital in Velbert, in the German state of North Rhine-Westphalia. The hospital has 519 beds and, with approximately 1,000 employees, treats 45,000 patients each year, including 20,000 inpatients. HELIOS will fully own the hospital. Sales were approximately €67 million in 2014. The acquisition is subject to approval by the German antitrust authorities. The transaction is expected to close in the second quarter of 2016.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2015 until February 24, 2016. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Demand for our products and services continues to grow steadily around the world.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future, and on the basis of our mid-term planning. Such forward-looking statements are subject, as a matter of course, to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 41ff.

The Management Board controls the business segments by setting strategic and operating targets and through financial ratios according U.S GAAP. Therefore, in the following outlook, all ratios of the business segments and of the Group are according to U.S. GAAP.

GENERAL AND MID-TERM OUTLOOK

The outlook for the Fresenius Group for the coming years continues to be positive. We are able to treat patients and supply customers reliably, continuously striving to optimize our costs, to adjust our capacities and to improve our product mix, as well as to expand our products and services business. We expect these efforts to increase our earnings in the coming years. In addition, good growth opportunities for Fresenius are, above all, presented by the following factors:

- The sustained **growth of the markets** in which we operate: Fresenius still sees very good opportunities to benefit from the growing health care needs arising from aging populations, with their growing demand for comprehensive care, and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Efficient health care systems with appropriate reimbursement structures will evolve over time in these countries, as economic conditions improve. We will strengthen our activities in these regions and introduce further products from our portfolio into these markets successively.

- The **expansion of our regional presence**: The fast-growing markets in Asia-Pacific, Latin America, and Eastern Europe especially offer further potential for increasing our market shares. China, for instance, offers excellent growth opportunities over the long-term, not only in infusion and nutrition therapies, IV drugs, and medical devices for Fresenius Kabi, but also for Fresenius Medical Care in dialysis. We plan to further roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range.
- The **broadening of our services business**: For Fresenius Medical Care, opportunities to extend 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 through public-private partnerships. Whether or not private companies can offer dialysis treatment, and in what form, depends on the health care system of the country in which they operate and its legal framework. In addition to dialysis products and the treatment of dialysis patients, Fresenius Medical Care sees significant growth potential in the future in medical services related to dialysis and in expanding the coordination of care. These include, e.g., vascular care services, laboratory services, as well as hospitalist and intensivist services. With the successful completion of the acquisition of hospitals from Rhön-Klinikum AG, Fresenius Helios has an extensive nationwide hospital network. Based on this platform, Fresenius Helios aims to develop and offer innovative, integrated care offerings.
- The **broadening of our products business**: At Fresenius Medical Care, we see renal pharmaceuticals as growth drivers. They complement our dialysis portfolio and add to the horizontal expansion of our portfolio. They offer further growth potential in line with our strategic goals and the growing trend of offering more integrated care. At Fresenius Kabi, we plan to expand our IV drugs product business. We develop generic drug formulations that are ready to launch at the time of market formation, directly after the patents of the branded products expire.
- The **development of innovative products and therapies**: These will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and the convenience of our products and therapies are key factors here. In our dialysis business, we expect home therapies to gain further importance, leading to growth potential for Fresenius Medical Care. Home dialysis and the corresponding technologies and products will continue to be a major focus of our R & D activities. In addition, Fresenius Kabi is developing new dosage forms for its products.
- **Selective acquisitions**: Besides retaining organic sales growth as the basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that expand our product portfolio and strengthen our regional presence.

We are also exploiting any opportunities for potential within our operations for **cost-management** and **efficiency-enhancement** measures. These include plans for cost-efficient production and a further-optimized procurement process. Thus, Fresenius Kabi initiated a program in 2015. This program is designed to increase production efficiency and streamline administrative structures.

The outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2016 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

We expect the consolidation process to continue among competitors in our markets in Europe, Asia-Pacific, and Latin America. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio.

New markets will open up as **Fresenius Medical Care** successively rolls out its product and services portfolio, especially in emerging countries. In addition, Fresenius Medical Care continues to expand its Care Coordination business with services related to dialysis. With Care Coordination, Fresenius Medical Care can address the needs of dialysis patients even more comprehensively.

Fresenius Kabi plans to introduce products already offered outside the United States into that country as well. It also aims to further roll out its product portfolio internationally, especially in the fast-growing markets of Asia-Pacific and Latin America. Market share is to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition, as well as in transfusion technology.

With its broad hospital network across Germany, **Fresenius Helios** is able to develop new patient care models. In addition, further acquisition opportunities are expected to arise in the German hospital market.

Fresenius Vamed is expecting to grow in the life cycle and PPP project areas, both with regard to the project and the services business. Moreover, the company intends to further expand its position with follow-up orders, as well as to enter new target markets.

HEALTH CARE SECTOR AND MARKETS

The health care sector is considered to be widely independent of economic cycles. The demand, especially for life-saving and life-sustaining products and services, is expected to increase, given that they are medically needed and the population is aging. Moreover, medical advances and the large number of diseases that are still difficult to cure – or are incurable – are expected to remain growth drivers.

In the emerging countries, the availability of basic health care and the growing demand for high-quality medical treatment is increasing. As per-capita income increases, individuals increasingly have to cope with the illnesses associated with lifestyle diseases.

On the other hand, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue for companies in the health care industry. Some countries are experiencing significant financing problems in the health care sector due to the strained public finance situation. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

It will be increasingly important for companies to increase patient benefit, to improve treatment quality, and to offer preventive therapies. In addition, especially those products and therapies that are not only medically but also economically advantageous will be of increasing importance.

THE DIALYSIS MARKET

The **global dialysis market** is expected to grow by about 4% at constant exchange rates in 2016.

The number of dialysis patients worldwide is expected to rise by approximately 6% in 2016, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 1% to 4%. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more.

Driven by the development of infrastructure, the establishment of health care systems, and the growing number of chronically ill patients, overproportional growth is expected in Asia, Latin America, Eastern Europe, the Middle East, and Africa. The fact that a large part of the world's population lives in these regions underscores the strong growth potential for the entire spectrum of dialysis services and products.

Overall, factors such as aging populations and the growing number of people suffering from diabetes and hypertension, which are ailments often preceding terminal kidney failure, are contributing toward continued growth of the dialysis markets. The age expectancy of dialysis patients is also rising thanks to ongoing advances in treatment quality and the rising standard of living, especially in the emerging countries.

The market for care coordination opens up additional growth opportunities for Fresenius Medical Care.

Further information is provided on pages 16 ff. of the Management Report.

THE MARKET FOR GENERIC IV DRUGS, CLINICAL NUTRITION, INFUSION THERAPY, AND MEDICAL DEVICES / TRANSFUSION TECHNOLOGY [1]

We expect the global market for generic IV drugs, clinical nutrition, infusion therapy, and medical devices / transfusion technology to grow by approximately 4% in 2016.

[1] Market data refer to Fresenius Kabi's addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things.

Source: Company research

The **market for generic IV drugs** in Europe and the United States is expected to grow by about 4% to 5% in 2016. The demand for generic drugs is likely to grow because of their significantly lower price. The growth dynamic will continue to be driven by originator drugs going off-patent. A factor working in the opposite direction is the price erosion for generic drugs that are already in the market.

Growth of about 3% is expected for the **clinical nutrition market** in Europe in 2016. However, given the financial constraints in these countries, the efforts to contain costs in the health care sector are being pursued undiminished. Continued high growth potential is projected in Asia-Pacific, Latin America, and Africa. We expect growth of up to 10% in individual countries.

We expect the **market for infusion therapy** in Europe to remain at the prior year's level in 2016. Besides a slightly decreasing blood volume substitutes market due to restrictions imposed on the use of these products, continuous price pressure in the tender-driven standard-solutions business is expected to affect growth. Outside Europe, growth of up to 7% is expected.

The worldwide **market for medical devices/transfusion technology** is expected to grow by up to 4% in 2016.

THE GERMAN HOSPITAL MARKET

We expect the acute care hospital market in Germany to grow slightly in 2016. Admissions are forecast to increase by approximately 1%.

The so-called change in value figure is relevant for the increase in **reimbursements of hospital treatments**. For 2016 it was set at 2.95%. This is the highest level since the introduction of the DRG system. In addition, the hospital funding system provides for various increases and reductions for acute hospitals. For example, a reduction of 25% had to be accepted for surplus services previously agreed upon with the health insurance companies. A reduction of 65% applies to surplus services not agreed upon. To compensate the reduction, a 0.8% extra charge on invoiced hospital treatments is provided. We expect the overall effect of the increases and reductions on the result of HELIOS in 2016 to be slightly positive.

The German Hospital Structures Act (KHSG) entered into force in January 2016. However, no significant changes in the compensation for hospital services are expected until 2017 and 2018. These include the fixed cost digression discount, the care supplement, and taking medical outcomes into account in compensation. The specific financial impact this will have on HELIOS cannot currently be quantified since the key compensation parameters have not yet been established. However, we do not expect any negative effects since the HELIOS Group is well prepared for quality-based compensation thanks to its clear focus on quality and transparency of medical results.

Despite higher revenues, the expectations of the hospitals are rather pessimistic with respect to their **economic situation** in 2016. According to the Krankenhaus-Barometer 2015 survey by the German Hospital Institute (DKI), 39% of the hospitals expect their economic situation to worsen. Specifically, personnel costs will be a burden due to tariff in-creases. Moreover, investment needs are growing while government support is declining. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) forecasts that more hospitals will respond to economic pressures by joining together into networks and bundling their services. Networks offer opportunities for individual hospitals to reduce costs, for example in purchasing.

We anticipate that privatization and consolidation will continue in the German hospital market.

THE MARKET FOR PROJECTS AND SERVICES FOR HOSPITALS AND OTHER HEALTH CARE FACILITIES

For 2016, we expect the worldwide demand for projects and services for hospitals and other health care facilities to grow at a low single-digit rate.

In the Central European **markets with established health care systems**, we expect solid growth. The demand for projects and services for hospitals and other health care facilities will continue to grow due to demographic changes and the rising investment and modernization needs of public health

Source: Company research; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2013 facilities. The focus is on services ranging from the maintenance and repair of medical and hospital equipment, facility management, and technical operation, through to total operational management and infrastructure process optimization – especially within the framework of public-private partnership (PPP) models. Additional growth opportunities are presented by an increasing number of non-medical services, which are outsourced from public facilities to private service providers.

In the **emerging markets,** we anticipate an overall dynamic development. Growth in markets such as Africa, Latin America, and southeast Asia will initially be driven by the demand for efficient, needs-oriented medical care. In China and the Middle East, growth will be driven by the development of infrastructure and the creation of new care services, as well as research and training facilities.

GROUP SALES AND EARNINGS

In 2016, we expect to increase **Group sales** by 6% to 8% in constant currency. We expect to increase **Group net income**[1] by 8% to 12% in constant currency.

GROUP FINANCIAL TARGETS

	Targets 2016 (U.S. GAAP)	Fiscal year 2015 (U.S. GAAP)
Sales growth (in constant currency)	6% – 8%	€27,626 m
Net income[1] growth (in constant currency)	8% – 12%	€1,423 m
Capital expenditure	~6% of sales	€1,512 m
Dividend	Profit-driven dividend policy	Proposal +25% per share

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2015 before integration costs (€12 million before tax for hospitals acquired from Rhön-Klinikum AG), before costs for the efficiency program at Fresenius Kabi (€105 million before tax), and before the gain from the divestment of two HELIOS hospitals (€34 million before tax)

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2016, we expect sales and earnings development in our business segments as shown below:

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2016 (US-GAAP)	Fiscal year 2015 (US-GAAP)
Fresenius Medical Care		
Sales growth[1] (in constant currency)	7% – 10%	US$16,738 m
Net income[1,2] growth	15% – 20%	US$1,057 m
Fresenius Kabi[3]		
Sales growth (organic)	low single-digit %	€5,950 m
EBIT (in constant currency)	roughly flat	€1,189 m
Fresenius Helios		
Sales growth (organic)	3% – 5%	€5,578 m
EBIT[4]	€670 – 700 m	€640 m
Fresenius Vamed		
Sales growth (organic)	5% – 10%	€1,118 m
EBIT growth	5% – 10%	€64 m

[1] Savings from the global efficiency program are included, while acquisitions 2015/2016 are not taken into account; the outlook is based on current exchange rates. Before settlement costs for the agreement in principle for the GranuFlo®/NaturaLyte® case (-US$37 million after tax) and before acquisitions (US$9 million after tax); hence the basis for net income outlook 2016 are US$1,057 million.
[2] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[3] 2015 before costs for the efficiency program at Fresenius Kabi (€105 million before tax)
[4] 2015 before integration costs (€12 million before tax for hospitals acquired from Rhön-Klinikum AG), and before the gain from the divestment of two HELIOS hospitals (€34 million before tax)

For 2016, **Fresenius Medical Care** expects sales to grow by 7% to 10% in constant currency. Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to increase 15% to 20%.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2015 before integration costs (€12 million before tax for hospitals acquired from Rhön-Klinikum AG), before costs for the efficiency program at Fresenius Kabi (€105 million before tax), and before the gain from the divestment of two HELIOS hospitals (€34 million before tax)

Fresenius Kabi expects to achieve low single-digit organic sales growth (in %) for 2016. In addition, the business segment is forecasting a roughly flat EBIT in constant currency.

Fresenius Helios projects organic sales growth of 3% to 5% for 2016. EBIT is expected to increase to €670 to €700 million.

For 2016, **Fresenius Vamed** expects to achieve organic sales growth of 5% to 10% and EBIT growth of 5% to 10%.

FINANCING

For 2016, we expect continued strong cash flow with a **cash flow margin** between 9% and 11%.

In addition, unused credit lines under syndicated or bilateral credit facilities from banks provide us with a sufficient **financial cushion**.

In 2016, refinancing activities are limited due to our well-balanced maturity profile. At the end of 2016, we expect **Group net debt/EBITDA**[1] to be approximately 2.5.

INVESTMENTS

In 2016, we expect to invest about 6% of sales in property, plant and equipment. About 50% of the capital expenditure planned will be invested at Fresenius Medical Care, about 25% at Fresenius Kabi, and about 25% at Fresenius Helios. At Fresenius Medical Care, investments will primarily be used for the expansion of production capacity, optimizing production costs, and the establishment of new dialysis clinics. Fresenius Kabi will primarily invest in expanding and maintaining production facilities, as well as in introducing new manufacturing technologies. At Fresenius Helios, we will primarily be investing in the new building, the modernizing, and equipping of existing hospitals, and in the hospitals acquired during the fiscal year 2014 from Rhön-Klinikum AG.

The regional focus of the Group's investment spending will be on Europe and North America, which will account for about 55% and 35%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 35% of total funds will be invested in Germany.

We assume that the return on operating assets (ROOA) and the return on invested capital (ROIC) will be approximately above the level of 2015.

PROCUREMENT

We will continue optimizing our procurement management in 2016; prices, terms, and especially quality are key factors for securing further earnings growth.

Based on the developments in the financial and the real markets, we assume that price fluctuations will continue despite tension easing in the commodities markets in the short and medium terms.

RESEARCH AND DEVELOPMENT

Our R & D activities will continue to play a key role in securing the Group's long-term growth through **innovations and new therapies**.

We plan to increase the Group's R & D spending in 2016. About 4% to 5% of our product sales will be reinvested in research and development.

Market-oriented research and development with strict time-to-market management processes is crucial for the success of new products. We continually review our R & D results using clearly defined milestones. Innovative ideas, product

[1] Calculated at expected annual average exchange rates, for both net debt and EBITDA; without large unannounced acquisitions, before special items.

development, and therapies with a high level of quality will continue to provide the basis for future market-leading positions. Given the continued cost-containment efforts in the health care sector, cost-efficiency combined with a strong quality focus is acquiring ever-greater importance in product development, and in the improvement of treatment concepts.

At **Fresenius Medical Care** we will continue to expand our global R & D product platform. Home dialysis as well as associated technologies and products will be a focal point of our activities. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – also with the aim of best meeting demand for integrated care.

Infusion and nutrition therapies and generic IV drugs are primary focus areas of development at **Fresenius Kabi**. In particular, we are concentrating on being in a position to offer the corresponding generic drug formulation promptly upon the expiration of patents for originator drugs. We are also working to expand our portfolio to include additional ready-to-use IV drugs.

The Fresenius Kabi portfolio of medical devices makes a contribution to the safe and effective application of infusion solutions and clinical nutrition. We will continue to develop new products and improve on existing ones in this segment. In transfusion technology, we are focusing our development work on devices and disposables that enable the safe, efficient, and user-friendly production of blood products and the treatment of specific diseases, including autoimmune diseases.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future, as a result of the expected expansion. We anticipate that the number of employees will increase to approximately 230,000 (December 31, 2015: 222,305). The number of employees is expected to increase in all business segments. The regional distribution of our employees will remain almost unchanged – approximately 50% will be located in Europe, approximately 30% in North America, and approximately 20% in Asia-Pacific, Latin America, and Africa.

DIVIDEND

The dividend increases provided by Fresenius in the last 22 years show impressive continuity. Our dividend policy aims to align dividends with earnings per share growth (before special items) and thus broadly maintains a payout ratio of 20% to 25%. Based on our positive earnings forecast, we expect to offer our shareholders an earnings-linked dividend.

OPPORTUNITIES AND RISK REPORT

The Fresenius Group is exposed to a number of risks due to the complexity and the dynamics of its business. These risks are inevitable consequences of entrepreneurial activities. The willingness to take risks has to be accommodated if opportunities are to be exploited.

As a provider of products and services for the severely and chronically ill, we are relatively independent of economic cycles. The diversification into four business segments, which operate in different segments of the health care market, and the global footprint further minimize the Group's risk profile. Our experience, as well as our strong market positions, serve as a solid basis for a reliable assessment of risks.

At the same time, we will continue to take advantage of the wide-ranging opportunities for sustainable growth and expansion that the health care market offers to the Fresenius Group.

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the Company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and scientific institutions, and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 34.

RISK MANAGEMENT

The risk management is also a continuous process. Identifying, controlling, and managing risks are key tools of solid corporate governance. The **Fresenius risk management system** is closely linked to the corporate strategy. Opportunities are not recognized in the risk management system.

Responsibilities for the processes and monitoring risks in the business segments have been assigned as follows:

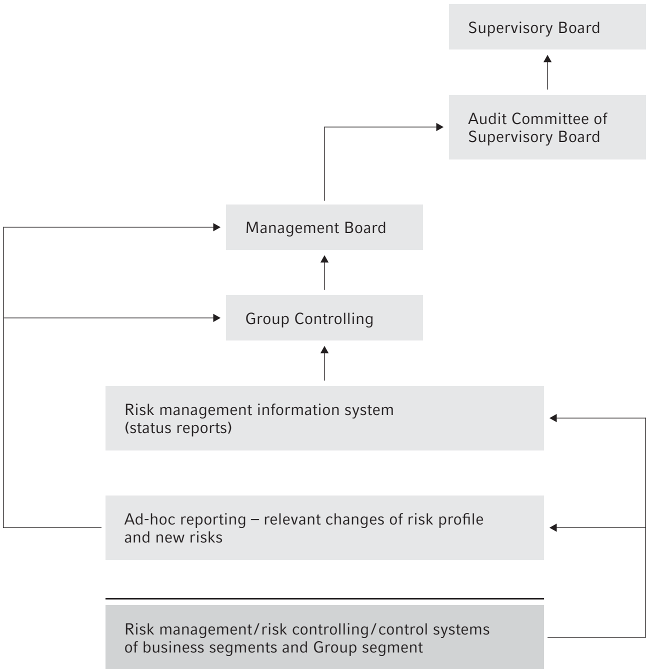
- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.
- The managers responsible are required to report any relevant changes in the risk profile to the Management Board without delay.
- Markets are kept under constant observation and close contact is maintained with customers, suppliers, and institutions. These policies allow us to swiftly identify and react to changes in our business environment.

The risk management system is supported both at Group level and in the business segments by our **risk controlling measures** and our **management information system**. Detailed monthly and quarterly reports are used to identify and analyze deviations of the actual compared to the planned business development. In addition, the risk management system comprises a **control system** that oversees organizational processes and measures, as well as internal controls and audits, with which we can identify significant risks at an early stage and counteract each one individually.

The functionality and effectiveness of our risk management system is reviewed regularly by the Management Board and the internal auditing department. Conclusions arising from the audits are taken into account in the ongoing refinement of the system, to allow prompt reaction to changes in our environment. This system has thus far proved effective. The control system is also regularly reviewed by the Management Board and the internal auditing department. Moreover, the external auditor reviews whether the control system set up by the Management Board is suitable for the early identification of risks that would put the continued existence of the Company in danger. The insights gained from the audit regarding the internal financial reporting controls are taken into account in the continued development of the system.

Fresenius has ensured that the scope and focus of the organizational structure and systems for identifying, assessing, and controlling risks, and for developing countermeasures and for the avoidance of risks, are aligned suitably with the Company-specific requirements and that they are properly functional. However, there can be no absolute certainty that this will enable all risks to be fully identified and controlled.

RISK MANAGEMENT



INTERNAL FINANCIAL REPORTING CONTROLS

Numerous measures and internal controls assure the correctness and reliability of accounting processes and financial reporting, and thus preparation of annual financial statements, consolidated financial statements, and management reports in compliance with applicable principles. Our **four-tier reporting process** especially promotes intensive discussion and ensures control of the financial results. At each reporting level,

- local entity
- region
- business segment
- Group

financial data and key figures are reported, discussed, and compared on a regular monthly basis with the prior-year figures, budget, and latest forecast. In addition, all parameters, assumptions, and estimates that are of relevance for the externally reported Group and segment results are discussed intensively with the department responsible for preparing the Group's consolidated financial statements. These matters are also reviewed and discussed quarterly by the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions put in place to assure that financial reporting is reliable and that transactions are correctly accounted for. All consolidated entities report according to Group-wide standards, which are determined at the head office. These are regularly adjusted to allow for changes made to the accounting regulations. The consolidation proposals are supported by the IT system. In this context, reference is made to the comprehensive consolidation of internal Group balances. To prevent abuse, we take care to maintain a strict separation of functions. Management control and evaluations also help to ensure that risks having a direct impact on financial reporting are identified and that controls are in place to minimize them. Moreover, changes in accounting principles are monitored and employees involved in financial reporting are instructed regularly and comprehensively. External experts and specialists are engaged if necessary. The Treasury, Tax, Controlling, and Legal departments are involved in supporting the preparation of the financial statements. Finally, the information provided is verified once again by the department responsible for preparing the consolidated financial statements.

Fresenius Medical Care is subject to the controls of Section 404 of the Sarbanes-Oxley Act.

RISK AREAS

The main risk areas for the operations of the Fresenius Group are as follows:

GENERAL ECONOMIC RISKS AND RISKS IN THE GENERAL OPERATING FRAMEWORK

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2016, we largely expect overall economic growth to continue. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We expect demand for our life-saving and life-sustaining products and services to continue to grow. Furthermore, Fresenius is striving for the firm balance of its business in the main regions and between established and emerging markets.

The risk situation for each business segment also depends on the development of its markets. Country-specific political, legal, and financial conditions are therefore monitored and evaluated carefully, particularly in the current macro-economic environment. This applies, for example, to countries with budget problems as a result of the sovereign debt crisis, in particular with regard to our accounts receivable.

RISKS IN THE HEALTH CARE SECTOR

Risks related to **changes in the health care market** are of major importance to the Fresenius Group. The main risks are the development of new products and therapies and increased product availability at competitors, the financing of health care systems, and reimbursement in the health care sector.

In our largely regulated business environment, changes in the law – also with respect to reimbursement – can have decisive consequences for our business progress. This applies especially in the United States, where a large portion of our sales are generated, and where changes in the reimbursement system, for example, could have a considerable impact on our business. Furthermore, a portion of our dialysis care business in the United States is currently reimbursed by private insurers or managed care organizations. If these organizations enforce reductions in the reimbursement, it would significantly reduce the revenues and earnings for the products and services of Fresenius Medical Care.

The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care spending. The Company constantly monitors legislative developments. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore important for Fresenius Helios that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only monitor legislative changes continually, but also work together with governmental health care institutions.

Reductions in health care spending could also negatively affect the **pricing** of Fresenius Kabi products.

Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all Fresenius Kabi injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals undertake contracts with GPOs of their choice for their purchasing needs. Currently, fewer than five GPOs control a large majority of sales in the United States to hospital customers. Fresenius Kabi currently derives a large percentage of its revenue in the United States through a small number of GPOs and has purchasing agreements with the most important among them. To maintain these business relationships, Fresenius Kabi needs to be a reliable supplier of a comprehensive and high-quality product line, remain price-competitive, and comply with the regulations of the U.S. Food and Drug Administration (FDA). The GPOs also have purchasing agreements with other manufacturers and the bidding process for products is highly competitive. Most of the agreements Fresenius has with GPOs in the United States can be terminated at short- or mid-term notice. The main customers in the area of transfusion technology are plasma companies and blood centers. There are four major plasma companies serving the United States. Blood centers in the United States are consolidating in response to blood-saving efforts at hospitals, which is having an effect on pricing.

Cooperation with medical doctors and scientists allows us to identify and support relevant technological innovations and to keep abreast of developments in alternative treatment methods. These enable us to evaluate and adjust our corporate strategy if necessary.

OPERATING RISKS

Our business and operations around the world are exposed to a number of **risks** and to extensive **regulation**, which include, among others:

- the quality, safety, and efficacy of medical and pharmaceutical products, supplies, and therapies
- the operation of hospitals, manufacturing facilities, and laboratories
- the construction and management of health care facilities
- the rate of, and accurate reporting and billing for, government and third-party reimbursement
- compensation of medical directors and other financial arrangements with physicians and other referral sources.

If Fresenius fails to comply with laws or regulations, this may give rise to a number of legal consequences, including monetary and administrative penalties, increased compliance costs, exclusion from governmental programs, or a complete or partial curtailment of our authorization to conduct business. Any of these consequences could have a material adverse effect on our business, financial condition, or results of operations.

In the following, the main risks for the Fresenius Group are described.

Production, products, and services

Compliance with **product and manufacturing regulations** is ensured by our quality management systems in accordance with the internationally recognized quality standard ISO 9001, reflecting a large number of national and international regulations. Application is ensured by internal standards such as quality and work procedure manuals. Regular internal and external audits are carried out at the Group's production sites, distribution companies, and dialysis clinics. These audits test compliance with regulations in all areas – from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the Good Manufacturing Practice (GMP) of the markets they supply. Our facilities are audited by the FDA and other public authorities. If observations are filed, the Company is required to remedy these issues immediately, as during the inspections in prior years of our U.S. production facility in Grand Island or our production facility in Kalyani, India, for example.

Non-compliance with the requirements of these authorities in our production facilities or at our suppliers could lead to regulatory actions such as warnings, product recalls, production interruptions, monetary sanctions, or delays in new product approvals. Any of these regulatory actions could adversely affect our ability to generate sales and result in significant expenses.

Potential risks, such as those arising from the **start-up of new production sites or the introduction of new technologies**, are countered through careful planning, regular analysis, and continual progress reviews. **Production capacities** at some of our manufacturing plants could be adversely affected by events such as technical failures, natural disasters, regulatory rulings, or supply disruptions, e.g., of raw materials.

We counter the risk of **poor-quality** purchased raw materials, semifinished products, and components mainly by requiring our suppliers to meet strict quality standards. Besides certification by external institutes and regular supplier audits, this includes an exhaustive evaluation of advance samples and regular quality controls. We only purchase high-quality products with proven safety and suitability from qualified suppliers that conform to our specifications and standards.

Performing **medical treatments** on patients in our hospitals, rehabilitation clinics, and dialysis clinics presents inherent risks. For example, disruptions to processes involve risks for patients and the clinic. In addition, there are operational risks, for example regarding hygiene and sterile conditions. We counteract these risks with strict operating procedures, continuous personnel training, and patient-oriented working procedures. Furthermore, we are constantly striving to improve the standard of patient treatment through our quality management systems.

Further risks arise from increasing **pressure on our product prices**, for example in tender businesses. On the **procurement side**, we counter risks – which mainly involve possible price increases and the availability of raw materials and goods – by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group.

Under the Medicare bundled reimbursement system, payment for Erythropoietin stimulating agents (ESA) is generally included in the bundled rate. An interruption of supply or material increases in the utilization or acquisition costs for ESAs could materially affect sales and profitability adversely.

In 2015, patents on certain ESAs expired. This enables us to diversify the procurement sources and to reduce the risks in conjunction with supply interruptions as well as with price increases.

Growing **competition**, among other things induced by the re-entry of competitors in the U.S. market for generic IV drugs after production halts, could materially affect the future pricing and sale of our products and services adversely. The introduction of new products and services, or the development of new technologies by competitors, could render one or more of our products and services less competitive or even obsolete, and thus have a significant negative impact on future sales, the prices of products, and our range of services. This includes the introduction of generic or patented drugs by competitors, which may have an impact on sales and operational results.

Generally, the health care markets are characterized by price pressure, competition, and efforts to **contain costs**. These could result in lower sales and adversely affect our business, our financial position, and our operational results.

We counter the risks of fulfilment of service associated with Fresenius Vamed's **project business** through professional project management and control, and with a proven system tailored to each business activity for identifying, evaluating, and minimizing these risks. This system consists of organizational measures, such as standards for pricing-in risks already when preparing quotations, risk assessment before accepting orders, regular project controlling, and continual risk assessment updates. To avert the risk of default, financial measures are taken, such as checking creditworthiness and, usually, prepayments, letters of credit, and secured credits.

Compliance

Our operations are subject to strict governmental regulatory demands and controls. We must comply with these rules and regulations, which particularly monitor the safety and effectiveness of our medical products and services. Therefore, it is of special importance to us that our **compliance programs** and guidelines are adhered to. Through compliance, we aim to meet our own expectations and those of our partners, and to orient our business activities to generally accepted standards and local laws and regulations.

The Corporate Compliance department reports to the **Chief Compliance Officer**, who is the Management Board member for Legal Affairs, Compliance, and Human Resources, and is accountable for establishing and implementing guidelines and procedures. A compliance officer has been appointed in each business segment. He or she is supported by additional compliance officers appointed based on organizational and business structures. The Corporate Compliance department supports the compliance officers at the business segment, regional, and country levels.

These compliance programs and guidelines set binding rules of conduct for our employees. We believe that we have taken adequate measures to ensure that national and international rules are observed and complied with.

Government reimbursement payments

Fresenius is subject to comprehensive **government regulation** in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius must comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations.

A large part of Group revenue derives from government reimbursement programs, e.g. for dialysis services. In 2015, approximately 32% of Fresenius Medical Care's sales in the U.S. were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid (CMS). A reduction of reimbursement rates or reimbursed services could result in significantly lower sales and operational results.

Effective 2011, Medicare implemented an end stage renal disease (ESRD) **prospective payment system (ESRD PPS)**, which expanded the scope of the products and services covered by a bundled rate and resulted in lower reimbursement per treatment than under the reimbursement system in place. ESRD-related drugs with only an oral form 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 ESRD PPS payment amount is subject to annual adjustment based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment. The centers for Medicare and Medicaid Services, however, did not increase ESRD PPS base rates for 2015, and they will remain virtually unchanged in 2016.

The American Taxpayer Relief Act of 2012 (ATRA) directed CMS to reduce the ESRD PPS payment rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the ESRD PPS. In making such a reduction, the law requires CMS to use the most recently available pricing data for such drugs and biologicals. In November 2013, CMS issued the final rule regarding the 2014 ESRD PPS payment rate. CMS decided to split the settled reduction of the ESRD PPS payment rate (US$29.93 reduction) over a period between three and four years (2014–2017). The payment rate for 2015 amounted to US$ 239.43, which represented a small increase of 0.2% compared to 2014.

Regarding the ESRD PPS rate for 2016, large dialysis organizations will experience a 0.2% increase in payments. The base rate per treatment is US$230.39, which represents an approximate reduction of 4%, net, from the 2015 base rate. However, the approximate 4% reduction is almost completely offset with CMS proposed case mix adjustments based upon their analysis of the fiscal years 2012 and 2013.

The ESRD PPS's quality incentive program (QIP) affects Medicare payments based on the performance of each facility on a set of quality measures. Dialysis facilities that fail to achieve the established quality standards could have payments for a particular year reduced by up to 2% based on a year's performance. In the next few years, the respective quality measures will be continuously adapted and extended. A material failure by Fresenius Medical Care to achieve the minimum client quality standards under the QIP could materially and adversely affect its business, financial condition, and results of operations.

Fresenius Medical Care mitigated the impact of the ESRD PPS and the other legislative initiatives referenced above with two broad measures. First, it worked with medical directors and treating physicians to make clinical protocol changes used in treating patients consistent with the QIP and good clinical practices, and it negotiated pharmaceutical acquisition cost savings. In addition, Fresenius Medical Care achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increasing the percentage of patients using home therapies, and achieving additional cost reductions in its clinics. Working with health care provider groups, also known as ESRD Seamless Care Organizations (ESCOs), CMS plans to test a new Comprehensive ESRD Care Model, for payment and care delivery that seeks to deliver better health outcomes for ESRD patients while lowering CMS's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. The model commenced on October 1, 2015, and includes six of our organizations. The initial agreement period for the model lasts for three years.

The Bundled Payments for Care Improvement ("BPCI") initiative is a CMS three-year pilot initiative with bundled payments for the individual services furnished to Medicare beneficiaries during a single episode of illness or course of treatment, including acute inpatient hospital services, physician services, and post-acute services. Sound Inpatient Physicians, Inc., a majority-owned subsidiary of Fresenius Medical Care, commenced participation under BPCI in April 2015 in several markets. Under the BPCI, we have the ability to receive additional payments if we are able to deliver quality care at a cost that is lower than certain established benchmarks, but also have the risk of incurring financial penalties if we are not successful in doing so. Should we fail to perform as required under the BPCI initiative and our agreement with CMS, CMS may, among other remedies, terminate our right to participate in the BPCI program, in whole or in part.

Changes in the law or the reimbursement method could affect the scope of payments for services, as well as for insurance coverage and the product business. This could have a significant adverse impact on the assets and liabilities, financial position, and results of operations.

Research and development

The development of new products and therapies always carries the risk that the ultimate goal might not be achieved, or might take longer than planned. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. Furthermore, there is a risk that regulatory authorities either do not grant, or delay, product approval. In addition, adverse effects of our products that may be discovered after regulatory approval or registration may lead to a partial or complete withdrawal from the market, due either to regulatory actions or our voluntary decision to stop marketing a product. The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. We also strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development. With IV drugs, it is also crucial that new products are continually brought to the market in a timely manner. The product development process can be controlled on the basis of detailed project roadmaps and a tight focus on the achievement of specific milestones. If the defined targets are called into question, countermeasures can be initiated.

Risks from the integration of acquisitions

The **acquisition and integration** of companies carries risks that can adversely affect the assets and liabilities, financial position, and results of operations of Fresenius. Following an acquisition, the acquired company's structure must be integrated while clarifying legal questions and contractual obligations. Marketing, patient services, and logistics must also be unified. During the integration phase, key managers can leave the company and both the course of ongoing business processes and relationships with customers and employees can be harmed. In addition, change-of-control clauses may be claimed. The integration process may prove to be more difficult and cost-intensive, or last longer than expected. Risks can arise from the operations of the newly acquired company that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected. **Future acquisitions** may be a strain on the finances and management of our business. Moreover, as a consequence of an acquisition, Fresenius may become directly or indirectly liable toward third parties, or claims against third parties may turn out to be non-assertable.

We counter risks from acquisitions through detailed integration roadmaps and strict integration and project management, so that countermeasures can be initiated in good time if there are deviations from the expected development.

Personnel risks

The Company addresses potential shortages of qualified personnel externally by utilizing personnel marketing measures, and internally by offering comprehensive personnel development programs. We also seek to retain our employees by introducing life-work time accounts in various areas. Furthermore, employees are entitled to attractive fringe benefits and, in part, bonuses. By using target group-specific measures, Fresenius addresses the overall shortage of specialized hospital personnel. We thereby recruit qualified, dedicated, and specialized personnel, thus ensuring our high standard of treatment quality. At the same time, by supporting the training of young employees, we seek their commitment to Fresenius. As a result of these measures, risks in personnel marketing are not considered to be significant.

Financial risks

The international operations of the Fresenius Group expose us to a variety of currency risks. In addition, the financing of the business exposes us to certain interest rate risks. We use derivative financial instruments as part of our risk management to avoid any possible negative impacts of these risks. However, we limit ourselves to non-exchange-traded, marketable instruments, used exclusively to hedge our operations and not for trading or speculative purposes. All transactions are conducted with banks that have a high rating.

The Fresenius Group's **foreign exchange risk management** is based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk management processes. In particular, the guidelines assign responsibilities for risk determination, the execution of hedging transactions, and the regular reporting of risk management. These responsibilities are coordinated with the management structures in the residual business processes of the Group. Decisions on the use of derivative financial instruments in **interest rate management** are taken in close consultation with the Management Board. Hedging transactions using derivatives are carried out by the Corporate Treasury department of the Fresenius Group – apart from a few exceptions in order to adhere to foreign currency regulations. These transactions are subject to stringent internal controls. This policy ensures that the Management Board is fully informed of all significant risks and current hedging activities.

The Fresenius Group is protected, to a large extent, against **currency and interest rate risks**. As of December 31, 2015, approximately 67% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges; 33%, or €4,874 million, was exposed to interest rate risks. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1.0% impact on Group net income.

As a global company, Fresenius is widely exposed to **translation effects** due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €115 million on Group sales, about €21 million on EBIT, and about €5 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such **transaction risks** from foreign currencies. The foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges, form the basis for the analysis of the currency risk. As of December 31, 2015, the Fresenius Group's cash flow at risk was €66 million. Hence, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will not be higher than €66 million. Further details on financial risks can be found on pages 114 to 121 in the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants.

Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for **impairment** each year. Further information can be found on pages 85 ff. of the Notes.

By normally assessing the creditworthiness of new customers, we limit the **risk of late payment and defaults** by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed. This particularly applies to countries with budgetary problems and countries exposed to political risks. In 2015, we again worked on our receivables, taking certain measures such as factoring.

As a global corporation, Fresenius is subject to numerous **tax codes and regulations**. Risks arising therefrom are identified and evaluated on an ongoing basis. The Fresenius Group's companies are subject to regular tax audits. Any changes in tax regulations or resulting from tax audits could lead to higher tax payments. Information on the status of the tax audits can be found on pages 79 to 81 of the Notes.

Fresenius' debt was €14,796 million as of December 31, 2015. The **debt** could limit the ability to pay dividends, arrange refinancing, be in compliance with its credit covenants, or implement the corporate strategy. Other financing risks could arise for Fresenius in the case of an ongoing general financial market crisis. We reduce these risks through a high proportion of mid- and long-term funding with a balanced maturity profile. Our financing agreements contain covenants requiring us to comply with certain financial ratios and additional financial criteria. Non-compliance with these covenants could result in a default and acceleration of the debt under the agreements.

Additional information on conditions and maturities can be found on pages 90 ff. of the Notes and on pages 26 ff. of the Management Report.

Legal risks

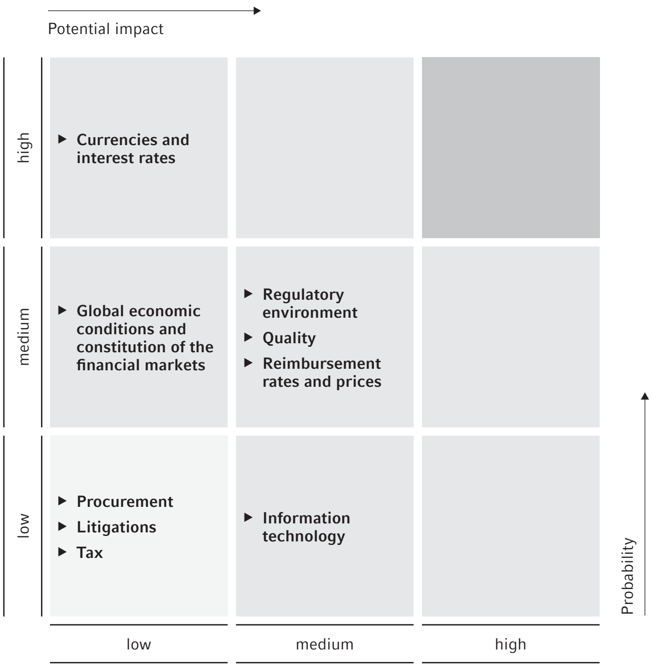
Risks that arise from **legal disputes** are continually identified, analyzed, and communicated within the Company. Companies in the health care industry are regularly exposed to actions for breach of their duties of due care, product liability, breach of warranty obligations, patent infringements, treatment errors, and other claims. This can result in high claims for damages and substantial costs for legal defense, regardless of whether a claim for damages is actually justified. Legal disputes can also result in an inability to insure against risks of this kind at acceptable terms in future. Products from the health care industry can also be subject to recall actions. This could have a negative effect on the assets and liabilities, financial position, and results of operations of the Group.
Information regarding legal matters and an ongoing internal compliance review at Fresenius Medical Care can be found on pages 108 to 113 of the Notes.

The Fresenius Group is also involved in various legal issues resulting from business operations. Although it is not possible to predict the outcome of these disputes, none is expected to have a significant adverse impact on the assets and liabilities, financial position, and results of operations of the Group.

Other risks

Other risks, such as **environmental risks** and **risks involving management and control systems**, or our IT systems, were not considered to be significant. **IT risks** are countered through security measures, controls, and monitoring. In addition, we counter these risks with constant investment in hardware and software, as well as by improving our system know-how. Potential risks are covered by a detailed contingency plan, which is continuously improved and tested. Redundant systems are maintained for all key systems, such as IT systems or communications infrastructure. A password system is in place to minimize organizational risks, such as manipulation and unauthorized access. In addition, there are Company guidelines regulating the granting of access authorization, and compliance with these rules is monitored. We also conduct operational and security-related audits.

RISKS AFFECTING THE 1-YEAR FORECAST PERIOD



Risks with effect on the 1-year forecast period

The chart above shows the significant risks that could lead to deviations from the expected business performance within the 1-year forecast period.

In the course of the risk classification, besides quantitative factors, especially qualitative factors are applied. The scales for classification of potential impact and probabilities are depicted in the two following tables:

Potential impact	Description of impact
High	Substantial negative impact on the 1-year forecast
Medium	Moderate negative impact on the 1-year forecast
Low	Small negative impact on the 1-year forecast

Probability	Classification
High	≥66% to 100%
Medium	≥33% to <66%
Low	0% to <33%

Change of risk assessment compared to previous year

Risks with potential effect on the 1-year forecast are shown in the chart beside.

With regard to the classification of the risks in terms of probability and potential impact, the following changes occurred compared to the previous year. With the advance and intensification of the use of **information technology** in all areas of the Group, the dependence on such systems and thus the risks that arise from them increase equally. The development of the **economic conditions as well as the constitution of the financial markets** in several of our markets, which amongst others may cause increasing days sales outstanding or bad debts and which may increase the risk of goodwill impairments, also affect our risk situation in a negative way.

ASSESSMENT OF OVERALL RISK

The basis for evaluating overall risk is the risk management that is regularly audited by management. Potential risks for the Group include factors beyond its control, such as the evolution of economies, which are constantly monitored by Fresenius. Risks also include factors immediately within its control, such as operating risks, which the Company anticipates and reacts to appropriately, as required. There are currently no recognizable risks regarding future performance that appear to present a long-term and material threat to the Group's assets and liabilities, financial position, and results of operations. We have created organizational structures that provide all the conditions needed to rapidly alert us to possible risk situations and allow us to take suitable counteraction.

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FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2015	2014
Sales	4	**27,995**	23,459
Cost of sales	5	**-19,072**	-16,387
Gross profit		**8,923**	7,072
Selling, general and administrative expenses	9	**-4,538**	-3,590
Research and development expenses	8	**-451**	-365
Operating income (EBIT)		**3,934**	3,117
Interest income	10	**255**	128
Interest expenses	10	**-868**	-730
Income before income taxes		**3,321**	2,515
Income taxes	11	**-977**	-703
Net income		**2,344**	1,812
Noncontrolling interest	12	**958**	742
Net income attributable to shareholders of Fresenius SE & Co. KGaA		**1,386**	1,070
Earnings per share in €	13	**2.55**	1.98
Fully diluted earnings per share in €	13	**2.53**	1.96

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2015	2014
Net income		**2,344**	1,812
Other comprehensive income (loss)			
Positions which will be reclassified into net income in subsequent years			
Foreign currency translation	28, 30	**839**	944
Cash flow hedges	28, 30	**63**	1
Change of fair value of available for sale financial assets	28, 30	**–**	-23
Income taxes on positions which will be reclassified	28	**-47**	-23
Positions which will not be reclassified into net income in subsequent years			
Actuarial gains/losses on defined benefit pension plans	25, 28	**53**	-358
Income taxes on positions which will not be reclassified	28	**-11**	114
Other comprehensive income, net		**897**	655
Total comprehensive income		**3,241**	2,467
Comprehensive income attributable to noncontrolling interest		**1,448**	1,146
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA		**1,793**	1,321

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

as of December 31, € in millions	Note	2015	2014
Cash and cash equivalents	14	**1,044**	1,175
Trade accounts receivable, less allowance for doubtful accounts	15	**4,597**	4,238
Accounts receivable from and loans to related parties		**78**	36
Inventories	16	**2,860**	2,333
Other current assets	17	**1,854**	1,784
I. Total current assets		**10,433**	9,566
Property, plant and equipment	18	**7,429**	6,777
Goodwill	19	**21,646**	19,977
Other intangible assets	19	**1,727**	1,635
Other non-current assets	17	**1,399**	1,284
Deferred taxes	11	**753**	716
II. Total non-current assets		**32,954**	30,389
Total assets		**43,387**	39,955

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2015	2014
Trade accounts payable		**1,291**	1,052
Short-term accounts payable to related parties		**9**	5
Short-term accrued expenses and other short-term liabilities	20, 21	**5,008**	4,346
Short-term debt	22	**202**	233
Short-term debt from related parties		**4**	3
Current portion of long-term debt and capital lease obligations	22	**607**	501
Current portion of Senior Notes	23	**349**	681
Short-term accruals for income taxes		**195**	161
A. Total short-term liabilities		**7,665**	6,982
Long-term debt and capital lease obligations, less current portion	22	**5,502**	6,185
Senior Notes, less current portion	23	**7,267**	6,923
Convertible bonds	24	**838**	822
Long-term accrued expenses and other long-term liabilities	20, 21	**1,334**	945
Pension liabilities	25	**1,077**	1,094
Long-term accruals for income taxes		**221**	216
Deferred taxes	11	**1,030**	928
B. Total long-term liabilities		**17,269**	17,113
I. Total liabilities		**24,934**	24,095
A. Noncontrolling interest	26	**7,300**	6,337
Subscribed capital	27	**546**	542
Capital reserve	27	**3,309**	3,183
Other reserves	27	**6,964**	5,871
Accumulated other comprehensive income (loss)	28	**334**	-73
B. Total Fresenius SE & Co. KGaA shareholders' equity		**11,153**	9,523
II. Total shareholders' equity		**18,453**	15,860
Total liabilities and shareholders' equity		**43,387**	39,955

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2015	2014
Operating activities			
Net income		**2,344**	1,812
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**1,124**	955
Gain on sale of investments and divestitures	2	**-34**	-66
Change in deferred taxes	11	**-61**	63
Loss on sale of fixed assets		**1**	7
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-303**	-204
Inventories	16	**-451**	-133
Other current and non-current assets	17	**52**	-7
Accounts receivable from/payable to related parties		**6**	-8
Trade accounts payable, accrued expenses and other short-term and long-term liabilities	20, 21	**648**	201
Accruals for income taxes		**23**	-60
Net cash provided by operating activities		**3,349**	2,560
Investing activities			
Purchase of property, plant and equipment	18	**-1,511**	-1,366
Proceeds from sales of property, plant and equipment		**27**	22
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 32	**-396**	-2,168
Proceeds from sale of investments and divestitures	2	**364**	186
Net cash used in investing activities		**-1,516**	-3,326

January 1 to December 31, € in millions	Note	2015	2014
Financing activities			
Proceeds from short-term debt	22	**260**	202
Repayments of short-term debt	22	**-349**	-2,343
Proceeds from short-term debt from related parties		**–**	–
Repayments of short-term debt from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	22	**281**	2,541
Repayments of long-term debt and capital lease obligations	22	**-985**	-1,889
Proceeds from the issuance of Senior Notes	23	**269**	2,094
Repayments of liabilities from Senior Notes	23	**-729**	0
Proceeds from the issuance of convertible bonds	24	**0**	900
Changes of accounts receivable securitization program	22	**-262**	-7
Proceeds from the exercise of stock options	34	**173**	125
Dividends paid		**-639**	-582
Change in noncontrolling interest	26	**-3**	–
Exchange rate effect due to corporate financing		**2**	2
Net cash used in/provided by financing activities		**-1,982**	1,043
Effect of exchange rate changes on cash and cash equivalents		**18**	34
Net decrease/increase in cash and cash equivalents		**-131**	311
Cash and cash equivalents at the beginning of the reporting period	14	**1,175**	864
Cash and cash equivalents at the end of the reporting period	14	**1,044**	1,175

ADDITIONAL INFORMATION ON PAYMENTS THAT ARE INCLUDED IN NET CASH PROVIDED BY OPERATING ACTIVITIES

January 1 to December 31, € in millions	Note	2015	2014
Received interest		**65**	55
Paid interest		**-575**	-567
Income taxes paid		**-860**	-781

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Subscribed Capital			Reserves	
	Note	Number of ordinary shares in thousand[1]	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
As of December 31, 2013		539,085	539,085	539	3,097	5,071
Proceeds from the exercise of stock options	34	2,448	2,448	3	67	
Compensation expense related to stock options	34				19	
Dividends paid	27					-225
Purchase of noncontrolling interest	26					
Liabilities for noncontrolling interest subject to put provisions	21, 30					-45
Comprehensive income (loss)						
Net income						1,070
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial losses on defined benefit pension plans	25, 28					
Comprehensive income (loss)						1,070
As of December 31, 2014		541,533	541,533	542	3,183	5,871
Proceeds from the exercise of stock options	34	4,195	4,195	4	110	
Compensation expense related to stock options	34				16	
Dividends paid	27					-238
Sale of noncontrolling interest	26					
Liabilities for noncontrolling interest subject to put provisions	21, 30					-55
Comprehensive income (loss)						
Net income						1,386
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial gains on defined benefit pension plans	25, 28					
Comprehensive income						1,386
As of December 31, 2015		**545,728**	**545,728**	**546**	**3,309**	**6,964**

[1] Figures as of December 31, 2013 were adjusted due to the stock split in 2014.

	Note	Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
As of December 31, 2013		-324	8,383	5,212	13,595
Proceeds from the exercise of stock options	34		70	55	125
Compensation expense related to stock options	34		19	4	23
Dividends paid	27		-225	-358	-583
Purchase of noncontrolling interest	26		0	379	379
Liabilities for noncontrolling interest subject to put provisions	21, 30		-45	-101	-146
Comprehensive income (loss)					
Net income			1,070	742	1,812
Other comprehensive income (loss)					
Cash flow hedges	28, 30	-2	-2	2	–
Change of fair value of available for sale financial assets	28, 30	-16	-16	–	-16
Foreign currency translation	28, 30	419	419	496	915
Actuarial losses on defined benefit pension plans	25, 28	-150	-150	-94	-244
Comprehensive income		251	1,321	1,146	2,467
As of December 31, 2014		-73	9,523	6,337	15,860
Proceeds from the exercise of stock options	34		114	59	173
Compensation expense related to stock options	34		16	3	19
Dividends paid	27		-238	-401	-639
Sale of noncontrolling interest	26		0	-22	-22
Liabilities for noncontrolling interest subject to put provisions	21, 30		-55	-124	-179
Comprehensive income (loss)					
Net income			1,386	958	2,344
Other comprehensive income (loss)					
Cash flow hedges	28, 30	25	25	21	46
Change of fair value of available for sale financial assets	28, 30	–	–	–	–
Foreign currency translation	28, 30	345	345	464	809
Actuarial gains on defined benefit pension plans	25, 28	37	37	5	42
Comprehensive income		407	1,793	1,448	3,241
As of December 31, 2015		**334**	**11,153**	**7,300**	**18,453**

The following notes are an integral part of the consolidated financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY BUSINESS SEGMENT

€ in millions	Fresenius Medical Care 2015	Fresenius Medical Care 2014	Fresenius Medical Care Change	Fresenius Kabi 2015 [1]	Fresenius Kabi 2014 [2]	Fresenius Kabi Change	Fresenius Helios 2015 [3]	Fresenius Helios 2014 [3]	Fresenius Helios Change
Sales	**15,086**	11,917	27%	**5,950**	5,146	16%	**5,578**	5,244	6%
thereof contribution to consolidated sales	**15,062**	11,869	27%	**5,903**	5,104	16%	**5,578**	5,244	6%
thereof intercompany sales	**24**	48	-50%	**47**	42	12%	**0**	0	
contribution to consolidated sales	**55%**	51%		**21%**	22%		**20%**	23%	
EBITDA	**2,744**	2,223	23%	**1,446**	1,084	33%	**831**	732	14%
Depreciation and amortization	**647**	526	23%	**257**	211	22%	**191**	179	7%
EBIT	**2,097**	1,697	24%	**1,189**	873	36%	**640**	553	16%
Net interest	**-353**	-310	-14%	**-184**	-196	6%	**-48**	-56	14%
Income taxes	**-560**	-440	-27%	**-306**	-189	-62%	**-108**	-86	-26%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**928**	786	18%	**669**	468	43%	**483**	400	21%
Operating cash flow	**1,767**	1,401	26%	**913**	641	42%	**618**	558	11%
Cash flow before acquisitions and dividends	**923**	709	30%	**589**	289	104%	**347**	295	18%
Total assets [9]	**23,453**	20,906	12%	**10,451**	9,642	8%	**8,430**	8,352	1%
Debt [9]	**7,942**	7,797	2%	**5,234**	5,192	1%	**1,282**	1,394	-8%
Other operating liabilities	**4,198**	3,478	21%	**1,931**	1,698	14%	**1,479**	1,469	1%
Capital expenditure, gross	**859**	701	23%	**352**	361	-2%	**277**	266	4%
Acquisitions, gross/investments	**385**	1,495	-74%	**37**	118	-69%	**99**	824	-88%
Research and development expenses	**126**	92	37%	**336**	276	22%	**–**	–	--
Employees (per capita on balance sheet date)	**110,242**	105,917	4%	**33,195**	32,899	1%	**69,728**	68,852	1%
Key figures									
EBITDA margin	**18.2%**	18.7%		**24.3%**	21.1%		**14.9%**	14.0%	
EBIT margin	**13.9%**	14.2%		**20.0%**	17.0%		**11.5%**	10.5%	
Depreciation and amortization in % of sales	**4.3%**	4.4%		**4.3%**	4.1%		**3.4%**	3.4%	
Operating cash flow in % of sales	**11.7%**	11.8%		**15.3%**	12.5%		**11.1%**	10.6%	
ROOA [9]	**9.6%**	9.7%		**13.2%**	10.6%		**8.1%**	7.4%	

[1] Before costs for the efficiency program
[2] Before integration costs
[3] Before integration costs and disposal gains (two HELIOS hospitals)
[4] Before integration costs and disposal gains (two HELIOS hospitals, Rhön stake)
[5] After costs for the efficiency program, integration costs and disposal gains (two HELIOS hospitals)
[6] After integration costs and disposal gains (two HELIOS hospitals, Rhön stake)
[7] The underlying EBIT does not include costs for the efficiency program, integration costs and disposal gains (two HELIOS hospitals).
[8] The underlying pro forma EBIT does not include integration costs and disposal gains (two HELIOS hospitals, Rhön stake).
[9] After reclassification of debt issuance costs according to ASU 2015-03

BY REGION

€ in millions	Europe 2015	Europe 2014	Europe Change	North America 2015	North America 2014	North America Change
Sales	**10,557**	10,162	4%	**12,990**	9,535	36%
contribution to consolidated sales	**38%**	43%		**46%**	41%	
EBIT	**914**	861	6%	**2,365**	1,691	40%
Depreciation and amortization	**478**	446	7%	**518**	402	29%
Total assets	**16,026**	15,630	3%	**22,861**	19,937	15%
Capital expenditure, gross	**690**	689	0%	**619**	453	37%
Acquisitions, gross/investments	**241**	867	-72%	**213**	1,205	-82%
Employees (per capita on balance sheet date)	**114,753**	112,829	2%	**68,859**	65,817	5%

	Fresenius Vamed			Corporate/Other			IFRS-Reconciliation			Fresenius Group		
	2015	2014	Change	**2015** [5]	2014 [6]	Change	**2015**	2014	Change	**2015**	2014	Change
	1,118	1,042	7%	**-106**	-118	10%	**369**	228	62%	**27,995**	23,459	19%
	1,077	1,009	7%	**6**	5	20%	**369**	228	62%	**27,995**	23,459	19%
	41	33	24%	**-112**	-123	9%	**0**	0		**0**	0	
	4%	4%		**0%**	0%		**0%**	0%		**100%**	100%	
	75	71	6%	**-106**	-59	-80%	**68**	21	--	**5,058**	4,072	24%
	11	12	-8%	**9**	9	0%	**9**	18	-50%	**1,124**	955	18%
	64	59	8%	**-115**	-68	-69%	**59**	3	--	**3,934**	3,117	26%
	-3	-1	-200%	**-25**	-39	36%	**0**	0		**-613**	-602	-2%
	-16	-16	0%	**25**	31	-19%	**-12**	-3	--	**-977**	-703	-39%
	44	41	7%	**-766**	-628	-22%	**28**	3	--	**1,386**	1,070	30%
	53	-9	--	**-24**	-6	--	**22**	-25	188%	**3,349**	2,560	31%
	42	-18	--	**-36**	-13	-177%	**0**	-46	100%	**1,865**	1,216	53%
	988	891	11%	**-152**	-3	--	**217**	167	30%	**43,387**	39,955	9%
	161	159	1%	**150**	803	-81%	**0**	3	-100%	**14,769**	15,348	-4%
	488	426	15%	**344**	287	20%	**695**	461	51%	**9,135**	7,819	17%
	11	10	10%	**13**	7	86%	**22**	21	5%	**1,534**	1,366	12%
	4	12	-67%	**-8**	1	--	**0**	-46	100%	**517**	2,404	-78%
	0	0		**2**	1	100%	**-13**	-4	--	**451**	365	24%
	8,262	7,746	7%	**878**	861	2%	**0**	0		**222,305**	216,275	3%
	6.7%	6.8%								**18.3%** [1,3]	17.5% [4]	
	5.7%	5.7%								**14.3%** [1,3]	13.5% [4]	
	1.0%	1.2%								**4.0%**	4.1%	
	4.7%	-0.9%								**12.0%**	10.9%	
	11.1%	11.2%								**10.2%** [7]	9.0% [8]	

The consolidated segment reporting by business segment is an integral part of the notes.
The following notes are an integral part of the consolidated financial statements.

	Asia-Pacific			Latin America			Africa			Fresenius Group		
	2015	2014	Change	**2015**	2014	Change	**2015**	2014	Change	**2015**	2014	Change
	2,779	2,205	26%	**1,297**	1,186	9%	**372**	371	0%	**27,995**	23,459	19%
	10%	9%		**5%**	5%		**1%**	2%		**100%**	100%	
	516	392	32%	**79**	131	-40%	**60**	42	43%	**3,934**	3,117	26%
	86	65	32%	**36**	36	0%	**6**	6	0%	**1,124**	955	18%
	3,110	2,953	5%	**1,230**	1,273	-3%	**160**	162	-1%	**43,387**	39,955	9%
	110	125	-12%	**106**	91	16%	**9**	8	13%	**1,534**	1,366	12%
	53	203	-74%	**10**	129	-92%	**0**	0		**517**	2,404	-78%
	20,257	19,690	3%	**16,498**	16,136	2%	**1,938**	1,803	7%	**222,305**	216,275	3%

The consolidated segment reporting by region is an integral part of the notes.
The following notes are an integral part of the consolidated financial statements.

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a global health care group with products and services for dialysis, hospitals and outpatient medical care. In addition, the Fresenius Group focuses on hospital operations and also manages projects and provides services for hospitals and other health care facilities worldwide. Besides the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. H., the operating activities were split into the following legally independent business segments in the fiscal year 2015:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

Fresenius Medical Care is the world's largest integrated provider of products and services for individuals with renal diseases. As of December 31, 2015, Fresenius Medical Care was treating 294,381 patients in 3,418 dialysis clinics. Along with its core business, the company seeks to expand the range of medical services in the field of care coordination.

Fresenius Kabi offers infusion therapies, intravenously administered generic drugs and clinical nutrition for seriously and chronically ill patients in the hospital and outpatient environments. The company is also a leading supplier of medical devices and transfusion technology products.

Fresenius Helios is Germany's largest hospital operator. At the end of 2015, the HELIOS Group operated 111 hospitals, thereof 87 acute care hospitals (including 7 maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden and Wuppertal) and 24 post-acute care clinics. Fresenius Helios treats more than 4.7 million patients per year, thereof approximately 1.3 million inpatients, and operates more than 34,000 beds.

Fresenius Vamed manages projects and provides services for hospitals and other health care facilities worldwide. The portfolio ranges along the entire value chain: from project development, planning, and turnkey construction, via maintenance and technical management, to total operational management.

Fresenius SE & Co. KGaA owned 30.91% of the subscribed capital of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) at the end of the fiscal year 2015. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly owned subsidiary of Fresenius SE & Co. KGaA. Through this structure, Fresenius SE & Co. KGaA has rights that give Fresenius SE & Co. KGaA the ability to direct the relevant activities and, hence, the earnings of FMC-AG & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group.

Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2015. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. In addition, Fresenius SE & Co. KGaA holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology.

The reporting currency in the Fresenius Group is the euro. In order to make the presentation clearer, amounts are mostly shown in million euros. Amounts under €1 million after rounding are marked with "–".

II. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union (EU), fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE & Co. KGaA at December 31, 2015 have been prepared and will be published in accordance with the Standards valid on the date of the statement of financial position issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and as binding to be applied in the EU. The financial statements are also in accordance with IFRS as issued by the IASB. Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP).

In order to improve readability, various items are aggregated in the consolidated statement of financial position and in the consolidated statement of income. These items are shown separately in the notes to provide useful information to the readers of the consolidated financial statements.

Moreover, the notes include information required by HGB according to Section 315a (1) sentence 1 HGB. The consolidated financial statements include a management report according to Section 315a HGB in conjunction with Section 315 HGB.

The consolidated statement of financial position contains all information required to be disclosed by International Accounting Standard (IAS) 1, Presentation of Financial Statements, and is classified on the basis of the maturity of assets and liabilities. The consolidated statement of income is classified using the cost-of-sales accounting format.

At February 24, 2016, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods. The acquisitions of companies are accounted for applying the purchase method.

Capital consolidation is performed by offsetting investments in subsidiaries against the underlying revaluated equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries as well as the noncontrolling interest are recognized at their fair values. Any remaining debit balance between the investments in subsidiaries plus the noncontrolling interest and the revaluated equity is recognized as goodwill and is tested at least once a year for impairment.

All significant intercompany sales, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other Group entities are also eliminated. Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest is comprised of the interest of noncontrolling shareholders in the consolidated equity of Group entities and is recognized at its fair value at date of first consolidation. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statement of income. As far as the Fresenius Group can be obliged to purchase noncontrolling interests held by third parties due to written put options, the potential purchase price liability is recorded in short-term accrued expenses and other short-term liabilities as well as long-term accrued expenses and other long-term liabilities at fair value at the date of the consolidated financial statements. According to the present access method, noncontrolling interests are simultaneously recorded in equity as noncontrolling interests. The initial recognition of the purchase price liability as well as valuation differences are recorded neutral to profit or loss by reclassification from equity.

Generally, entities in which Fresenius SE & Co. KGaA, directly or indirectly, holds more than 20% and less than 50% of the voting rights and can exercise a significant influence over their financial and operating policies are associated companies. These companies are consolidated using the equity method. Investments that are not classified as in associated companies are recorded at acquisition costs or at fair value, respectively.

b) Composition of the Group

Besides Fresenius SE & Co. KGaA, the consolidated financial statements include all material subsidiaries over which Fresenius SE & Co. KGaA has control. Fresenius SE & Co. KGaA controls an entity if it has power over the entity. That is, Fresenius SE & Co. KGaA has existing rights that give Fresenius SE & Co. KGaA the current ability to direct the relevant activities, which are the activities that significantly affect Fresenius SE & Co. KGaA's return. In addition, Fresenius SE & Co. KGaA is exposed to, or has rights to, variable returns from the involvement with the entity and

Fresenius SE & Co. KGaA has the ability to use its power over the entity to affect the amount of Fresenius SE & Co. KGaA's return.

Fresenius Medical Care has entered into various arrangements with certain legal entities whereby the entities' investors own disproportionate equity ownership interests in relation to risks and rewards they retain for these arrangements or the entities are unable to provide their own funding for their operations. These entities are defined as structured entities. Fresenius Medical Care controls these entities and has to fully consolidate them. The contractual agreements, which give the ability to direct the relevant activities, are the dominated factor to determine control, rather than the voting rights or similar rights. Fresenius Medical Care has provided some or all of the following services to the structured entities: management, financing or product supply. They generated approximately €765 million (US$848 million) and €412 million (US$547 million) in sales in 2015 and 2014, respectively. Fresenius Medical Care provided funding to these structured entities through loans and accounts receivable of €255 million (US$277 million) and €246 million (US$299 million) in 2015 and 2014, respectively. The interest held by the other shareholders in the consolidated structured entities is reported as noncontrolling interest in the consolidated statement of financial position.

Fresenius Vamed participates in project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. These project entities are not controlled by Fresenius Vamed and therefore are not consolidated. The project entities generated approximately €110 million in sales in 2015 (2014: €98 million). The project entities finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the project entities are not material. Fresenius Vamed made no payments to the project entities other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these project entities.

The consolidated financial statements of 2015 included, in addition to Fresenius SE & Co. KGaA, 2,323 fully consolidated companies and 31 companies were accounted for under the equity method. In 2015, there were no material changes in the scope of consolidated entities, except for those mentioned in note 2, Acquisitions, divestitures and investments.

The complete list of the investments of Fresenius SE & Co. KGaA, registered office in 61352 Bad Homburg v. d. H., Else-Kröner-Straße 1, will be submitted to the electronic Federal Gazette and the electronic companies register.

In 2015, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

Name of the company	Registered office
Corporate / Other	
Fresenius Biotech Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Bad Homburg v. d. H.
Fresenius ProServe GmbH	Bad Homburg v. d. H.
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungsgesellschaft mbH & Co. KG	München
Fresenius Kabi	
Fresenius Kabi AG	Bad Homburg v. d. H.
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Fresenius Kabi Vermögensverwaltung GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
medi1one medical gmbh	Waiblingen
V. Krütten Medizinische Einmalgeräte GmbH	Idstein

Name of the company	Registered office
Fresenius Helios	
Betriebsführungsgesellschaft Schloß Schönhagen GmbH	Damp
HELIOS Agnes-Karll-Krankenhaus GmbH	Bad Schwartau
HELIOS Aukamm-Klinik Wiesbaden GmbH	Wiesbaden
HELIOS Care GmbH	Berlin
HELIOS Fachklinik Schleswig GmbH	Schleswig
HELIOS Fachklinik Vogelsang-Gommern GmbH	Vogelsang-Gommern
HELIOS Fachpflege Schleswig GmbH	Schleswig
HELIOS Hanseklinikum Stralsund GmbH	Stralsund
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Ahrenshoop GmbH	Ostseebad Ahrenshoop
HELIOS Klinik Berching GmbH	Berching
HELIOS Klinik Blankenhain GmbH	Blankenhain
HELIOS Klinik Bleicherode GmbH	Bleicherode
HELIOS Klinik für Herzchirurgie Karlsruhe GmbH	Karlsruhe
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Leisnig GmbH	Leisnig
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Klinik Schkeuditz GmbH	Schkeuditz
HELIOS Klinik Schloss Schönhagen GmbH	Damp
HELIOS Klinik Volkach GmbH	Volkach
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Mansfeld-Südharz GmbH	Sangerhausen
HELIOS Klinikum Aue GmbH	Aue
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Berlin-Buch GmbH	Berlin
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Meiningen GmbH	Meiningen
HELIOS Klinikum Pirna GmbH	Pirna
HELIOS Klinikum Schwelm GmbH	Schwelm
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Management & Personal Nord-West GmbH	Hamburg
HELIOS Ostseeklinik Damp GmbH	Damp
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Rehaklinik Damp GmbH	Damp
HELIOS-SERVICE GMBH	Berlin
HELIOS Spital Überlingen GmbH	Überlingen
HELIOS St. Josefs-Hospital GmbH	Bochum
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
Herzzentrum Leipzig GmbH	Leipzig
HUMAINE Kliniken GmbH	Berlin
Medizinisches Versorgungszentrum am HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
ostsee resort damp GmbH	Damp
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Elisabeth-Krankenhaus GmbH Bad Kissingen	Bad Kissingen
Verwaltungsgesellschaft ENDO-Klinik mbH	Hamburg

c) Classifications

Certain items in the consolidated financial statements of 2014 have been reclassified to conform with the presentation in 2015.

d) Sales recognition policy

Sales from services are recognized at the amount estimated to be receivable under the reimbursement arrangements with third party payors. Sales are recognized on the date services and related products are provided and the customer is obligated to pay.

Product sales are recognized when the title to the product passes to the customers, either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. As product returns are not typical, no return provisions are recognized. In the event that a return is required, the appropriate reductions to sales, cost of sales and accounts receivable are made. Sales are presented net of discounts, allowances and rebates.

In the business segment Fresenius Vamed, sales for long-term production contracts are recognized using the percentage of completion (PoC) method when the accounting conditions are met. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, milestones laid down in the contract or the percentage of completion. Profits are only recognized when the earnings of a production contract accounted for using the PoC method can be measured reliably. Any expected excess of total contract costs over total contract revenue for a contract is recognized as an expense immediately.

Any tax assessed by a governmental authority that is incurred as a result of a sales transaction (e. g. sales tax) is excluded from sales and the related sale is reported on a net basis.

e) Government grants

The Fresenius Group primarily receives governmental funding for hospitals in Germany to finance buildings and medical equipment. Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. Initially, the grant is recorded as a liability and as soon as the asset is acquired, the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) Research and development expenses

Research is the independent and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research results and occurs before the start of the commercial production or use. The research and development phase of pharmaceutical products normally ends with the regulatory approval by the relevant authorities on the market of the particular country. Generally, a new pharmaceutical product is primarily approved on an established market, as such are considered the United States, Europe and Japan.

Research expenses are expensed as incurred. Development expenses that fully meet the criteria for the recognition of an intangible asset are capitalized as intangible asset.

g) Impairment

The Fresenius Group reviews the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's recoverable amount. The recoverable amount is the higher of the net realizable value and its value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of the future cash flows of the corresponding cash generating units.

Impairment losses, except impairment losses recognized on goodwill, are reversed as soon as the reasons for impairment no longer exist. This reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized before.

Assets held for sale are reported at the lower of their carrying amount and fair value less costs to sell. As long as the company intends to sell the asset, it is not depreciated.

h) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2015 and 2014, interest of €5 million and €3 million, based on an average interest rate of 4.48% and 5.09%, respectively, was recognized as a component of the cost of assets.

i) Income taxes

Current taxes are calculated based on the earnings 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.

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on certain consolidation procedures affecting net income attributable to shareholders of Fresenius SE & Co. KGaA. Deferred tax assets also include claims to future tax reductions which arise from the probably expected usage of existing tax losses available for carryforward. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period.

The realizability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the realizability of deferred tax assets, the Management considers to which extent it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. The Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

If it is probable that sufficient taxable income will be available for the utilization of parts or of the entire deferred tax asset, the deferred tax asset is recognized to this certain extent.

It is Fresenius Group'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 Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense.

j) Earnings per share

Basic earnings per share are computed by dividing net income attributable to shareholders of Fresenius SE & Co. KGaA by the weighted-average number of ordinary shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on ordinary shares that would have been outstanding during the fiscal year. The equity-settled awards granted under Fresenius' and Fresenius Medical Care's stock option plans can result in a dilutive effect.

k) Cash and cash equivalents

Cash and cash equivalents are comprised of cash funds and all short-term, liquid investments with original maturities of up to three months (time deposits and securities).

l) Trade accounts receivable

Trade accounts receivable are stated at their nominal value less an allowance for doubtful accounts. The allowances are estimates 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. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

m) Inventories

Inventories are comprised of all assets which are held for sale in the ordinary course of business (finished goods), in the process of production for such sale (work in process) or consumed in the production process or in the rendering of services (raw materials and purchased components).

Inventories are measured at the lower of acquisition and manufacturing cost (determined by using the average or first-in, first-out method) or net realizable value. Manufacturing costs are comprised of direct costs, production and material overhead, including depreciation charges.

n) Available for sale financial assets

Investments in equity instruments, debt instruments and fund shares are classified as available for sale financial assets and measured at fair value. The Fresenius Group regularly reviews if objective substantial evidence occurs that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the recoverability of these assets, a possible impairment loss is recorded in the consolidated statement of financial position. Gains and losses of available for sale financial assets are recognized directly in the consolidated statement of equity until the financial asset is disposed of or if it is considered to be impaired. In the case of an impairment, the accumulated net loss is retrieved from the consolidated statement of equity and recognized in the consolidated statement of income.

o) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Repairs and maintenance costs are recognized in profit and loss as incurred. The costs for the replacement of components or the general overhaul of property, plant and equipment are recognized, if it is probable that future economic benefits will flow to the Fresenius Group and this costs can be measured reliably. 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 50 years for buildings and improvements (with a weighted-average life of 16 years) and 2 to 15 years for machinery and equipment (with a weighted-average life of 11 years).

p) Intangible assets with finite useful lives

Intangible assets with finite useful lives, such as patents, product and distribution rights, non-compete agreements, technology as well as licenses to manufacture, distribute and sell pharmaceutical drugs, are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment (see note 1. III. g, Impairment). The useful lives of patents, product and distribution rights range from 5 to 20 years, the average useful life is 13 years. The useful lives of customer relationships vary from 6 to 15 years, the average useful life is 10 years. Non-compete agreements with finite useful lives have useful lives ranging from 2 to 25 years with an average useful life of 6 years. Technology has a finite useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over the contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

Losses in value of a lasting nature are recorded as an impairment and are reversed when the reasons for impairment no longer exist. This reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized before.

Development costs are capitalized as manufacturing costs when the recognition criteria are met.

For development costs of dialysis machines manufactured by Fresenius Medical Care, the timing of the recognition as assets is based on the technical utilizability of the machines. The useful lives of capitalized development costs vary from 5 to 20 years, the average useful life is 11 years.

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected utilization period. In 2015, reversals of write-downs were recorded on in-process R & D projects, whose earnings prospects have increased so that the impairments of the previous years could be reversed (see note 8, Research and development expenses).

q) Goodwill and other intangible assets with indefinite useful lives

The Fresenius Group identified 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 Group. The identified intangible assets with indefinite useful lives such as tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill. They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test).

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level based on regions or the nature of the business activity. 4 CGUs were identified in the segments Fresenius Medical Care and Fresenius Kabi, respectively (Europe, Latin America, Asia-Pacific and North America). According to the regional organizational structure, the segment Fresenius Helios consists of 10 CGUs, which are managed by a central division. The segment Fresenius Vamed consists of 2 CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

To evaluate the recoverability of separable intangible assets with indefinite useful lives, the Fresenius Group compares the recoverable amounts of these intangible assets with their carrying amounts. An intangible asset's recoverable amount is determined using a discounted cash flow approach or other methods, if appropriate.

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2015 and 2014.

Any excess of the net fair value of identifiable assets and liabilities over cost (badwill) still existing after reassessing the purchase price allocation is recognized immediately in profit or loss.

r) Leases

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

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

Property, plant and equipment that is rented by the Fresenius Group, is accounted for at its purchase cost. Depreciation is calculated using the straight-line method over the leasing time and its expected residual value.

s) Financial instruments

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

Purchases and sales of financial assets are accounted for on the trading day. The Fresenius Group does not make use of the fair value option, which allows financial assets or financial liabilities to be classified as at fair value through profit or loss upon initial recognition.

The following categories (according to IAS 39, Financial Instruments: Recognition and Measurement) are relevant for the Fresenius Group: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial liabilities / assets measured at fair value in the consolidated statement of income. Other categories are immaterial or not existing in the Fresenius Group. No financial instruments were reclassified during the fiscal year 2015.

According to their character, the Fresenius Group classifies its financial instruments into the following classes: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount, derivatives for hedging purposes as well as assets recognized at fair value, liabilities recognized at fair value and noncontrolling interest subject to put provisions recognized at fair value.

The relationship between classes and categories as well as the reconciliation to the consolidated statement of financial position is shown in tabular form in note 30, Financial instruments.

The Fresenius Group has potential obligations to purchase 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 Fresenius Group would be required to purchase all or part of the third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. To estimate the fair values of the noncontrolling interest subject to put provisions, the Fresenius Group recognizes the higher of net book value or a multiple of earnings, based on historical earnings, the development stage of the underlying business and other factors. Additionally, there are put provisions that are valued by an external valuation firm. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. When applicable, the obligations are discounted at a pre-tax discount rate which reflects the market valuation of the interest effect and the specific risk of the obligation. Depending on the market conditions, the estimated fair values of the noncontrolling interest subject to these put provisions can also fluctuate, the discounted cash flows and the implicit multiple of earnings and/or revenue at which the noncontrolling interest subject to put provisions may ultimately be settled could vary significantly from Fresenius Group's current estimates.

Derivative financial instruments, which primarily include foreign currency forward contracts and interest rate swaps, are recognized at fair value as assets or liabilities in the consolidated statement of financial position. 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. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity until the secured underlying transaction is realized (see note 30, Financial instruments). The ineffective portion of cash flow hedges is recognized in current earnings. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized periodically in earnings.

Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

t) Liabilities

At the date of the statement of financial position, liabilities are generally stated at amortized cost, which normally corresponds to the settlement amount.

u) Legal contingencies

In the ordinary course of Fresenius Group's operations, the Fresenius Group is involved in litigation, arbitration, administrative procedure and investigations relating to various aspects of its business. The Fresenius Group 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 Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim, or the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

v) Accrued expenses

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

Accruals for warranties and complaints are estimated based on historical experience.

Tax accruals include obligations for the current year and for prior years.

Non-current accruals with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

w) Pension liabilities and similar obligations

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (revised 2011), Employee Benefits, using the projected unit credit method, taking into account future salary and trends for pension increase.

The Fresenius Group uses December 31 as the measurement date when measuring the funded status of all plans.

Net interest costs are calculated by multiplying the pension liability at the beginning of the year with the discount rate utilized in determining the benefit obligation. The pension liability results from the benefit obligation less the fair value of plan assets.

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual return on plan assets and the expected return on plan assets at the beginning of the year used to calculate the net interest costs. In the event of a surplus for a defined benefit pension plan remeasurements can also contain the effect from Asset Ceiling, as far as this effect is not included in net interest costs.

Remeasurements are recognized in accumulated other comprehensive income (loss) completely. It is not allowed to reclassify the remeasurements in subsequent periods. Components of net periodic benefit cost are recognized in profit and loss of the period.

x) Debt issuance costs

Debt issuance costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability. These costs are amortized over the term of the related obligation.

y) Stock option plans

The total cost of stock options and convertible equity instruments granted to members of the Management Board and executive employees of the Fresenius Group at the grant date is measured using an option pricing model and recognized as expense over the vesting period of the stock option plans.

The measurement date fair value of cash-settled phantom stocks granted to members of the Management Board and executive employees of the Fresenius Group is calculated using the Monte Carlo simulation. The corresponding liability based on the measurement date fair value is accrued over the vesting period of the phantom stock plans.

z) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA), located in North America, is partially self-insured for professional liability claims. For all other coverage, FMC-AG & Co. KGaA 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.

aa) Foreign currency translation

The reporting currency is the euro. Substantially all assets and liabilities of the foreign subsidiaries that use a functional currency other than the euro are translated at the mid-closing rate on the date of the statement of financial position, while income and expense are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in accumulated other comprehensive income (loss). In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are also reported in accumulated other comprehensive income (loss).

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2015, only immaterial losses resulted out of this translation.

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

	Year-end exchange rate [1]		Average exchange rate	
	Dec. 31, 2015	Dec. 31, 2014	**2015**	2014
U.S. dollar per €	**1.0887**	1.2141	**1.1095**	1.3285
Pound sterling per €	**0.7340**	0.7789	**0.7259**	0.8061
Swedish krona per €	**9.1895**	9.3930	**9.3535**	9.0985
Chinese renminbi per €	**7.0608**	7.5358	**6.9733**	8.1857
Japanese yen per €	**131.07**	145.23	**134.31**	140.31
Russian ruble per €	**80.6736**	72.3370	**68.0720**	50.9518
Brazilian real per €	**4.3117**	3.2207	**3.7004**	3.1211

[1] Mid-closing rate on the date of the statement of financial position

bb) Fair value hierarchy

The three-tier fair value hierarchy as defined in IFRS 7, Financial Instruments Disclosures, classifies financial assets and liabilities recognized at fair value based on the inputs used in estimating the fair value. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the company to develop its own assumptions. The three-tier fair value hierarchy is used in note 30, Financial instruments.

cc) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Estimates and discretionary decisions are required in particular for the positions trade accounts receivable, deferred tax assets and pension liabilities as well as when examining the recoverability of goodwill.

dd) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 18% of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2015 and 2014, respectively.

ee) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2015 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2015, or IFRS that can be applied earlier on a voluntary basis.

In 2015, the Fresenius Group did not apply any new standard relevant for its business for the first time.

ff) Recent pronouncements, not yet applied

The International Accounting Standards Board (IASB) issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2016:

In January 2016, the IASB issued **Amendments to IAS 7, Statement of Cash Flows**. The amendments are intended to improve the information related to the change in a company's debt by providing additional disclosures. The standard is effective for fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2014, the IASB issued **IFRS 15, Revenue from Contracts with Customers**. Simultaneously, the Financial Accounting Standards Board (FASB) published its equivalent revenue standard, Accounting Standards Update 2014-09 (ASU 2014-09), FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. The standards are the result of a convergence project between the FASB and the IASB. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. This standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment **Effective Date of IFRS 15**, which defers the effective date of IFRS 15 by one year to fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In July 2014, the IASB issued a new version of **IFRS 9, Financial Instruments**. This IFRS 9 version is considered the final and complete version, thus, mainly replacing IAS 39 as soon as IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a two stage approach: Upon recognition an entity shall recognize losses that are expected within the next 12 months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to lifetime expected losses. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognized in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In January 2016, the IASB issued **IFRS 16, Leases**, which supersedes the current standard on lease accounting, IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 significantly improves lessee accounting. For all leases, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the right-of-use asset and interest on the lease liability must be recognized in the income statement for every lease contract. Therefore, straight-line rental expenses will no longer be shown. The lessor accounting requirements in IAS 17 are substantially carried forward. The standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that have also adopted IFRS 15, Revenue from Contracts with Customers. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

The EU Commission's endorsements of IFRS 9, IFRS 15, IFRS 16 and of the amendments to IAS 7 are still outstanding.

In the Fresenius Group's view, all other pronouncements issued by the IASB do not have a material impact on the consolidated financial statements, as expected.

IV. CRITICAL ACCOUNTING POLICIES

In the opinion of the Management of the Fresenius Group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment. The influences and judgments as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the Fresenius Group.

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2015 and December 31, 2014, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €21,873 million and €20,185 million, respectively. This represented 50% and 51%, respectively, of total assets.

An impairment test of goodwill and non-amortizable intangible assets with indefinite useful lives is performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired (impairment test).

To determine possible impairments of these assets, the recoverable amount as its value in use of the cash generating units (CGUs) is compared to their carrying amount. The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted 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 Fresenius Group utilizes for every CGU its approved three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. These growth rates are 0% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi and 1% for Fresenius Helios and Fresenius Vamed. Projections for up to 10 years are possible due to historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.15% and the WACC in the business segment Fresenius Kabi consisted of a basic rate of 5.64% for 2015, respectively. This 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 CGU. In 2015, WACCs (after tax) for the CGUs of Fresenius Medical Care ranged from 6.13% to 19.41% and WACCs (after tax) for the CGUs of Fresenius Kabi ranged from 5.64% to 14.44%. In the business segments Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 5.64%, country-specific adjustments did not occur. If the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2015.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services could adversely affect the estimated future cash flows of certain countries or segments. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A decrease in the estimated future cash flows and/or a decline in the reporting unit's economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful lives which could materially and adversely affect Fresenius Group's future operating results.

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see note 29, Commitments and contingent liabilities.

The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim, or the disclosure of any such suit or assertion, does not necessarily indicate that an accrual of a loss is appropriate.

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €4,597 million and €4,238 million in 2015 and 2014, respectively, net of allowance. Approximately 66% of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs with 18% as well as private insurers in the United States with 11%, at December 31, 2015. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowance for doubtful accounts was €650 million and €545 million as of December 31, 2015 and December 31, 2014, respectively.

The allowances are estimates comprised of customer-specific evaluations regarding their payment history, current financial stability, and applicable country-specific risks for overdue receivables. In the Fresenius Group's opinion, these analyses result in a well-founded estimate of allowances for doubtful accounts. From time to time, the Fresenius Group reviews changes in collection experience to ensure the appropriateness of the allowances.

A valuation allowance is calculated if specific circumstances indicate that amounts will not be collectible. 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.

Deterioration in the aging of receivables and collection difficulties could require that the Fresenius Group increases the estimates of allowances for doubtful accounts. Additional expenses for uncollectible receivables could have a significant negative impact on future operating results.

d) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA, located in North America, is partially self-insured for professional liability claims. For further details regarding the accounting policies for self-insurance programs, please see note 1. III. z, Self-insurance programs.

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions, investments and purchases of intangible assets of €517 million and €2,404 million in 2015 and 2014, respectively. Of this amount, €396 million was paid in cash and €121 million was assumed obligations in 2015.

Fresenius Medical Care

In 2015, Fresenius Medical Care spent €385 million on acquisitions, mainly for the purchase of dialysis clinics and for a loan to an associated company. In the third quarter of 2015, Fresenius Medical Care sold the dialysis service business in Venezuela. The transaction resulted in an after-tax loss of €24 million (US$26.9 million).

Furthermore, in the third quarter of 2015, Fresenius Medial Care sold the European marketing rights for certain renal pharmaceuticals to the joint venture, Vifor Fresenius Medical Care Renal Pharma. The transaction resulted in an after-tax gain of €10.0 million (US$11.1 million).

In 2014, Fresenius Medical Care spent €1,495 million on acquisitions. Besides the transactions described separately in the following, this amount mainly comprises the purchase of dialysis clinics, the short-term investment in available for sale securities and the purchase of intangible assets.

On May 23, 2014, Fresenius Medical Care acquired MedSpring Urgent Care Centers with operations in Illinois and Texas. MedSpring Urgent Care Centers' 14 urgent care centers provide convenient, consistent, high-quality primary care and customer service.

On July 1, 2014, Fresenius Medical Care completed a transaction to become the controlling majority shareholder of Sound Inpatient Physicians, Inc., United States, a physician services organization focused on hospitalist and post-acute care services.

On October 21, 2014, Fresenius Medical Care acquired National Cardiovascular Partners. National Cardiovascular Partners is the leading operator of endovascular, vasuclar and cardiovascular specialty services in the United States.

On November 21, 2014, Fresenius Medical Care, through Sound Inpatient Physicians, Inc., acquired Cogent Healthcare with more than 650 providers, who offer hospitalist and intensivist services to more than 80 hospitals throughout the United States.

Fresenius Kabi

In 2015, Fresenius Kabi spent €37 million on acquisitions, which mainly related to the purchase of 100% of the shares in medi1one medical gmbh, Germany, and the purchase of further shares in Fresenius Kabi Bidiphar JSC, Vietnam.

On February 16, 2015, Fresenius Kabi sold its German oncology compounding business. On September 30, 2015, Fresenius Kabi also sold its compounding business in Australia. The transactions resulted in a book gain in an immaterial amount, respectively.

In 2014, Fresenius Kabi spent €118 million on acquisitions.

Throughout 2014, Fresenius Kabi purchased further shares in Fresenius Kabi Oncology Ltd., India.

On May 9, 2014, Fresenius Kabi announced the acquisition of the Brasilian pharmaceutical company Novafarma Indústria Farmacêutica Ltda. After antitrust approval, the transaction could be closed on July 3, 2014. Furthermore, on July 4, 2014, Fresenius Kabi acquired two companies in Ecuador, Medisumi, a pharmaceutical distributor, as well as Labfarm, an IV antibiotic manufacturer.

Fresenius Helios

In 2015, Fresenius Helios spent €99 million on acquisitions, mainly for the purchase of 49% of the minority interest in HELIOS Kreiskrankenhaus Gotha/Ohrdruf GmbH, for subsequent purchase price payments, the acquisition of outpatient facilities and the purchase of 94% of the shares in Lungenklinik Diekholzen gGmbH, Germany.

In 2014, Fresenius Helios spent €824 million on acquisitions. Thereof, €816 million related to the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG, Germany. Taking into account the advance payment of €2,178 million transferred at the end of the year 2013 in conjunction with this acquisition and subsequent purchase price payments of €18 million effected in 2015, the total purchase price amount finally added up to €3,012 million.

In connection with the acquisition of hospitals of Rhön-Klinikum AG, Fresenius Helios sold two hospitals in Borna and Zwenkau in the first quarter of 2014 due to antitrust authority requirements. The corresponding book gain in the amount of €22 million before tax is included in selling, general and administrative expenses in the consolidated statement of income of 2014. In 2015, an additional book gain in the amount of €34 million before tax resulted from this transaction. This book gain is included in selling, general and administrative expenses in the consolidated statement of income of 2015.

Acquisition of hospitals of Rhön-Klinikum AG

In fiscal year 2014, Fresenius Helios completed the acquisition of 41 hospitals and 13 outpatient facilities of Rhön-Klinikum AG, Germany. The majority of the acquired hospitals and outpatient facilities was consolidated as of January 1, 2014. In most instances, 100% of the share capital was purchased, only in a few cases 94% to 99% of the share capital was acquired. In relation to HSK Dr. Horst Schmidt Kliniken, 49% of the share capital was acquired.

The transaction strengthens Fresenius Helios' position as Europe's largest hospital operator and provides the basis for offering nationwide care models across Germany.

Due to contractual conditions and indirect power resulting out of them, the Fresenius Group fully consolidated the majority of the acquired hospitals and outpatient facilities as of January 1, 2014, according to IFRS 10. The majority of the other acquired companies has been fully consolidated as of February 27, 2014. The acquired HSK Dr. Horst Schmidt Kliniken have been consolidated since June 30, 2014 as the Fresenius Group has rights that give the Fresenius Group the ability to direct the relevant activities and, hence, the earnings of the company. The acquired hospital in Cuxhaven has been consolidated since August 1, 2014.

The transaction was accounted for as a business combination. The following table comprises the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting until finalization on December 31, 2014 was recorded with a corresponding adjustment to goodwill, net of related income tax effects.

€ in millions	
Trade accounts receivable	231
Working capital and other assets	409
Assets	991
Liabilities	-787
Goodwill	2,280
Noncontrolling interest	-12
Fair value of consideration transferred	**3,112**
Net cash acquired	-100
Transaction amount	**3,012**

The consideration transferred was fully paid in cash.

The transaction amount contained contingent purchase price elements in an amount of €49 million in connection with the implementation of antitrust authority requirements. The contingent consideration amounted to €31 million by the end of 2014. At December 31, 2015, there was no contingent consideration outstanding.

The goodwill in the amount of €2,280 million that was acquired as part of the acquisition is not deductible for tax purposes.

Goodwill is an asset mainly representing the market position of the acquired hospitals, the established nationwide hospital network, economics of scale of the substantially grown hospital network and the know-how of employees.

The noncontrolling interests acquired as part of the acquisition are stated at fair value.

Fresenius Vamed

In 2015, Fresenius Vamed spent €4 million on acquisitions, mainly for a participation for the expansion of a thermal spa in Austria.

In 2014, Fresenius Vamed spent €12 million on acquisitions, mainly for the acquisition of kneipp-hof Dussnang AG, Switzerland.

Corporate / Other

In 2015, the segment Corporate / Other includes the consolidation of an intercompany transaction in the amount of €8 million.

On June 30, 2014, the Fresenius Group sold the 5% stake in Rhön-Klinikum AG which was acquired in 2012 as part of the takeover offer to the shareholders of Rhön-Klinikum AG. Sales proceeds of €160 million were achieved. The corresponding book gain in the amount of €35 million before tax is included in selling, general and administrative expenses in the consolidated statement of income.

IMPACTS ON FRESENIUS GROUP'S CONSOLIDATED FINANCIAL STATEMENTS RESULTING FROM ACQUISITIONS

In the fiscal year 2015, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. The excess of the total acquisition costs over the fair value of the net assets acquired was €305 million and €3,882 million in 2015 and 2014, respectively.

The purchase price allocations are not yet finalized for all acquisitions of the current year. Based on preliminary purchase price allocations, the recognized goodwill was €189 million and the other intangible assets were €116 million. Of this goodwill, €105 million is attributable to the acquisitions of Fresenius Medical Care, €27 million to Fresenius Kabi's acquisitions and €57 million to the acquisitions of Fresenius Helios.

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 established stream of future cash flows versus building a similar business.

The acquisitions completed in 2015 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

€ in millions	2015
Sales	318
EBITDA	35
EBIT	26
Net interest	-7
Net income attributable to shareholders of Fresenius SE & Co. KGaA	8

The acquisitions increased the total assets of the Fresenius Group by €202 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2015 in the amount of €1,386 million includes special items relating to Fresenius Kabi's efficiency program and the integration of the acquired Rhön hospitals. The divestment of two HELIOS hospitals in the fiscal year 2014 led to an additional disposal gain in 2015.

The special items had the following impact on the consolidated statement of income:

€ in millions	EBIT	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2015, adjusted	4,001	1,436
Costs for Fresenius Kabi's efficiency program	-89	-74
Integration costs for the acquired Rhön hospitals	-12	-10
Disposal gains from the divestment of two HELIOS hospitals	34	34
Earnings 2015 according to IFRS	**3,934**	**1,386**

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2014 in the amount of €1,070 million includes special items relating to the integration of Fenwal and the acquired Rhön hospitals as well as relating to the divestment of two HELIOS hospitals and of the Rhön stake.

The special items had the following impact on the consolidated statement of income:

€ in millions	EBIT	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2014, adjusted	3,159	1,088
Integration costs for Fenwal	-48	-32
Integration costs for the acquired Rhön hospitals	-51	-41
Disposal gain from the divestment of two HELIOS hospitals	22	21
Disposal gain from the divestment of the Rhön stake	35	34
Earnings 2014 according to IFRS	**3,117**	**1,070**

4. SALES

Sales by activity were as follows:

€ in millions	2015	2014
Sales of services	**18,558**	15,176
Sales of products and related goods	**8,851**	7,713
Sales from long-term production contracts	**577**	564
Other sales	**9**	6
Sales	**27,995**	23,459

A sales analysis by business segment and region is shown in the segment information on pages 58 to 59.

5. COST OF SALES

Cost of sales was comprised of the following:

€ in millions	2015	2014
Cost of services	**13,912**	11,675
Manufacturing cost of products and related goods	**4,634**	4,217
Cost of long-term production contracts	**524**	493
Other cost of sales	**2**	2
Cost of sales	**19,072**	16,387

6. COST OF MATERIALS

Cost of materials was comprised of cost of raw materials, supplies and purchased components and cost of purchased services:

€ in millions	2015	2014
Cost of raw materials, supplies and purchased components	**6,923**	6,079
Depreciation of raw materials, supplies and purchased components	**0**	1
Cost of purchased services	**1,050**	974
Cost of materials	**7,973**	7,054

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €10,835 million and €8,979 million in 2015 and 2014, respectively.

Personnel expenses were comprised of the following:

€ in millions	2015	2014
Wages and salaries	8,732	7,209
Social security contributions, cost of retirement pensions and social assistance	2,103	1,770
thereof retirement pensions	294	240
Personnel expenses	**10,835**	8,979

Fresenius Group's annual average number of employees by function is shown below:

	2015	2014
Production	37,143	35,970
Service	151,903	144,326
Administration	19,078	18,238
Sales and marketing	10,041	10,052
Research and development	2,180	2,047
Total employees (per capita)	**220,345**	210,633

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €451 million (2014: €365 million) included expenditures for research and non-capitalizable development costs as well as regular depreciation and amortization expenses relating to capitalized development costs of €16 million (2014: €15 million). Furthermore in 2015, research and development expenses included reversals of write-downs on capitalized development expenses of €7 million (2014: impairments of €2 million).

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €915 million (2014: €841 million) and mainly included expenditures for sales personnel of €444 million (2014: €406 million).

General and administrative expenses amounted to €3,623 million (2014: €2,749 million) and were related to expenditures for administrative functions not attributable to research and development, production or selling.

In 2015, other operating income of €303 million (2014: €315 million) and other operating expenses of €238 million (2014: €114 million) were included in selling, general and administrative expenses.

10. NET INTEREST

Net interest of -€613 million included interest expenses of €868 million and interest income of €255 million. The main portion of the interest expenses resulted from Fresenius Group's financial liabilities, which are not recognized at fair value in the consolidated statement of income (see note 30, Financial instruments). The main portion of interest income resulted from the valuation of the call options in connection with the convertible bonds.

11. TAXES

INCOME TAXES

Income before income taxes was attributable to the following geographic regions:

€ in millions	2015	2014
Germany	705	671
International	2,616	1,844
Total	**3,321**	2,515

Income tax expenses (benefits) for 2015 and 2014 consisted of the following:

€ in millions	Current taxes	Deferred taxes	Income taxes
2015			
Germany	**197**	**-38**	**159**
International	**841**	**-23**	**818**
Total	**1,038**	**-61**	**977**
2014			
Germany	122	13	135
International	518	50	568
Total	640	63	703

A reconciliation between the expected and actual income tax expense is shown in the following table. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 30.5% for the fiscal year 2015 (2014: 30.0%).

€ in millions	2015	2014
Computed "expected" income tax expense	1,013	754
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	54	56
Tax rate differential	25	32
Tax-free income	-63	-60
Taxes for prior years	26	-20
Noncontrolling interests	-99	-61
Other	21	2
Income tax	**977**	703
Effective tax rate	**29.4%**	28.0%

DEFERRED TAXES

The tax effects of the temporary differences that gave rise to deferred tax assets and liabilities at December 31 are presented below:

€ in millions	2015	2014
Deferred tax assets		
Accounts receivable	29	25
Inventories	136	115
Other current assets	12	19
Other non-current assets	108	125
Accrued expenses	474	294
Other short-term liabilities	44	63
Other long-term liabilities	55	44
Benefit obligations	237	239
Losses carried forward from prior years	196	239
Deferred tax assets	**1,291**	1,163
Deferred tax liabilities		
Accounts receivable	41	35
Inventories	32	29
Other current assets	90	14
Other non-current assets	1,101	1,062
Accrued expenses	39	13
Other short-term liabilities	171	150
Other long-term liabilities	94	72
Deferred tax liabilities	**1,568**	1,375
Net deferred taxes	**-277**	-212

In the consolidated statement of financial position, the net amounts of deferred tax assets and liabilities are included as follows:

€ in millions	2015	2014
Deferred tax assets	753	716
Deferred tax liabilities	1,030	928
Net deferred taxes	**-277**	-212

As of December 31, 2015, Fresenius Medical Care has not recognized a deferred tax liability on approximately €6.9 billion of undistributed earnings of its foreign subsidiaries, because those earnings are considered indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2016	27
2017	23
2018	30
2019	42
2020	50
2021	29
2022	32
2023	9
2024	21
2025 and thereafter	55
Total	**318**

The total remaining operating losses of €864 million can mainly be carried forward for an unlimited period. The total amount of the existing operating losses as of December 31, 2015 includes an amount of €373 million (2014: €234 million) that will probably not be realizable. For these operating losses, deferred tax assets were not recognized.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2015.

TAX AUDITS

Fresenius SE & Co. KGaA and its subsidiaries are subject to tax audits in Germany and the United States on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, for Fresenius SE & Co. KGaA and its subsidiaries, the tax years 2006 through 2009 are currently under audit by the tax authorities. Furthermore, for a few relatively small companies of Fresenius Medical Care, the tax years 2010 through 2013 are already under audit. The Fresenius Group recognized and recorded the current proposed adjustments of these audit periods in the consolidated financial statements. Fiscal years 2014 until 2015 are open to audit. All proposed adjustments are deemed immaterial.

For Fresenius Kabi USA, the audit actions for fiscal years 2008 until 2010 are concluded, whereby the formal completion is still pending. Fiscal years 2011 until 2015 are open to audit.

In the United States, for Fresenius Medical Care, the tax years 2011 and 2012 are currently under audit by the tax authorities. Fiscal years 2013 until 2015 are open to audit. Fresenius Medical Care Holdings, Inc. (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 consolidated financial statements.

Subsidiaries of Fresenius SE & Co. KGaA in a number of countries outside of Germany and the United States are also subject to tax audits. The Fresenius Group estimates that the effects of such tax audits are not material to the consolidated financial statements.

12. NONCONTROLLING INTEREST

As of December 31, noncontrolling interest in net income in the Fresenius Group was as follows:

€ in millions	2015	2014
Noncontrolling interest in Fresenius Medical Care	**661**	538
Noncontrolling interest in Fresenius Vamed	**10**	10
Noncontrolling interest in the business segments		
Fresenius Medical Care	**256**	161
Fresenius Kabi	**29**	21
Fresenius Helios	**1**	11
Fresenius Vamed	**1**	1
Total noncontrolling interest	**958**	742

In the fiscal year 2015, Fresenius Medical Care AG & Co. KGaA paid dividends to noncontrolling interests in the amount of €163 million (2014: €159 million).

13. EARNINGS PER SHARE

The following table shows the earnings per share including and excluding the dilutive effect from stock options issued:

	2015	2014
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**1,386**	1,070
less effect from dilution due to Fresenius Medical Care shares	**1**	1
Income available to all ordinary shares	**1,385**	1,069
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**543,893,874**	540,347,847
Potentially dilutive ordinary shares	**4,266,418**	3,950,327
Weighted-average number of ordinary shares outstanding assuming dilution	**548,160,292**	544,298,174
Basic earnings per share in €	**2.55**	1.98
Fully diluted earnings per share in €	**2.53**	1.96

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

As of December 31, cash and cash equivalents were as follows:

€ in millions	2015	2014
Cash	**992**	1,127
Time deposits and securities (with a maturity of up to 90 days)	**52**	48
Total cash and cash equivalents	**1,044**	1,175

As of December 31, 2015 and December 31, 2014, earmarked funds of €57 million and €52 million, respectively, were included in cash and cash equivalents.

The Fresenius Group operates a multi-currency notional pooling cash management system. The Fresenius Group met the conditions to offset balances within this cash pool for reporting purposes. At December 31, 2015, €106 million (December 31, 2014: €72 million) of the cash balances and the equivalent amount of the overdraft balances were offset. Thereof €44 million related to Fresenius Medical Care.

15. TRADE ACCOUNTS RECEIVABLE

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

€ in millions	2015	2014
Trade accounts receivable	**5,247**	4,783
less allowance for doubtful accounts	**650**	545
Trade accounts receivable, net	**4,597**	4,238

All trade accounts receivable are due within one year.

The following table shows the development of the allowance for doubtful accounts during the fiscal year:

€ in millions	2015	2014
Allowance for doubtful accounts at the beginning of the year	**545**	487
Change in valuation allowances as recorded in the consolidated statement of income	**431**	241
Write-offs and recoveries of amounts previously written-off	**-353**	-216
Foreign currency translation	**27**	33
Allowance for doubtful accounts at the end of the year	**650**	545

The following table shows the aging analysis of trade accounts receivable and their allowance for doubtful accounts:

€ in millions	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	2,961	1,002	413	328	543	**5,247**
less allowance for doubtful accounts	64	118	75	115	278	**650**
Trade accounts receivable, net	2,897	884	338	213	265	**4,597**

16. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2015	2014
Raw materials and purchased components	**602**	527
Work in process	**526**	451
Finished goods	**1,839**	1,440
less reserves	**107**	85
Inventories, net	**2,860**	2,333

In 2015 and in 2014, no reversals of write-downs of inventory were made.

The companies of the Fresenius Group are obliged to purchase approximately €1,010 million of raw materials and purchased components under fixed terms, of which €513 million was committed at December 31, 2015 for 2016. The terms of these agreements run one to six years. Advance payments from customers of €564 million (2014: €427 million) have been offset against inventories. These exclusively related to long-term construction contracts.

17. OTHER CURRENT AND NON-CURRENT ASSETS

As of December 31, other current and non-current assets were comprised of the following:

€ in millions	2015	2015 thereof short-term	2014	2014 thereof short-term
Investments	**614**	**0**	573	0
Advances made	**118**	**59**	86	55
Prepaid rent and insurance	**74**	**74**	69	69
Prepaid expenses	**63**	**34**	55	26
Other assets	**539**	**385**	662	500
Other non-financial assets, net	**1,408**	**552**	1,445	650
Tax receivables	**375**	**352**	462	434
Derivative financial instruments	**375**	**39**	176	30
Securities and long-term loans	**324**	**259**	362	152
Accounts receivable resulting from German hospital law	**265**	**250**	249	233
Insurance recovery Fresenius Medical Care	**202**	**202**	0	0
Leasing receivables	**112**	**49**	91	46
Cost report receivable from Medicare and Medicaid	**100**	**100**	113	113
Discounts	**46**	**46**	72	72
Deposits	**46**	**5**	65	21
Assets held for sale	**0**	**0**	33	33
Other financial assets, net	**1,845**	**1,302**	1,623	1,134
Other assets, net	**3,253**	**1,854**	3,068	1,784
Allowances	**10**	**7**	10	7
Other assets, gross	**3,263**	**1,861**	3,078	1,791

As of December 31, 2015, investments were comprised of investments of €546 million (2014: €512 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In 2015, income of €28 million (2014: €19 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Securities and long-term loans included €257 million financial assets available for sale as of December 31, 2015 (2014: €148 million) mainly relating to shares in funds.

The receivables resulting from the German hospital law primarily contain approved but not yet received earmarked subsidies of the Fresenius Helios operations. The approval is evidenced in a letter written by the granting authorities that Fresenius Helios has already received.

The item „Insurance recovery Fresenius Medical Care" includes the recognized amount in relation to the NaturaLyte® and GranuFlo® agreement in principle, which partially offsets the accrued settlement amount recorded in Accrued expenses (see note 20, Accrued expenses). For further information, see note 29, Commitments and contingent liabilities.

In the fiscal year 2015, no depreciation was recognized on other non-current assets (2014: depreciation in an immaterial amount).

18. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2015	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2015**
Land and land facilities	524	2	–	4	13	7	**536**
Buildings and improvements	4,863	189	-1	109	288	60	**5,388**
Machinery and equipment	5,917	163	-5	613	206	218	**6,676**
Machinery, equipment and rental equipment under capital leases	171	5	3	8	-1	1	**185**
Construction in progress	862	29	-1	744	-540	20	**1,074**
Property, plant and equipment	12,337	388	-4	1,478	-34	306	**13,859**

DEPRECIATION

€ in millions	As of Jan. 1, 2015	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2015**
Land and land facilities	6	–	3	1	1	–	**11**
Buildings and improvements	2,030	108	-3	298	-2	46	**2,385**
Machinery and equipment	3,468	95	-10	611	-16	184	**3,964**
Machinery, equipment and rental equipment under capital leases	51	2	–	15	-1	1	**66**
Construction in progress	5	–	0	–	-1	–	**4**
Property, plant and equipment	5,560	205	-10	925	-19	231	**6,430**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2014**
Land and land facilities	294	1	221	11	–	3	**524**
Buildings and improvements	3,825	178	615	208	170	133	**4,863**
Machinery and equipment	4,971	239	192	526	161	172	**5,917**
Machinery, equipment and rental equipment under capital leases	145	2	25	8	-8	1	**171**
Construction in progress	584	29	63	551	-358	7	**862**
Property, plant and equipment	9,819	449	1,116	1,304	-35	316	**12,337**

DEPRECIATION

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2014**
Land and land facilities	6	–	0	–	0	–	**6**
Buildings and improvements	1,731	106	2	257	-1	65	**2,030**
Machinery and equipment	2,954	135	5	523	-9	140	**3,468**
Machinery, equipment and rental equipment under capital leases	44	–	–	12	-4	1	**51**
Construction in progress	1	–	0	–	4	–	**5**
Property, plant and equipment	4,736	241	7	792	-10	206	**5,560**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Land and land facilities	**525**	518
Buildings and improvements	**3,003**	2,833
Machinery and equipment	**2,712**	2,449
Machinery, equipment and rental equipment under capital leases	**119**	120
Construction in progress	**1,070**	857
Property, plant and equipment	**7,429**	6,777

Depreciation on property, plant and equipment for the years 2015 and 2014 was €925 million and €792 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2015 and 2014 included medical devices which Fresenius Medical Care and Fresenius Kabi lease to customers, patients and physicians under operating leases in an amount of €720 million and €652 million, respectively.

To a lesser extent, property, plant and equipment are also leased for the treatment of patients by other business segments.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, the acquisition cost and accumulated amortization of intangible assets consisted of the following:

ACQUISITION COST

€ in millions	As of Jan. 1, 2015	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of Dec. 31, 2015
Goodwill	19,977	1,479	176	13	2	1	**21,646**
Patents, product and distribution rights	633	61	-4	14	9	–	**713**
Capitalized development costs	433	38	0	22	0	1	**492**
Technology	349	40	0	0	-5	1	**383**
Customer relationships	272	30	21	0	–	0	**323**
Tradenames	202	19	0	0	0	0	**221**
Software	336	12	–	45	21	8	**406**
Non-compete agreements	281	30	13	–	2	5	**321**
Management contracts	6	–	0	0	0	0	**6**
Other	397	20	1	26	-18	6	**420**
Goodwill and other intangible assets	22,886	1,729	207	120	11	22	**24,931**

AMORTIZATION

€ in millions	As of Jan. 1, 2015	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of Dec. 31, 2015
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	288	25	-4	47	0	–	**356**
Capitalized development costs	244	21	0	9	0	1	**273**
Technology	77	9	0	25	0	–	**111**
Customer relationships	29	3	0	29	0	–	**61**
Tradenames	0	0	0	0	0	0	**0**
Software	205	7	–	40	1	5	**248**
Non-compete agreements	212	24	0	20	0	5	**251**
Management contracts	0	0	0	0	0	0	**0**
Other	219	15	–	29	-1	4	**258**
Goodwill and other intangible assets	1,274	104	-4	199	0	15	**1,558**

ACQUISITION COST

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of Dec. 31, 2014
Goodwill	14,921	1,437	3,643	7	–	31	**19,977**
Patents, product and distribution rights	571	64	0	5	–	7	**633**
Capitalized development costs	378	38	0	21	0	4	**433**
Technology	303	42	0	5	-1	0	**349**
Customer relationships	137	27	107	0	1	–	**272**
Tradenames	182	21	–	–	-1	–	**202**
Software	282	14	5	35	6	6	**336**
Non-compete agreements	237	31	15	1	–	3	**281**
Management contracts	5	1	–	0	0	0	**6**
Other	357	1	39	20	-11	9	**397**
Goodwill and other intangible assets	17,373	1,676	3,809	94	-6	60	**22,886**

AMORTIZATION

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	As of Dec. 31, 2014
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	235	26	0	32	-1	4	**288**
Capitalized development costs	211	20	0	17	0	4	**244**
Technology	48	8	0	21	–	0	**77**
Customer relationships	7	3	0	19	–	0	**29**
Tradenames	0	0	0	0	0	0	**0**
Software	170	7	–	32	–	4	**205**
Non-compete agreements	174	24	0	17	–	3	**212**
Management contracts	0	0	0	0	0	0	**0**
Other	199	13	–	25	-9	9	**219**
Goodwill and other intangible assets	1,044	101	–	163	-10	24	**1,274**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Goodwill	21,646	19,977
Patents, product and distribution rights	357	345
Capitalized development costs	219	189
Technology	272	272
Customer relationships	262	243
Tradenames	221	202
Software	158	131
Non-compete agreements	70	69
Management contracts	6	6
Other	162	178
Goodwill and other intangible assets	**23,373**	21,612

The split of intangible assets into amortizable and non-amortizable intangible assets is shown in the following tables:

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2015			Dec. 31, 2014		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	713	356	357	633	288	345
Capitalized development costs	492	273	219	433	244	189
Technology	383	111	272	349	77	272
Customer relationships	323	61	262	272	29	243
Software	406	248	158	336	205	131
Non-compete agreements	321	251	70	281	212	69
Other	420	258	162	397	219	178
Total	**3,058**	**1,558**	**1,500**	2,701	1,274	1,427

Fresenius Medical Care capitalized development costs in an amount of €1 million for the fiscal year 2015 (2014: €3 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years. The amortization expense for the fiscal year 2015 amounted to €1 million (2014: €2 million). In the case of Fresenius Kabi, development costs capitalized amounted to €218 million at December 31, 2015 (December 31, 2014: €186 million). The amortization is recorded on a straight-line basis over a useful life of 6 to 10 years and amounted to €15 million for the fiscal year 2015 (2014: €13 million). Furthermore, in 2015, reversals of write-downs on capitalized development expenses of €7 million (2014: impairments of €2 million) were recorded (see note 8, Research and development expenses). These are included in the preceding amortization tables in the columns additions.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

€ in millions	2016	2017	2018	2019	2020
Estimated amortization expenses	196	190	183	180	173

NON-AMORTIZABLE INTANGIBLE ASSETS

€ in millions	Dec. 31, 2015 Acquisition cost	Dec. 31, 2015 Accumulated amortization	Dec. 31, 2015 Carrying amount	Dec. 31, 2014 Acquisition cost	Dec. 31, 2014 Accumulated amortization	Dec. 31, 2014 Carrying amount
Tradenames	**221**	**0**	**221**	202	0	202
Management contracts	**6**	**0**	**6**	6	0	6
Goodwill	**21,646**	**0**	**21,646**	19,977	0	19,977
Total	**21,873**	**0**	**21,873**	20,185	0	20,185

Amortization on intangible assets amounted to €199 million and €163 million for the years 2015 and 2014, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2014	**8,446**	**4,226**	**2,158**	**85**	**6**	**14,921**
Additions	1,287	99	2,250	14	0	3,650
Disposals	0	-3	-28	0	0	-31
Reclassifications	0	–	0	0	0	–
Foreign currency translation	1,034	403	0	0	0	1,437
Carrying amount as of December 31, 2014	**10,767**	**4,725**	**4,380**	**99**	**6**	**19,977**
Additions	105	27	57	–	0	189
Disposals	0	-1	0	0	0	-1
Reclassifications	0	2	0	0	0	2
Foreign currency translation	1,090	389	0	0	0	1,479
Carrying amount as of December 31, 2015	**11,962**	**5,142**	**4,437**	**99**	**6**	**21,646**

The goodwill additions in the segment Fresenius Helios in 2014 mainly resulted from the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.

As of December 31, 2015 and December 31, 2014, the carrying amounts of the other non-amortizable intangible assets were €193 million and €179 million, respectively, for Fresenius Medical Care as well as €28million and €29 million, respectively, for Fresenius Kabi.

20. ACCRUED EXPENSES

As of December 31, accrued expenses consisted of the following:

€ in millions	2015	2015 thereof short-term	2014	2014 thereof short-term
Personnel expenses	**1,127**	**980**	1,103	968
Invoices outstanding	**366**	**366**	314	314
Settlement Fresenius Medical Care	**257**	**257**	0	0
Self-insurance programs	**212**	**212**	197	197
Bonuses and discounts	**170**	**170**	136	136
Warranties and complaints	**125**	**124**	118	117
Legal matters, advisory and audit fees	**114**	**114**	87	87
Accrued variable payments outstanding for acquisition	**51**	**48**	42	27
Commissions	**32**	**32**	28	28
Other accrued expenses	**791**	**663**	626	551
Accrued expenses	**3,245**	**2,966**	2,651	2,425

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

€ in millions	As of Jan. 1, 2015	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Utilized	Reversed	As of Dec. 31, 2015
Personnel expenses	1,103	33	1	724	-35	-632	-67	**1,127**
Invoices outstanding	314	1	–	363	2	-289	-25	**366**
Settlement Fresenius Medical Care	0	5	0	252	0	0	0	**257**
Self-insurance programs	197	22	0	25	0	-1	-31	**212**
Bonuses and discounts	136	8	–	161	1	-132	-4	**170**
Warranties and complaints	118	1	0	42	–	-19	-17	**125**
Legal matters, advisory and audit fees	87	2	2	65	1	-32	-11	**114**
Accrued variable payments outstanding for acquisition	42	3	32	4	–	-25	-5	**51**
Commissions	28	–	0	27	0	-21	-2	**32**
Other accrued expenses	626	8	32	545	31	-348	-103	**791**
Total	2,651	83	67	2,208	0	-1,499	-265	**3,245**

Accruals for personnel expenses mainly refer to bonus, severance payments, contribution of partial retirement and holiday entitlements.

The item "Settlement Fresenius Medical Care" includes accruals related to the NaturaLyte® and GranuFlo® agreement in principle, partially offset by „Insurance recovery Fresenius Medical Care" recorded in Other current and non-current assets (see note 17, Other current and non-current assets). For further information, see note 29, Commitments and contingent liabilities.

For details regarding accruals for self-insurance programs, please see note 1. III. z, Self-insurance programs.

21. OTHER LIABILITIES

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

	2015		2014	
€ in millions		**thereof short-term**		thereof short-term
Noncontrolling interest subject to put provisions	**808**	**335**	568	202
Debtors with credit balances	**378**	**378**	295	295
Accounts payable resulting from German hospital law	**256**	**253**	251	248
Accounts receivable credit balance	**84**	**44**	81	46
Advance payments from customers	**75**	**65**	69	58
All other liabilities	**469**	**284**	476	330
Other non-financial liabilities	**2,070**	**1,359**	1,740	1,179
Derivative financial instruments	**355**	**15**	232	80
Tax liabilities	**208**	**208**	205	204
Personnel liabilities	**204**	**200**	186	181
Interest liabilities	**159**	**159**	172	172
Leasing liabilities	**101**	**101**	90	90
Liabilities held for sale	**0**	**0**	15	15
Other financial liabilities	**1,027**	**683**	900	742
Other liabilities	**3,097**	**2,042**	2,640	1,921

The Fresenius Group has potential obligations to purchase 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 Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at already defined purchase prices or the appraised fair value at the time of exercise.

The payables resulting from the German hospital law primarily contain earmarked subsidies received but not yet spent appropriately by Fresenius Helios. The amount not yet spent appropriately is classified as liability.

At December 31, 2015, the total amount of other non-current liabilities was €1,055 million, thereof €922 million was due between one and five years and €133 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €1,334 million also included other long-term accrued expenses of €279 million as of December 31, 2015.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €202 million and €233 million at December 31, 2015 and December 31, 2014, respectively. As of December 31, 2015, this debt consisted of borrowings by certain entities of the Fresenius Group under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2015 and 2014 were 6.31% and 5.82%, respectively.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, long-term debt and capital lease obligations net of debt issuance costs consisted of the following:

€ in millions	2015	2014
Fresenius Medical Care 2012 Credit Agreement	2,399	2,374
2013 Senior Credit Agreement	2,203	2,538
Schuldschein Loans	914	1,021
Accounts Receivable Facility of Fresenius Medical Care	46	280
Capital lease obligations	151	151
Other	396	322
Subtotal	6,109	6,686
less current portion	607	501
Long-term debt and capital lease obligations, less current portion	**5,502**	6,185

Maturities of long-term debt and capital lease obligations are shown in the following table:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Fresenius Medical Care 2012 Credit Agreement	208	415	1,789	0
2013 Senior Credit Agreement	213	426	1,584	0
Schuldschein Loans	108	526	262	21
Accounts Receivable Facility of Fresenius Medical Care	0	47	0	0
Capital lease obligations	15	28	14	94
Other	75	82	197	45
Long-term debt and capital lease obligations	**619**	**1,524**	**3,846**	**160**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2015 are:

for the fiscal years	€ in millions
2016	619
2017	660
2018	864
2019	2,478
2020	1,368
Subsequent years	160
Total	**6,149**

Fresenius Medical Care 2012 Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) originally entered into a syndicated credit facility (Fresenius Medical Care 2012 Credit Agreement) of US$3,850 million and a 5-year period with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012.

On November 26, 2014, the Fresenius Medical Care 2012 Credit Agreement was amended to increase the total credit facility to approximately US$4,400 million and extend the term for an additional two years until October 30, 2019.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2012 Credit Agreement at December 31:

	2015			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$1,000 million	918	**US$25 million**	**23**
Revolving Credit (in €)	€400 million	400	**€0 million**	**0**
US$ Term Loan	US$2,300 million	2,113	**US$2,300 million**	**2,113**
€ Term Loan	€276 million	276	**€276 million**	**276**
Total		3,707		**2,412**
less financing cost				**13**
Total				**2,399**

	2014			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$1,000 million	824	**US$36 million**	**30**
Revolving Credit (in €)	€400 million	400	**€0 million**	**0**
US$ Term Loan	US$2,500 million	2,059	**US$2,500 million**	**2,059**
€ Term Loan	€300 million	300	**€300 million**	**300**
Total		3,583		**2,389**
less financing cost				**15**
Total				**2,374**

As of December 31, 2015, the Fresenius Medical Care 2012 Credit Agreement consisted of:

- Revolving credit facilities of approximately US$1,500 million comprising a US$1,000 million revolving facility and a €400 million revolving facility, which will be due and payable on October 30, 2019.
- A term loan facility of US$2,300 million, also scheduled to mature on October 30, 2019. Quarterly repayments of US$50 million began in January 2015, with the remaining balance outstanding due on October 30, 2019.
- A term loan facility of €276 million scheduled to mature on October 30, 2019. Quarterly repayments of €6 million began in January 2015, with the remaining balance outstanding due October 30, 2019.

Interest on the credit facilities is, at Fresenius Medical Care'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 Fresenius Medical Care 2012 Credit Agreement plus an applicable margin. As of December 31, 2015 and 2014, the U.S. dollar-denominated tranches outstanding under the Fresenius Medical Care 2012 Credit Agreement had a weighted-average interest rate of 1.72% and 1.61%, respectively. As of December 31, 2015 and 2014, the euro-denominated tranche had an interest rate of 1.38% and 1.42%, respectively.

The applicable margin is variable and depends on Fresenius Medical Care's consolidated leverage ratio which is a ratio of its consolidated funded debt (less cash and cash equivalents) to consolidated EBITDA (as these terms are defined in the Fresenius Medical Care 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the Fresenius Medical Care 2012 Credit Agreement would be reduced by portions of the net cash proceeds received from certain sales of assets.

Obligations under the Fresenius Medical Care 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The Fresenius Medical Care 2012 Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries. Under certain circumstances, these covenants limit indebtedness, investments and restrict the creation of liens. Under the Fresenius Medical Care 2012 Credit Agreement, FMC-AG & Co. KGaA is required to comply with a maximum leverage ratio (ratio of net debt to EBITDA). Additionally, the Fresenius Medical Care 2012 Credit Agreement provides for a limitation on dividends, share buy-backs and similar payments. Dividends to be paid are subject to an annual basket, which is €400 million for 2016, and will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio. In default, the outstanding balance under the Fresenius Medical Care 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

As of December 31, 2015, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2012 Credit Agreement.

In addition, at December 31, 2015 and December 31, 2014, Fresenius Medical Care had letters of credit outstanding in the amount of US$4 million and US$7 million, respectively, under the U.S. dollar revolving credit facility, which were not included above as part of the balance outstanding at those dates but which reduce available borrowings under the applicable revolving credit facility.

2013 Senior Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Senior Credit Agreement) in the original amount of US$1,300 million and €1,250 million. Since the initial funding of the 2013 Senior Credit Agreement in June 2013, additional tranches were added. In February 2014, for example, additional facilities in the amount of €1,200 million were drawn down and used to fund the acquisition of hospitals from Rhön-Klinikum AG. Furthermore, scheduled amortization payments have been made. In addition, on January 29, 2015, a Term Loan B facility of €297 million was voluntarily prepaid. On February 12, 2015, the revolving credit facilities and the Term Loan A tranches were extended ahead of time by two years to a new maturity date on June 28, 2020. These tranches would have otherwise matured in June 2018.

The following tables show the available and outstanding amounts under the 2013 Senior Credit Agreement at December 31:

	2015			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities (in €)	€900 million	900	**€0 million**	**0**
Revolving Credit Facilities (in US$)	US$300 million	276	**US$0 million**	**0**
Term Loan A (in €)	€1,057 million	1,057	**€1,057 million**	**1,057**
Term Loan A (in US$)	US$781 million	717	**US$781 million**	**717**
Term Loan B (in US$)	US$489 million	449	**US$489 million**	**449**
Total		3,399		**2,223**
less financing cost				**20**
Total				**2,203**

	2014			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities (in €)	€900 million	900	**€0 million**	**0**
Revolving Credit Facilities (in US$)	US$300 million	247	**US$0 million**	**0**
Term Loan A (in €)	€1,125 million	1,125	**€1,125 million**	**1,125**
Term Loan A (in US$)	US$890 million	733	**US$890 million**	**733**
Term Loan B (in €)	€297 million	297	**€297 million**	**297**
Term Loan B (in US$)	US$494 million	406	**US$494 million**	**406**
Total		3,708		**2,561**
less financing cost				**23**
Total				**2,538**

As of December 31, 2015, the 2013 Senior Credit Agreement consisted of:

- Revolving credit facilities in the aggregate principal amount of US$300 million and €900 million with a final repayment date on June 28, 2020.
- Term loan facilities of US$781 million and €1,057 million (together Term Loan A). Term Loan A amortizes and is repayable in quarterly installments with a final maturity on June 28, 2020.
- Term loan facilities of US$489 million (Term Loan B). Term Loan B amortizes and is repayable in quarterly installments, whereby the majority of the loans is due on June 28, 2019.

The interest rate on each borrowing under the 2013 Senior Credit Agreement is a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the 2013 Senior Credit Agreement plus an applicable margin. The applicable margin is variable and depends on the leverage ratio as defined in the 2013 Senior Credit Agreement.

In addition to scheduled principal payments, indebtedness outstanding under the 2013 Senior Credit Agreement would be reduced by mandatory prepayments in the case of certain sales of assets and the incurrence of certain additional indebtedness, with the amount to be prepaid depending on the proceeds which are generated by the respective transaction.

The 2013 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH, Fresenius Kabi AG and certain U.S. subsidiaries of Fresenius Kabi AG. Obligations under the 2013 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries of Fresenius Kabi AG, and since funding of incremental facilities in February 2014 are additionally secured by a pledge of the capital stock of HELIOS Kliniken GmbH, in favor of the lenders.

The 2013 Senior Credit Agreement contains a number of customary affirmative and negative covenants. Under certain conditions, these covenants include limitations on liens, sale of assets and incurrence of debt, among other items. The 2013 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE & Co. KGaA and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum leverage ratio and a minimum interest coverage ratio.

As of December 31, 2015, the Fresenius Group was in compliance with all covenants under the 2013 Senior Credit Agreement.

Schuldschein Loans

As of December 31, Schuldschein Loans of the Fresenius Group consisted of the following:

			Book value € in millions	
	Maturity	Interest rate	2015	2014
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	3.36%	**108**	156
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	variable	**0**	129
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	2.65%	**51**	51
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	variable	**74**	74
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	2.09%	**96**	96
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	variable	**76**	75
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	variable	**65**	65
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	4.09%	**72**	72
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	variable	**0**	43
Fresenius SE & Co. KGaA 2015/2018	October 8, 2018	1.07%	**36**	0
Fresenius SE & Co. KGaA 2015/2018	October 8, 2018	variable	**55**	0
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	2.67%	**105**	105
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	variable	**55**	55
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	variable	**100**	100
Fresenius SE & Co. KGaA 2015/2022	April 7, 2022	variable	**21**	0
Schuldschein Loans			**914**	1,021

In March 2015, Fresenius SE & Co. KGaA voluntarily terminated floating rate tranches of Schuldschein Loans due in 2016 and 2018 in the amount of €172 million ahead of time. Furthermore, the Company made a termination offer to investors of its fixed rate €156 million Schuldschein Loans maturing in April 2016 which was accepted for €48 million. The respective repayments were made on April 7, 2015. The remaining Schuldschein Loans of €108 million due in 2016 are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position. Furthermore, in April 2015, new Schuldschein Loans with maturities in 2018 and 2022 were issued in a total amount of €112 million.

The Schuldschein Loans issued by Fresenius Finance B.V. in the amount of €300 million, which were due in April and July 2014, were repaid as scheduled. Fresenius SE & Co. KGaA issued Schuldschein Loans in the amount of €334 million for the refinancing of the €300 million Schuldschein Loans as well as for general corporate purposes on April 2, 2014. In addition, an agreement for the issuance of further Schuldschein Loans in an amount of €166 million was reached. These additional Schuldschein Loans were issued on July 2, 2014.

The Schuldschein Loans issued by Fresenius Medical Care AG & Co. KGaA in the amount of €28 million, which were due on October 27, 2014, were repaid as scheduled.

The Schuldschein Loans of Fresenius SE & Co. KGaA are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH. The Schuldschein Loans of FMC-AG & Co. KGaA were guaranteed by Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH.

As of December 31, 2015, the Fresenius Group was in compliance with all of its covenants under the Schuldschein Loans.

Accounts Receivable Facility of Fresenius Medical Care

On November 24, 2014, the asset securitization facility (Accounts Receivable Facility) of Fresenius Medical Care was refinanced for a term expiring on November 24, 2017 with available borrowings of US$800 million.

At December 31, 2015, there were outstanding borrowings under the Accounts Receivable Facility of US$51 million (€47 million) (2014: US$342 million (€281 million)). In the amounts shown, debt issuance costs are not included. Fresenius Medical Care also had letters of credit outstanding under the Accounts Receivable Facility in the amount of US$17 million (€15 million) at December 31, 2015 and US$67 million (€55 million) at December 31, 2014. These letters of credit are not included above as part of the balance outstanding at December 31, 2015, however, they reduce available borrowings under the Accounts Receivable Facility.

Under the Accounts Receivable Facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly owned subsidiary of Fresenius Medical Care. The fair value and the net book value of the assigned accounts receivable was US$961 million (€883 million) at December 31, 2015 (2014: US$865 million (€713 million)). NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the Accounts Receivable 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 consolidated statement of financial position 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. At December 31, 2015 and 2014, the interest rate was 0.89% and 0.65%, respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At December 31, 2015, the additional financial cushion resulting from unutilized credit facilities was approximately €3.4 billion.

Syndicated credit facilities accounted for €2.5 billion. This portion is comprised of the Fresenius Medical Care 2012 Credit Agreement in the amount of US$1,407 million (€1,292 million) and the 2013 Senior Credit Agreement in the amount of US$1,280 million (€1,176 million). Furthermore, bilateral facilities of approximately €950 million were available. They include credit facilities which certain entities of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE & Co. KGaA has a commercial paper program under which up to €1,000 million in short-term notes can be issued. As of December 31, 2015, the commercial paper program was not utilized.

Additional financing of up to US$800 million can be provided using the Fresenius Medical Care Accounts Receivable Facility which had been utilized in the amount of US$68 million as of December 31, 2015.

23. SENIOR NOTES

As of December 31, Senior Notes of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	2015	2014
Fresenius Finance B.V. 2014/2019	€300 million	Feb. 1, 2019	2.375%	**297**	297
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 2019	4.25%	**497**	495
Fresenius Finance B.V. 2013/2020	€500 million	July 15, 2020	2.875%	**496**	495
Fresenius Finance B.V. 2014/2021	€450 million	Feb. 1, 2021	3.00%	**443**	442
Fresenius Finance B.V. 2014/2024	€450 million	Feb. 1, 2024	4.00%	**450**	449
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8.75%	**0**	273
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**0**	408
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 1, 2021	4.25%	**275**	246
Fresenius US Finance II, Inc. 2015/2023	US$300 million	Jan. 15, 2023	4.50%	**273**	0
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**249**	248
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**295**	294
FMC Finance VIII S.A. 2011/2016	€100 million	Oct. 15, 2016	variable	**100**	100
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**396**	394
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**244**	243
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**457**	408
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**590**	527
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**363**	325
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**732**	655
Fresenius Medical Care US Finance II, Inc. 2014/2020	US$500 million	Oct. 15, 2020	4.125%	**456**	408
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**639**	572
Fresenius Medical Care US Finance II, Inc. 2014/2024	US$400 million	Oct. 15, 2024	4.75%	**364**	325
Senior Notes				**7,616**	7,604

All Senior Notes included in the table are unsecured.

The Senior Notes issued by Fresenius US Finance II, Inc. which were due on July 15, 2015 have been repaid as scheduled and refinanced with the issuance of commercial paper.

On September 25, 2015, Fresenius US Finance II, Inc. issued US$300 million of unsecured Senior Notes with a maturity of seven years. The Senior Notes have a coupon of 4.50% and were issued at par. The proceeds from the offering of Senior Notes were used to refinance commercial paper.

On January 23, 2014, Fresenius Finance B.V. issued unsecured Senior Notes of €750 million. The €300 million tranche due 2019 has a coupon of 2.375% and was issued at a price of 99.647%. The €450 million tranche which has a coupon of 3.00% was issued at a price of 98.751% and is due in 2021.

Moreover, Fresenius Finance B.V. placed €300 million of unsecured Senior Notes with a maturity of 10 years on January 28, 2014. The Senior Notes have a coupon of 4.00% and were placed at par. On February 6, 2014, these Senior Notes were increased by an amount of €150 million at a price of 102%. The Senior Notes in the nominal amount of €450 million were issued on February 11, 2014.

Furthermore, on February 14, 2014, Fresenius US Finance II, Inc. issued US$300 million of unsecured Senior Notes with a maturity of seven years. The Senior Notes have a coupon of 4.25% and were issued at par.

Net proceeds of the Senior Notes issued in January and February 2014 were used to partially refinance the drawing under a Bridge Financing Facility.

All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. 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 followed by a decline in the rating of the respective Senior Notes. All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the mortgaging or sale of assets, the entering into sale and leaseback transactions as well as mergers or consolidations with other companies. Some of these restrictions are lifted automatically when the rating of the respective Senior Notes reaches investment grade. In the event of non-compliance with certain terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayment plus interest. As of December 31, 2015, the Fresenius Group was in compliance with all of its covenants.

The Senior Notes issued by FMC Finance VI S.A. which are due on July 15, 2016 and the Senior Notes issued by FMC Finance VIII S.A. which are due on October 15, 2016 have been reclassified as short-term debt and are shown as current portion of Senior Notes in the consolidated statement of financial position.

On October 29, 2014, Fresenius Medical Care US Finance II, Inc., issued US$500 million and US$400 million unsecured Senior Notes to repay a short-term loan under the Fresenius Medical Care 2012 Credit Agreement as well as other short-term debt, and for acquisitions and general corporate purposes. The Senior Notes were issued at par.

The Senior Notes of Fresenius Medical Care US Finance, Inc., Fresenius Medical Care US Finance II, Inc., FMC Finance VI S.A., FMC Finance VII S.A. and FMC Finance VIII S.A. (wholly owned subsidiaries of FMC-AG & Co. KGaA) are guaranteed on a senior basis jointly and severally by FMC-AG & Co. KGaA, Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Deutschland GmbH. The holders have the right to request that the respective issuers repurchase the respective Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control of FMC-AG & Co. KGaA followed by a decline in the rating of the respective Senior Notes. The issuers may redeem the Senior Notes (except for the floating-rate Senior Notes of FMC Finance VIII S.A.) at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indentures.

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2015, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes.

24. CONVERTIBLE BONDS

As of December 31, the convertible bonds of the Fresenius Group net of debt issuance costs consisted of the following:

					Book value € in millions	
	Notional amount	Maturity	Coupon	Current conversion price	**2015**	2014
Fresenius SE & Co. KGaA 2014/2019	€500 million	Sept. 24, 2019	0.000%	€49.6611	**464**	454
Fresenius Medical Care AG & Co. KGaA 2014/2020	€400 million	Jan. 31, 2020	1.125%	€73.6354	**374**	368
Convertible bonds					**838**	822

The fair value of the derivative embedded in the convertible bonds of Fresenius SE & Co. KGaA was €228 million at December 31, 2015. The derivative embedded in the convertible bonds of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) was recognized with a fair value of €107 million at December 31, 2015. Fresenius SE & Co. KGaA and FMC-AG & Co. KGaA have purchased stock options (call options) to secure against future fair value fluctuations of these derivatives. The call options also had an aggregate fair value of €228 million and €107 million, respectively, at December 31, 2015.

The conversions will be cash-settled. Any increase of Fresenius' share price and of Fresenius Medical Care's share price above the conversion price would be offset by a corresponding value increase of the call options.

The derivatives embedded in the convertible bonds and the call options are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

25. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The Fresenius Group 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 Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands and Austria. Unfunded defined benefit plans are located in Germany and France.

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 Fresenius Group'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 benefit obligations and the return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

Related to defined benefit plans, the Fresenius Group is exposed to certain risks. Besides general actuarial risks, e. g. the longevity risk and the interest rate risk, the Fresenius Group is exposed to market risk as well as to investment risk.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

Under defined contribution plans, the Fresenius Group 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 Fresenius Group to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Fresenius Group paid contributions upon leaving the Fresenius Group. The Fresenius Group has a main defined contribution plan in the United States.

DEFINED BENEFIT PENSION PLANS

At December 31, 2015, the defined benefit obligation (DBO) of the Fresenius Group of €1,479 million (2014: €1,467 million) included €422 million (2014: €391 million) funded by plan assets and €1,057 million (2014: €1,076 million) covered by pension provisions. Furthermore, the pension liability contains benefit obligations offered by other subsidiaries of Fresenius Medical Care in an amount of €38 million (2014: €35 million). The current portion of the pension liability in an amount of €18 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €1,077 million is recorded as pension liability.

The major part of pension liabilities relates to Germany. At December 31, 2015, 68% of the pension liabilities were recognized in Germany and 29% predominantly in the rest of Europe and North America. 57% of the beneficiaries were located in North America, 32% in Germany and the remainder throughout the rest of Europe and other continents.

60% of the pension liabilities in an amount of €1,095 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The remaining pension liabilities relate to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension Plan 1988 does not have a separate pension fund.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension 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. FMCH 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 2015, FMCH's minimum funding requirement was US$19 million (€17 million). In addition to the compulsory contributions, FMCH voluntarily provided US$1 million (€1 million) to the defined benefit plan. Expected funding for 2016 is US$16 million (€14 million).

Benefit plans offered by other subsidiaries of Fresenius Medical Care outside of the United States and Germany contain separate benefit obligations. The total pension liability for these other plans was €38 million and €35 million at December 31, 2015 and 2014, respectively, and consists of a pension asset of €56 thousand (2014: €56 thousand) recognized as other non-current assets and a current pension liability of €3 million (2014: €2 million), which is recognized as a current liability in the line item short-term accrued expenses and other short-term liabilities. The non-current pension liability of €35 million (2014: €33 million) for these plans is recorded as pension liability in the consolidated statement of financial position.

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €685 million. Benefit obligations relating to unfunded pension plans were €794 million.

The following table shows the changes in benefit obligations, the changes in plan assets, the funded status of the pension plans and the 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 Fresenius Group's funded benefit plans.

The pension liability has developed as follows:

€ in millions	2015	2014
Benefit obligations at the beginning of the year	**1,467**	1,020
Changes in entities consolidated	**–**	17
Foreign currency translation	**55**	50
Service cost	**52**	35
Past service cost	**-3**	-2
Settlements	**-1**	-6
Net interest cost	**43**	43
Contributions by plan participants	**3**	2
Transfer of plan participants	**3**	–
Remeasurements	**-102**	339
Actuarial losses (gains) arising from changes in financial assumptions	**-113**	308
Actuarial losses (gains) arising from changes in demographic assumptions	**1**	15
Actuarial losses (gains) arising from experience adjustments	**10**	16
Benefits paid	**-38**	-31
Benefit obligations at the end of the year	**1,479**	1,467
thereof vested	**1,267**	1,242
Fair value of plan assets at the beginning of the year	**391**	312
Changes in entities consolidated	**0**	7
Foreign currency translation	**32**	29
Actual return on plan assets	**-9**	19
Interest income from plan assets	**15**	16
Actuarial gains (losses) arising from experience adjustments	**-24**	3
Contributions by the employer	**26**	40
Contributions by plan participants	**3**	2
Settlements	**-1**	-1
Transfer of plan participants	**3**	–
Gains from divestitures	**-1**	0
Benefits paid	**-22**	-17
Fair value of plan assets at the end of the year	**422**	391
Funded status as of December 31	**1,057**	1,076
Benefit plans offered by other subsidiaries	**38**	35
Pension liability as of December 31	**1,095**	1,111

The plan assets are neither invested in the Fresenius Group nor in related parties of the Fresenius Group.

As of December 31, 2015 and 2014, the fair value of plan assets did not exceed the benefit obligations in any pension plan. Furthermore, for the years 2015 and 2014, there were no effects from asset ceiling.

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. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

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

in %	2015	2014
Discount rate	**3.16**	2.77
Rate of compensation increase	**2.91**	3.00
Rate of pension increase	**1.68**	1.63

Mainly changes in the discount factor, as well as inflation and mortality assumptions used for the actuarial computation resulted in actuarial gains in 2015 which decreased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €595 million (2014: €648 million).

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability as of December 31, 2015 as follows:

Development of pension liability € in millions	0.5 pp increase	0.5 pp decrease
Discount rate	-127	146
Rate of compensation increase	20	-20
Rate of pension increase	72	-63

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2015. 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.

Further explanatory notes

Defined benefit pension plans' net periodic benefit costs of €78 million (2014: €58 million) were comprised of the following components:

€ in millions	2015	2014
Service cost	**49**	30
Net interest cost	**29**	28
Net periodic benefit cost	**78**	58

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

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

in %	2015	2014
Discount rate	**2.86**	4.09
Rate of compensation increase	**3.06**	3.09
Rate of pension increase	**1.66**	1.67

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2016	40
2017	42
2018	43
2019	46
2020	51
2021 to 2025	301
Total expected benefit payments	**523**

At December 31, 2015, the weighted-average duration of the defined benefit obligation was 19 years (December 31, 2014: 19 years).

The fair values of plan assets by categories were as follows:

€ in millions	December 31, 2015 Quoted prices in active markets for identical assets Level 1	December 31, 2015 Significant observable inputs Level 2	December 31, 2015 Total	December 31, 2014 Quoted prices in active markets for identical assets Level 1	December 31, 2014 Significant observable inputs Level 2	December 31, 2014 Total
Categories of plan assets						
Equity investments	**62**	**59**	**121**	56	57	113
Index funds [1]	**50**	**59**	**109**	45	57	102
Other equity investments	**12**	**0**	**12**	11	0	11
Fixed income investments	**101**	**164**	**265**	89	154	243
Government securities [2]	**43**	**1**	**44**	40	1	41
Corporate bonds [3]	**29**	**156**	**185**	30	149	179
Other fixed income investments [4]	**29**	**7**	**36**	19	4	23
Other [5]	**26**	**12**	**38**	26	9	35
Total	**189**	**235**	**424**	171	220	391

[1] This category is mainly comprised of low-cost equity index funds not actively managed that track the S & P 500, S & P 400, Russell 2000, the MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
[2] This category is primarily comprised of 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 is mainly comprised of private placement bonds as well as collateralized mortgage obligations as well as cash and funds that invest in treasury obligations directly or in treasury backed obligations.
[5] This category mainly 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:

Index funds are valued based on market quotes.

Other equity investments are valued at their market prices as of the date of the statement of financial position.

Government bonds are valued based on both market prices (Level 1) and market quotes (Level 2).

Corporate bonds and other bonds are valued based on market quotes as of the date of the statement of financial position.

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 prices.

Plan investment policy and strategy

For the U.S. funded plan, the Fresenius Group periodically reviews the assumptions 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.

The overall investment strategy for the U.S. pension plan is to achieve a mix of approximately 98% of investments for long-term growth and income and 2% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the investment policy and include well diversified index funds or funds targeting index performance.

The target allocations for plan assets in the United States are in a range around 30% equity and 70% long-term U.S. corporate bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Mid Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index and Barclays Capital Long-Corporate Bond Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2015**	Allocation 2014	Target allocation
Equity investments	**28.57**	28.86	32.27
Fixed income investments	**62.45**	61.97	59.39
Other incl. real estate	**8.98**	9.17	8.34
Total	**100.00**	100.00	100.00

Contributions to plan assets for the fiscal year 2016 are expected to amount to €23 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2015 was €134 million (2014: €121 million). Of this amount, €84 million related to contributions by the Fresenius Group to several public supplementary pension funds for employees of Fresenius Helios. Further €42 million related to contributions to the U.S. savings plan, which employees of Fresenius Medical Care Holdings, Inc. can join.

Following applicable collective bargaining agreements, the Fresenius Group pays contributions for a given number of employees of Fresenius Helios to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds (together referred to as ZVK ÖD) to complement statutory retirement pensions. Given that employees from multiple participating entities are insured by these ZVK ÖDs, these plans are Multi-Employer plans.

ZVK ÖDs are defined benefit plans according to IAS 19 since employees are entitled to the statutory benefits regardless of the amounts contributed. The plan assets of the fund necessary to evaluate and calculate the funded status of the Group cannot be obtained from the supplementary pension funds. The calculation of a pension liability according to IAS 19 is not possible due to missing information about future payment obligations. Therefore, the obligation is accounted for as defined contribution plan according to IAS 19.30a.

The plan operates on a pay-as-you-earn system based on applying a collection rate to given parts of gross remuneration.

Paid contributions are accounted for as personnel expenses within cost of sales and selling, general and administrative expenses and amounted to €84 million in 2015 (2014: €80 million). Thereof, €45 million (2014: €43 million) were payments to Rheinische Zusatzversorgungskasse, to Versorgungsanstalt des Bundes und der Länder and to Zusatzversorgungskasse Wiesbaden (supplementary pension funds). The Group expects to contribute €86 million in 2016.

Under the U.S. savings plan, employees can deposit up to 75% of their pay up to an annual maximum of US$18,000 if under 50 years old (US$24,000 if 50 or over). Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2015 and 2014 was €42 million and €31 million, respectively.

26. NONCONTROLLING INTEREST

As of December 31, noncontrolling interest in the Fresenius Group was as follows:

€ in millions	2015	2014
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**6,128**	5,227
Noncontrolling interest in VAMED AG	**49**	43
Noncontrolling interest in the business segments		
Fresenius Medical Care	**936**	803
Fresenius Kabi	**121**	124
Fresenius Helios	**59**	134
Fresenius Vamed	**7**	6
Total noncontrolling interest	**7,300**	6,337

For further financial information relating to Fresenius Medical Care see the consolidated segment reporting on pages 58 to 59.

Noncontrolling interest changed as follows:

€ in millions	2015
Noncontrolling interest as of January 1, 2015	**6,337**
Noncontrolling interest in profit	958
Stock options	62
Sale of noncontrolling interest	-22
Dividend payments	-401
Currency effects and other changes	366
Noncontrolling interest as of December 31, 2015	**7,300**

27. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

As of January 1, 2015, the subscribed capital of Fresenius SE & Co. KGaA consisted of 541,532,600 bearer ordinary shares.

During the fiscal year 2015, 4,195,350 stock options were exercised. Consequently, as of December 31, 2015, the subscribed capital of Fresenius SE & Co. KGaA consisted of 545,727,950 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

AUTHORIZED CAPITAL

As of December 31, 2015, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 15, 2019, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €120,960,000 through a single or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I).

A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, in case of a capital increase against cash contributions, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization. In the case of a subscription in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company.

The authorizations granted concerning the exclusion of subscription rights can be used by Fresenius Management SE only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 20% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization.

CONDITIONAL CAPITAL

The following Conditional Capitals exist in order to fulfill the subscription rights under the stock option plans of Fresenius SE & Co. KGaA: Conditional Capital I (Stock Option Plan 2003), Conditional Capital II (Stock Option Plan 2008) and Conditional Capital IV (Stock Option Plan 2013) (see note 34, Stock options).

Another Conditional Capital III exists for the authorization to issue option bearer bonds and/or convertible bonds. Accordingly, the general partner is authorized, with the approval of the Supervisory Board, until May 15, 2019, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA is increased conditionally by up to €48,971,202 through issuing of up to 48,971,202 new bearer ordinary shares. The conditional capital increase shall only be implemented to the extent that the holders of cash issued convertible bonds or of cash issued warrants from option bonds exercise their conversion or option rights and as long as no other forms of settlement are used. The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	5,773,056
Conditional Capital II Fresenius SE Stock Option Plan 2008	10,901,188
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	25,200,000
Total Conditional Capital as of January 1, 2015	**90,845,446**
Fresenius AG Stock Option Plan 2003 – options exercised	-511,069
Fresenius SE Stock Option Plan 2008 – options exercised	-3,684,281
Total Conditional Capital as of December 31, 2015	**86,650,096**

As of December 31, 2015, the Conditional Capital was composed as follows:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	5,261,987
Conditional Capital II Fresenius SE Stock Option Plan 2008	7,216,907
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	25,200,000
Total Conditional Capital as of December 31, 2015	**86,650,096**

CAPITAL RESERVES

Capital reserves are comprised of the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

In connection with the capital increase from company's funds in 2014, the capital reserves were reduced by €360,341,088 due to a conversion of a portion of the capital reserves into subscribed capital.

OTHER RESERVES

Other reserves are comprised of earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2015, a dividend of €0.44 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid. The total dividend payment was €238 million.

28. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) is comprised of all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2015 and 2014 were as follows:

€ in millions	Amount before taxes	Tax effect	Total before noncontrolling interest after taxes	Noncontrolling interest	Total after noncontrolling interest after taxes
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	-1	-1	-2	2	–
Change in unrealized gains/losses	-23	5	-18	-10	-28
Realized gains/losses due to reclassifications	22	-6	16	12	28
Change of fair value of available for sale financial assets	-23	7	-16	–	-16
Foreign currency translation	448	-29	419	496	915
Positions which will not be reclassified into net income in subsequent years					
Actuarial losses on defined benefit pension plans	-213	63	-150	-94	-244
Total changes 2014	211	40	251	404	655
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	34	-9	25	21	46
Change in unrealized gains/losses	23	-4	19	2	21
Realized gains/losses due to reclassifications	11	-5	6	19	25
Change of fair value of available for sale financial assets	–	–	–	–	–
Foreign currency translation	375	-30	345	464	809
Positions which will not be reclassified into net income in subsequent years					
Actuarial gains/losses on defined benefit pension plans	51	-14	37	5	42
Total changes 2015	**460**	**-53**	**407**	**490**	**897**

Changes in accumulated other comprehensive income (loss) net of tax by component in 2015 and 2014 were as follows:

€ in millions	Cash flow hedges	Change of fair value of available for sale financial assets	Foreign currency translation	Actuarial gains/losses on defined benefit pension plans	Total, before non-controlling interest	Non-controlling interest	Total, after non-controlling interest
Balance as of December 31, 2013	-105	17	-105	-131	-324	-256	-580
Other comprehensive income (loss) before reclassifications	-18	–	419	-150	251	392	643
Amounts reclassified from accumulated other comprehensive income (loss)	16	-16	–	0	–	12	12
Other comprehensive income (loss), net	-2	-16	419	-150	251	404	655
Balance as of December 31, 2014	-107	1	314	-281	-73	148	75
Other comprehensive income (loss) before reclassifications	19	–	345	37	401	471	872
Amounts reclassified from accumulated other comprehensive income (loss)	6	–	–	0	6	19	25
Other comprehensive income (loss), net	25	–	345	37	407	490	897
Balance as of December 31, 2015	**-82**	**1**	**659**	**-244**	**334**	**638**	**972**

Reclassifications out of accumulated other comprehensive income (loss) into net income in 2015 and 2014 were as follows:

	Amount of gain or loss reclassified from accumulated other comprehensive income (loss)[1]		
€ in millions	**2015**	2014	Affected line item in the consolidated statement of income
Details about accumulated other comprehensive income (loss) components			
Cash flow hedges			
Interest rate contracts	**32**	34	Interest income/expense
Foreign exchange contracts	**16**	1	Cost of sales
Foreign exchange contracts	**-11**	3	Selling, general and administrative expenses
Foreign exchange contracts	**–**	–	Interest income/expense
Other comprehensive income (loss)	**37**	38	
Tax expense or benefit	**-12**	-10	
Other comprehensive income (loss), net	**25**	28	
Change of fair value of available for sale financial assets	**–**	-23	Selling, general and administrative expenses
Tax expense or benefit	**–**	7	
Other comprehensive income (loss), net	**–**	-16	
Total reclassifications for the period	**25**	12	

[1] Gains are shown with a negative sign, losses with a positive sign.

OTHER NOTES

29. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2106. Rental expense recorded for operating leases for the years ended December 31, 2015 and 2014 was €832 million and €671 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2015 are:

for the fiscal years	€ in millions
2016	737
2017	629
2018	532
2019	450
2020	373
Thereafter	1,302
Total	**4,023**

As of December 31, 2015, future investment commitments existed up to the year 2020 from the acquisition contracts for hospitals at projected costs of up to €280 million. Thereof €64 million relates to the year 2016.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL AND REGULATORY MATTERS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Fresenius Group currently deems to be material or noteworthy are described below. For the matters described below in which the Fresenius Group 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 Fresenius Group 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 Fresenius Group's view of the merits can occur. The Fresenius Group 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

Baxter patent dispute "Liberty Cycler"

On August 27, 2012, Baxter Health International, Inc. (Baxter) filed suit in the U.S. District Court for the Northern District of Illinois, styled Baxter International, Inc., et al., v. Fresenius Medical Care Holdings, Inc., Case No. 12-cv-06890, alleging that Fresenius Medical Care Holdings, Inc.'s Liberty® cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. The parties have resolved this patent dispute.

Product liability litigation

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed in various federal courts alleging wrongful death and personal injury claims against Fresenius Medical Care Holdings, Inc. (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 and the St. Louis City (Missouri) court subsequently established similar consolidated litigation for such cases filed in Massachusetts county courts and St. Louis City court. See 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 other state courts. On February 17, 2016, FMCH reached and reported to the courts an agreement in principle with a committee for plaintiffs in all cases. The agreement in principle calls for FMCH to pay US$250 million into a settlement fund in August 2016 in exchange for releases of all or substantially all of the plaintiffs' claims, subject to FMCH's right to void the settlement under certain conditions, including if more than 3% of all plaintiffs reject the settlement by July 2016 or the distribution of rejecters meet certain criteria. FMCH's affected insurers have agreed to fund US$220 million of the settlement fund, with a reservation of rights regarding certain coverage issues between and among FMCH and its insurers. FMCH has accrued a net expense of US$60 million for consummation of the settlement, including legal fees and other anticipated costs.

Certain of the complaints in the litigation named combinations of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, Fresenius SE & Co. KGaA and Fresenius Management SE as defendants, in addition to FMCH and its domestic United States affiliates. The agreement in principle provides for dismissals and releases of claims encompassing these defendants.

The accruals for the agreement in principle, the related costs and insurance recoveries are based upon information currently available to FMCH. These estimates may change as more or new information becomes available.

Certain plaintiffs including the Attorneys General of Louisiana and Mississippi have filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation. These cases, however, implicate different legal standards, theories of liability and forms of potential recovery and, as such, are not currently subject to the agreement in principle discussed above. FMCH believes that these deceptive practices lawsuits are without merit and will defend them vigorously.

Other litigation and potential exposures

Fresenius Medical Care Holdings – Qui tam complaint (Massachusetts)

On February 15, 2011, a whistleblower (relator) action under the False Claims Act against Fresenius Medical Care Holdings, Inc. (FMCH) was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States did not intervene initially 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, alleged that FMCH sought and received reimbursement from government payors for serum ferritin and multiple forms of hepatitis B laboratory tests that were medically unnecessary or not properly ordered by a physician. Discovery on the relator's complaint closed in May 2015. On October 2, 2015, the United States Attorney moved to intervene on the relator's complaint with respect only to certain hepatitis B surface antigen tests performed prior to 2011, when Medicare reimbursement rules for such tests changed. FMCH believes that the allegations of the complaint are without merit and will defend the litigation vigorously.

Subpoena "American Access Care, LLC"
Subpoenas, or search warrants were issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Eastern Virginia and Rhode Island to American Access Care, LLC (AAC), which Fresenius Medical Care acquired in October 2011, and to Fresenius Medical Care's subsidiary Fresenius Vascular Care, Inc., which now operates former AAC centers as well as its own original facilities. As of September 30, 2015, Fresenius Medical Care had entered into settlements of allegation made by the United States Attorneys for Connecticut, Southern Florida, and Rhode Island under which Fresenius Medical Care paid approximately US$8 million in exchange for releases related to activities of AAC prior to the acquisition. Pursuant to the AAC acquisition agreement, the prior owners are obligated to indemnify Fresenius Medical Care for payments under these settlements, subject to certain limitations and deductibles. The three settlements implicate only actions and events occurring prior to Fresenius Medical Care's acquisition of AAC. The Eastern Virginia investigation remains active and outstanding. It appears to relate to issues similar to the others, but is being conducted in part as a grand jury proceeding.

Subpoena "Fresenius Vascular Care"
On October 6, 2015, the Office of Inspector General of the United States Department of Health and Human Services (OIG) issued a subpoena to Fresenius Medical Care seeking information about utilization and invoicing by Fresenius Vascular Care facilities as a whole for a period beginning after the acquisition of American Access Care, LLC (AAC). Fresenius Medical Care is cooperating in the OIG's inquiry.

Internal review
Fresenius Medical Care has received communications alleging conduct in countries outside the United States 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 Fresenius Medical Care's Supervisory Board is conducting investigations with the assistance of independent counsel. Fresenius Medical Care voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). Fresenius Medical Care's investigations and dialogue with the SEC and DOJ are ongoing. Fresenius Medical Care has received a subpoena from the SEC requesting additional documents and a request from the DOJ for copies of the documents provided to the SEC. Fresenius Medical Care is cooperating with the requests.

Conduct has been identified that may result in monetary penalties or other sanctions under the FCPA or other anti-bribery laws. In addition, Fresenius Medical Care's ability to conduct business in certain jurisdictions could be negatively impacted. Fresenius Medical Care has previously recorded a non-material accrual for an identified matter. Given the current status of the investigations and remediation activities, Fresenius Medical Care cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigations or remediation activities.

Fresenius Medical Care's independent counsel, in conjunction with Fresenius Medical Care's Compliance Department, has reviewed Fresenius Medical Care's anti-corruption compliance program, including internal controls related to compliance with international anti-bribery laws, and appropriate enhancements are being implemented. Fresenius Medical Care continues to be fully committed to FCPA and other anti-bribery law compliance.

Subpoenas "Massachusetts and Louisiana"
In December 2012, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney for the District of Massachusetts requesting production of a broad range of documents related to two products manufactured by FMCH: electron-beam sterilization of dialyzers and the Liberty peritoneal dialysis cycler. FMCH has cooperated fully in the government's investigation. In December 2014, FMCH was advised that the government's investigation was precipitated by a whistleblower, who first filed a complaint under seal in June 2013. In September 2014, the government

declined to intervene in the whistleblower's actions. On March 31, 2015, the relator served his complaint styled Reihanifam v. Fresenius USA, Inc., 2013 Civ. 11486 (D. Mass.). On May 14, 2015, the Court dismissed without prejudice the relator's False Claims Act allegations after receiving the United States' confirmation that it would not intervene as to those allegations. The relator acting pro se has filed motions requesting extended time to identify and retain counsel.

In January 2013 and April 2015, FMCH received subpoenas from the United States Attorney for the Western District of Louisiana and the Attorney General for the Commonwealth of Massachusetts, respectively, requesting discovery responses relating to the GranuFlo® and NaturaLyte® acid concentrate products that are also the subject of personal injury litigation described above. FMCH cooperated fully in the government's investigations. FMCH has learned that these subpoenas were issued in connection with a relator's complaint under the False Claims Act first filed in March 2012 that has been dismissed by the relator.

Subpoena "Maryland"

In August 2014, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians, including contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

Civil complaint "Hawaii"

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act styled Hawaii v. Liberty Dialysis – Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit) alleging that Xerox State Healthcare, LLC, M Group Consulting, LLC and certain Liberty Healthcare subsidiaries of Fresenius Medical Care Holdings, Inc. (FMCH) conspired to overbill Hawaii Medicaid for Liberty's Epogen administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. The complaint alleges that Xerox State Healthcare, LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during 2006–2010, provided incorrect and unauthorized billing guidance to Liberty and its consultant, M4 Consultants, Inc. (a subsidiary of M Group Consulting, LLC until 2008, and now a subsidiary of Liberty), which Liberty relied on for purposes of its Epogen billing to the Hawaii Medicaid program. The complaint seeks civil damages authorized under the Hawaii False Claims Act. FMCH will vigorously contest the complaint.

Subpoenas "Colorado and New York"

On August 31 and November 25, 2015, respectively, Fresenius Medical Care Holdings, Inc. (FMCH) received subpoenas from the United States Attorneys for the District of Colorado and the Eastern District of New York inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH is cooperating in the investigations.

Subpoena "Nevada"

In November 2014, Fresenius Kabi Oncology Limited (FKOL) received a subpoena from the U.S. Department of Justice (DOJ), U.S. Attorney for the District of Nevada. The subpoena requests documents in connection with the January 2013 inspection by the U.S. Food and Drug Administration (FDA) of FKOL's plant for active pharmaceutical ingredients in Kalyani, India. That inspection resulted in a warning letter from the FDA in July 2013. The subpoena marks the DOJ's criminal and/or civil investigation in this connection and seeks information from throughout the Fresenius Kabi group. Through an ancillary subpoena of January 2016, the DOJ has requested additional historic information and data. Fresenius Kabi fully cooperates with the governmental investigation.

From time to time, the Fresenius Group 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 Fresenius Group's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Fresenius Group, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Fresenius Group could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the United States. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority, which may require the Fresenius Group to expend significant time and resources in order to implement appropriate corrective actions. If the Fresenius Group 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 United States, 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 Fresenius Group's products and/or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to three pending FDA warning letters, Fresenius Kabi with respect to two pending FDA warning letters. The Fresenius Group 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 Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, Fresenius Group'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 Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

The Fresenius Group 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 Fresenius Group 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 Fresenius Group may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene Fresenius Group's policies or violate applicable law. The actions of such persons may subject the Fresenius Group and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Fresenius Group 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 Fresenius Group 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 Fresenius Group 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 Fresenius Group's reputation and business.

The Fresenius Group 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 Fresenius Group has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Fresenius Group 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 Fresenius Group's reputation and business.

30. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

Classes	Categories: Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value in the consolidated statement of income	Available for sale financial assets	Relating to no category
Cash and cash equivalents					▶ Cash and cash equivalents
Assets recognized at carrying amount	▶ Trade accounts receivable (incl. receivables from and loans to related parties) ▶ 2014: Other non-current assets (loan to a dialysis provider)				
Assets recognized at fair value				▶ Shares in funds	
Liabilities recognized at carrying amount		▶ Trade accounts payable ▶ Short-term accounts payable to related parties ▶ Short-term debt (incl. short-term loans from related parties) ▶ Long-term debt excluding capital lease obligations ▶ Senior Notes ▶ Convertible bonds			▶ Long-term capital lease obligations
Liabilities recognized at fair value			▶ Other long-term liabilities		
Noncontrolling interest subject to put provisions recognized at fair value					▶ Other short-term liabilities ▶ Other long-term liabilities
Derivatives for hedging purposes			▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities		▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories according to IAS 39, were as follows:

€ in millions	2015	2014
Loans and receivables	4,675	4,422
Financial liabilities measured at amortized cost	15,918	16,254
Assets measured at fair value in the consolidated statement of income [1]	358	166
Liabilities measured at fair value in the consolidated statement of income [1]	345	183
Available for sale financial assets	257	148
Relating to no category	92	417

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition according to IAS 39.

The following table presents the carrying amounts and fair values as well as the fair value hierarchy levels of Fresenius Group's financial instruments as of December 31, classified into classes:

		2015		2014	
€ in millions	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1	1,044	1,044	1,175	1,175
Assets recognized at carrying amount	3	4,675	4,675	4,422	4,423
Assets recognized at fair value	1	257	257	148	148
Liabilities recognized at carrying amount	2	16,069	17,171	16,405	17,359
Liabilities recognized at fair value	2	338	338	146	146
Noncontrolling interest subject to put provisions recognized at fair value	3	808	808	568	568
Derivatives for hedging purposes	2	358	358	90	90

The significant methods and assumptions used to estimate the fair values of financial instruments as well as classification of fair value measurements according to the three-tier fair value hierarchy are as follows:

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

The nominal value of short-term financial instruments such as accounts receivable and payable and short-term debt represents its carrying amount, which is a reasonable estimate of the fair value due to the relatively short period to maturity for these instruments.

The fair values of major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at the present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used.

In 2015, the class assets recognized at carrying amount consisted of trade accounts receivable. In 2014, this class additionally contained a loan which Fresenius Medical Care granted to a middle-market dialysis provider. The fair value of the loan was based on significant unobservable inputs of comparable instruments and thus the class is classified as fair value hierarchy Level 3.

The class assets recognized at fair value was comprised of shares in funds. The fair values of these assets are calculated on the basis of market information. The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date (Level 1). Therefore, this class is classified as Level 1.

The class liabilities recognized at carrying amount is classified as hierarchy Level 2.

The derivatives embedded in the convertible bonds are included in the class liabilities recognized at fair value. The fair value of the embedded derivatives is calculated using the difference between the market value of the convertible bond and the market value of an adequate straight bond discounted with the market interest rates as of the reporting date. The class was classified as Level 2.

The valuation of the class noncontrolling interest subject to put provisions recognized at fair value is determined using significant unobservable inputs. It is therefore classified as Level 3.

Following is a roll forward of noncontrolling interest subject to put provisions:

€ in millions	2015
Noncontrolling interest subject to put provisions as of January 1, 2015	**568**
Noncontrolling interest subject to put provisions in profit	146
Purchase of noncontrolling interest subject to put provisions	23
Dividend payments	-151
Curreny effects and other changes	222
Noncontrolling interest subject to put provisions as of December 31, 2015	**808**

98% of noncontrolling interest subject to put provisions applied to Fresenius Medical Care at December 31, 2015.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued 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 date of the statement of financial position. 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 date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Fresenius Group monitors and analyses the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The basis for the default probability are Credit Default Swap Spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is done by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

The class of derivatives for hedging purposes includes the call options which have been purchased to hedge the convertible bonds. The fair values of these call options are derived from market quotes. For the fair value measurement of the class derivatives for hedging purposes, significant other observable inputs are used. Therefore, the class is classified as Level 2 in accordance with the defined fair value hierarchy levels.

Currently, there is no indication that a decrease in the value of Fresenius Group's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2015		Dec. 31, 2014	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (current)	**0**	**2**	0	0
Interest rate contracts (non-current)	**0**	**1**	1	6
Foreign exchange contracts (current)	**16**	**6**	9	43
Foreign exchange contracts (non-current)	**1**	**1**	0	–
Derivatives designated as hedging instruments [1]	**17**	**10**	10	49
Interest rate contracts (non-current)	**0**	**3**	0	1
Foreign exchange contracts (current) [1]	**23**	**7**	21	37
Foreign exchange contracts (non-current) [1]	**–**	**–**	–	–
Derivatives embedded in the convertible bonds	**0**	**335**	0	145
Call options to secure the convertible bonds [1]	**335**	**0**	145	0
Derivatives not designated as hedging instruments	**358**	**345**	166	183

[1] Derivatives designated as hedging instruments, foreign exchange contracts and call options to secure the convertible bonds not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes as well as the derivatives embedded in the convertible bonds were recognized at gross value within other assets in an amount of €375 million and other liabilities in an amount of €355 million.

The current portion of derivatives indicated as assets in the preceding table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the convertible bonds and the call options to secure the convertible bonds are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €431 million and foreign currency transactions of €-33 million. Interest income of €255 million resulted mainly from the valuation of call options in connection with the convertible bonds, trade accounts receivable and loans to related parties. Interest expense of €868 million resulted mainly from financial liabilities, which are not recognized at fair value in the consolidated statement of income.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-1	32	0
Foreign exchange contracts	27	5	0
Derivatives in cash flow hedging relationships[1]	**26**	**37**	**0**
Foreign exchange contracts			0
Derivatives in fair value hedging relationships			**0**
Derivatives designated as hedging instruments	**26**	**37**	**0**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	2014		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	–	34	0
Foreign exchange contracts	-37	4	0
Derivatives in cash flow hedging relationships[1]	**-37**	**38**	**0**
Foreign exchange contracts			-14
Derivatives in fair value hedging relationships			**-14**
Derivatives designated as hedging instruments	**-37**	**38**	**-14**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	2015	2014
Interest rate contracts	–	–
Foreign exchange contracts	28	56
Derivatives embedded in the convertible bonds	-190	-70
Call options to secure the convertible bonds	190	70
Derivatives not designated as hedging instruments	28	56

Gains from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by losses from the underlying transactions in the corresponding amount. Losses from derivatives in fair value hedging relationships recognized in the consolidated statement of income in 2014 are faced by gains from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €2 million of the existing losses for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €29 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income.

In 2015, losses of €79 thousand (2014: €16 million) for available for sale financial assets were recognized in other comprehensive income (loss).

The following table shows when the cash flow from derivative financial instruments is expected to occur.

CASH FLOW FROM DERIVATIVE FINANCIAL INSTRUMENTS

	expected in period of			
€ in millions	1 year	1 to 3 years	3 to 5 years	over 5 years
Derivatives designated as hedging instruments	8	–	-1	0
Derivatives not designated as hedging instruments	16	-3	–	–

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes and commercial papers and enters into mainly long-term credit agreements and Schuldschein Loans with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not entered into for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and generally implemented by means of micro hedges.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Classification

To reduce the credit risk arising from derivatives, the Fresenius Group 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.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the consolidated statement of financial position as the offsetting criteria under International Financial Reporting Standards are not satisfied.

At December 31, 2015 and December 31, 2014, the Fresenius Group had €37 million and €30 million of derivative financial assets subject to netting arrangements and €19 million and €77 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €28 million and €15 million as well as net liabilities of €10 million and €62 million at December 31, 2015 and December 31, 2014, respectively.

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist. These mainly relate to transactions denominated in foreign currencies, such as purchases and sales, projects and services as well as intragroup sales from production sites to other Fresenius Group entities in different currency areas. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. To ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2015, the notional amounts of foreign exchange contracts totaled €2,372 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. As of December 31, 2015, foreign exchange forward contracts to hedge risks from operational business were exclusively recognized as cash flow hedges, while as of December 31, 2014, foreign exchange contracts in connection with loans in foreign currencies were also partly recognized as fair value hedges. The fair value of cash flow hedges was €10 million. As of December 31, 2015, no fair value hedges were recognized in the Fresenius Group.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2015, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 30 months.

The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95% and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i. e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. As of December 31, 2015, the Fresenius Group's cash flow at risk amounts to €66 million, this means, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will be not higher than €66 million.

The following table shows the net positions in foreign currencies at December 31, 2015 which have a significant influence on Fresenius Group's foreign currency risk.

Nominal € in millions	2015
Hong Kong dollar	-192
Chinese renminbi	186
U.S. dollar	105
Korean won	69
Turkish lira	53

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are mainly designated as cash flow hedges and have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future long-term debt issuances (pre-hedges). As of December 31, 2015, the euro denominated interest rate swaps had a notional volume of €587 million and a fair value of -€6 million. These euro interest rate swaps expire in the years 2016 to 2022. They bear an average interest rate of 0.67%.

The pre-hedges are used to hedge interest rate exposures with regard to interest rates which are relevant for the future long-term debt issuance and which could rise until the respective debt is actually issued. These pre-hedges are settled at the issuance date of the corresponding long-term debt with the settlement amount recorded in accumulated other comprehensive income (loss) amortized to interest expense over the life of the debt. At December 31, 2015 and December 31, 2014, the Fresenius Group had €68 million and €89 million, respectively, related to such settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to shareholders of Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1.0% on the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €40 million for foreign exchange derivatives. As of December 31, 2015, there was no credit exposure from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an aging analysis of trade accounts receivable. For details on the aging analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Long-term debt and capital lease obligations (including accounts receivable securitization program)[1]	714	1,681	3,918	188
Short-term debt	215	0	0	0
Senior Notes	723	1,912	3,201	3,623
Convertible bonds	5	9	907	0
Trade accounts payable	1,291	0	0	0
Noncontrolling interest subject to put provisions	430	253	150	114
Derivative financial instruments – designated as cash flow hedge	8	1	1	0
Derivative financial instruments – not designated as hedging instruments	7	3	335	–
Total	**3,393**	**3,859**	**8,512**	**3,925**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2015.

31. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Shareholders' equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity	18,453	15,860
Total assets	43,387	39,955
Equity ratio	42.5%	39.7%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 2003, 2008 and 2013 stock option plans (see note 34, Stock options).

DEBT

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Debt	14,769	15,348
Total assets	43,387	39,955
Debt ratio	34.0%	38.4%

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The leverage ratio on the basis of net debt/EBITDA, which is measured on the basis of U.S. GAAP figures, is a key financial figure for the Fresenius Group. As of December 31, 2015, the leverage ratio (before special items) was 2.7.

Fresenius Group's financing strategy is reflected in its credit ratings. The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

RATING OF FRESENIUS SE & CO. KGAA

	Dec. 31, 2015	Dec. 31, 2014
Standard & Poor's		
Corporate Credit Rating	BBB-	BB+
Outlook	stable	positive
Moody's		
Corporate Credit Rating	Baa3	Ba1
Outlook	stable	negative
Fitch		
Corporate Credit Rating	BB+	BB+
Outlook	stable	positive

In 2015, the rating agencies have conducted several adjustments on Fresenius' rating. On January 12, 2015, Moody's raised the outlook from negative to stable. On January 16, 2015, Standard & Poor's upgraded the credit rating from BB+ to BBB- with a stable outlook. On March 19, 2015, Fitch adjusted the outlook from positive to stable. On November 16, 2015, Moody's upgraded the credit rating from Ba1 to Baa3 with a stable outlook.

32. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2015 and 2014 are shown on pages 54 and 55.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position are comprised of cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

In 2015, Fresenius Helios has used subsidies for investments in property, plant and equipment in the amount of €103 million (2014: €89 million), that were offset in purchase of property, plant and equipment in the consolidated statement of cash flows.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2015	2014
Assets acquired	**428**	3,728
Liabilities assumed	**-45**	-938
Noncontrolling interest	**-84**	-331
Notes assumed in connection with acquisitions	**-94**	-238
Cash paid	**205**	2,221
Cash acquired	**-4**	-232
Cash paid for acquisitions, net	**201**	1,989
Cash paid for investments, net of cash acquired	**166**	161
Cash paid for intangible assets, net	**29**	18
Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets	**396**	2,168

Proceeds from the sale of subsidiaries were €149 million in 2015 (2014: €18 million).

33. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 58 to 59 of this Annual Report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2015.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other is mainly comprised of the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items (see note 3, Special items).

Details on the business segments are shown on page 61 of the notes.

The key data used by the Management Board of Fresenius Management SE (the general partner of Fresenius SE & Co. KGaA) to control the segments are based on U.S. GAAP. Therefore, the segment information is given in accordance with U.S. GAAP. The column IFRS-Reconciliation provides a reconciliation from the U.S. GAAP segment data to the IFRS key data. The differences between the U.S. GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, the different measuring of certain accruals and the different classification of certain bad debt expenses. Furthermore, gains from sale and leaseback transactions with an operating lease agreement, development costs, cumulative actuarial gains and losses for pensions and contingent considerations lead to differences between the U.S. GAAP and the IFRS key data.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2012 Credit Agreement or the 2013 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment and intangible assets with definite useful lives of the respective business segment.

Net interest is comprised of interest expenses and interest income.

Net income attributable to shareholders of Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt is comprised of bank loans, senior notes, convertible bonds, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities.

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales. The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2015	2014
Total EBIT of reporting segments	4,032	3,181
Special items	-67	-42
General corporate expenses Corporate/Other (EBIT)	-31	-22
Group EBIT	**3,934**	3,117
Interest expenses	-868	-730
Interest income	255	128
Income before income taxes	**3,321**	2,515

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Short-term debt	202	233
Short-term debt from related parties	4	3
Current portion of long-term debt and capital lease obligations	607	501
Current portion of Senior Notes	349	681
Long-term debt and capital lease obligations, less current portion	5,502	6,185
Senior Notes, less current portion	7,267	6,923
Convertible bonds	838	822
Debt	**14,769**	15,348
less cash and cash equivalents	1,044	1,175
Net debt	**13,725**	14,173

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2015	Dec. 31, 2014
Germany	**8,038**	7,819
Europe (excluding Germany)	**2,980**	2,901
North America	**18,650**	16,710
Asia-Pacific	**1,602**	1,469
Latin America	**553**	582
Africa	**42**	46
Total non-current assets [1]	**31,865**	29,527

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets, less derivative financial instruments and capitalized pension assets.

In 2015, the Fresenius Group generated sales of €6,625 million (2014: €6,292 million) in Germany. Sales in the United States were €12,786 million at actual rates and €10,678 million in constant currency in 2015 (2014: €9,338 million).

34. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2015, the Fresenius Group recognized compensation cost in an amount of €26 million for stock options granted since 2011. For stock incentive plans which are performance-based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. 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 150% of the exercise price. Fresenius Group'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 weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE & Co. KGaA Stock Option Plan 2013 made during 2015 and 2014 are as follows:

	2015		2014
€ in millions	**July Grant**	**December Grant**	July Grant
Expected dividend yield	**1.16%**	**1.09%**	1.47%
Risk-free interest rate	**0.44%**	**0.34%**	0.85%
Expected volatility	**26.52%**	**26.57%**	26.83%
Life of options	**8 years**	**8 years**	8 years
Exercise price per option in €	**60.64**	**67.99**	36.92

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

Description of the Fresenius SE & Co. KGaA stock option plans in place

As of December 31, 2015, Fresenius SE & Co. KGaA had three stock option plans in place: the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds, the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan) and the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks. In 2015, stock options were solely granted under the 2013 LTIP.

2013 LTIP

The 2013 LTIP is comprised of the Fresenius SE & Co. KGaA Stock Option Plan 2013 (2013 SOP) and the Fresenius SE & Co. KGaA Phantom Stock Plan 2013 (2013 PSP). It combines the granting of stock options with the granting of phantom stock awards which entitle the holder to receive cash payments upon exercising the phantom stock. Each of the 2013 SOP and 2013 PSP making up the 2013 LTIP have been established under a stand-alone legal documentation.

2013 SOP

Under the 2013 SOP, which was approved by the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, Fresenius Management SE was originally authorized to issue up to 8.4 million subscription rights for an amount of 8.4 million non-par value ordinary bearer shares of Fresenius SE & Co. KGaA until May 16, 2018.

Of the up to 8.4 million options, up to 1.6 million options were designated for members of the Management Board of Fresenius Management SE; up to 4.4 million options were designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 2.4 million options were designated for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care).

In connection with the stock split in 2014, the total volume of not yet granted subscription rights increased in the same proportion as the subscribed capital (factor 3) as far as options have not yet been granted under the 2013 SOP. The same applies to the subsets of the subscription rights that are attributable to individual groups of participants. For stock options that were granted before the stock split 2014 came into effect, the entitlement of the participants to receive new shares through the exercise of stock options increased in the same proportion as the subscribed capital (factor 3). The participants are now entitled to receive three bearer ordinary shares of Fresenius SE & Co. KGaA. The exercise price was reduced proportionally.

The granting of the options shall occur in five annual tranches, each to the last Monday in July or the first Monday in December. With respect to new options, the Supervisory Board of Fresenius Management SE determines the stock options granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 SOP and the stock options granted to them.

The exercise price of an option shall equal the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, on the last 30 calendar days prior to the respective grant date.

Options granted have an eight-year term but can be exercised only after a four-year vesting period. The exercise of options is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the options to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the options issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting period, i. e. by one quarter, two quarters, three quarters, or completely. The performance targets for 2013, 2014 and 2015 were met.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP (currency adjusted) and changes thereto compared to the adjusted net income according to U.S. GAAP (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares in lieu of increasing capital by the issuance of new shares.

After the expiration of the waiting period, all options in respect of which the success target has been achieved may be exercised at any time outside the designated black-out periods.

2013 PSP

Fresenius SE & Co. KGaA's 2013 PSP was established in May 2013, together with the 2013 SOP in line with the 2013 LTIP. Awards of phantom stock can be granted on each stock option grant date. Phantom stock awarded under the 2013 PSP may be granted to the members of Fresenius Management SE's Management Board, the members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care).

The holders of phantom stocks, that were issued before the stock split 2014 came into effect, were granted an economic compensation through retroactively tripling the number of phantom stocks granted before the stock split 2014 came into effect.

As under the 2013 SOP, the Supervisory Board of Fresenius Management SE determines the phantom stock granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 PSP and the phantom stock granted to them.

Phantom stock awards under the 2013 PSP entitle the holder to receive a cash payment. Each phantom stock award shall entitle the holder to receive the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, during the last three months prior to the date the phantom stock is exercised.

The exercise of phantom stock is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the subscription rights to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the phantom stock awards issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting-period, i. e. by one quarter, two quarters, three quarters, or completely. The performance targets for 2013, 2014 and 2015 were met.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP (currency adjusted) and changes thereto compared to the adjusted net income according to U.S. GAAP (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements.

After the expiration of the waiting period, all exercisable phantom stock will be deemed to be exercised and cashed out on March 1 following the end of the waiting period (or the following banking day).

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and executive employees of the Company and affiliated companies. Under the 2008 Plan, originally, up to 6.2 million options could be issued, which carried the entitlement to exclusively obtain 6.2 million ordinary shares.

For stock options that were granted before the stock split 2014 came into effect, the entitlement of the participants to receive new shares through the exercise of stock options increased in the same proportion as the subscribed capital (factor 3). The participants are now entitled to receive three bearer ordinary shares of Fresenius SE & Co. KGaA. The maximum number of ordinary shares to be issued increased accordingly. The exercise price was reduced proportionally.

The options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA is determined and will be verified with binding effect by Fresenius SE & Co. KGaA's auditor during the audit of the consolidated financial statements. The performance targets were met in all years. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

This stock incentive plan was replaced by the 2013 SOP. The last options were granted in 2012.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no convertible bonds have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares of Fresenius SE & Co. KGaA. The bonds expire in 10 years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively.

Transactions during 2015

In 2015, Fresenius SE & Co. KGaA awarded 2,260,465 stock options under the 2013 LTIP, including 337,500 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of €60.76, a weighted-average fair value of €14.77 each and a total fair value of €33 million, which will be amortized over the four-year vesting period. Fresenius SE & Co. KGaA also awarded 296,199 phantom stocks under the 2013 LTIP, including 73,307 phantom stocks granted to members of the Management Board of Fresenius Management SE, at a measurement date (December 31, 2015) fair value of €63.43 each and a total fair value of €19 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During the fiscal year 2015, Fresenius SE & Co. KGaA received cash of €88 million from the exercise of 4,195,350 stock options. The average stock price of the ordinary share at the exercise date was €58.77. The intrinsic value of convertible bonds and stock options exercised in 2015 was €152 million.

533,072 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2015. The members of the Fresenius Management SE Management Board held no more convertible bonds. At December 31, 2015, out of 3,802,820 outstanding and exercisable stock options issued under the 2008 Plan, 560,460 were held by the members of the Fresenius Management SE Management Board. 6,313,417 stock options issued under the 2013 LTIP were outstanding at December 31, 2015. The members of the Fresenius Management SE Management Board held 967,500 stock options. 920,387 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2015. The members of the Fresenius Management SE Management Board held 236,729 phantom stocks.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2013	**13,489,503**	**23.06**	**4,657,380**
Granted	2,233,812	36.92	
Exercised	2,448,113	18.29	
Forfeited	371,436	27.42	
Balance 2014	**12,903,766**	**26.27**	**5,325,004**
Granted	2,260,465	60.76	
Exercised	4,195,350	21.08	
Forfeited	319,572	33.00	
Balance 2015	**10,649,309**	**35.44**	**4,335,892**

The following table provides a summary of fully vested options outstanding and exercisable for ordinary shares at December 31, 2015:

OPTIONS FOR ORDINARY SHARES

Range of exercise price in €	Options outstanding			Options exercisable		
	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	301,948	0.50	12.22	301,948	0.50	12.22
15.01 – 20.00	889,320	1.49	18.38	889,320	1.49	18.38
20.01 – 25.00	1,033,452	2.49	23.76	1,033,452	2.49	23.76
25.01 – 30.00	2,111,172	3.51	26.21	2,111,172	3.51	26.21
30.01 – 35.00	1,942,590	5.64	32.28	0		
35.01 – 40.00	2,131,737	6.58	36.92	0		
60.01 – 65.00	2,200,840	7.58	60.64	0		
65.01 – 70.00	38,250	7.92	67.99	0		
	10,649,309	**5.02**	**35.44**	**4,335,892**	**2.64**	**23.05**

At December 31, 2015, the aggregate intrinsic value of exercisable options for ordinary shares was €186 million.

At December 31, 2015, total unrecognized compensation cost related to non-vested options granted under the 2008 Plan and the 2013 LTIP was €45 million. This cost is expected to be recognized over a weighted-average period of 3.0 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

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 Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of Fresenius Medical Care Management AG's (FMC Management AG) Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants were granted awards, which consisted of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program were granted over a five-year period and were able to be granted on the last Monday in July and/or the first Monday in December each year. The final grant under the 2011 Incentive Program was made in December 2015. Generally and prior to the respective grants, participants were able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75 : 25 to 50 : 50, stock options vs. phantom stock. For grants made in 2014 and 2015 related to the participants who did not belong to FMC Management AG's Management Board, the grant ratio was predefined at 50 : 50. The number of phantom shares granted instead of stock options and within the aforementioned proportions was 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 was conducted on the day following FMC-AG & Co. KGaA's AGM and with respect to the grants made in December, on the first Monday in October. The awards under the 2011 Incentive Program are subject to a four-year vesting period. The 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 million subject to the issue of up to 12 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.

Members of the Management Board of FMC Management AG, members of the management boards of FMC-AG & Co. KGaA's affiliated companies and the managerial staff members of FMC-AG & Co. KGaA and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of FMC Management AG's Management Board, FMC Management AG's Supervisory Board has sole authority to make plan interpretations, decide on certain adjustments and to grant awards under the 2011 Incentive Program. FMC Management AG 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 FMC-AG & Co. KGaA's ordinary 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 under the 2011 Incentive Program entitles the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's ordinary shares on the exercise date. Phantom stock will 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.

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 €12.8 million subject to the issue of up to 5 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 million by the issue of up to 15 million 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 U.S. 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.

2001 International Stock Incentive Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €10.24 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 4 million 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 bearer preference shares into bearer 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. As of December 31, 2015, there are no outstanding options under the 2001 Plan.

Transactions during 2015

During 2015, FMC-AG & Co. KGaA awarded 3,073,360 options under the 2011 Incentive Program, including 502,980 stock options granted to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €77.06, a weighted-average fair value of €15.00 each and a total fair value of €46 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 607,828 phantom stocks, including 62,516 phantom stocks granted to members of the Management Board of FMC Management AG, at a measurement date (December 31, 2015) weighted-average fair value of €73.81 each and a total fair value of €45 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2015, FMC-AG & Co. KGaA received cash of €69 million from the exercise of stock options. The intrinsic value of convertible bonds and stock options exercised in 2015 was €67 million. FMC-AG & Co. KGaA recorded a related tax benefit of €16 million for 2015. In connection with cash-settled share-based payment transactions under the 2011 Incentive Plan, FMC-AG & Co. KGaA recognized expenses of €11 million and €4 million for the years ending December 31, 2015 and 2014, respectively.

At December 31, 2015, the Management Board members of FMC Management AG held 1,565,195 stock options and employees of FMC-AG & Co. KGaA held 7,172,075 stock options under the various stock-based compensation plans of Fresenius Medical Care.

At December 31, 2015, the Management Board members of FMC Management AG held 118,703 phantom stocks and employees of FMC-AG & Co. KGaA held 1,046,070 phantom stocks under the 2011 Incentive Program.

The table below provides reconciliations for options outstanding at December 31, 2015 as compared to December 31, 2014:

	Number of options in thousands	Weighted-average exercise price in €
Balance at December 31, 2014 (options for ordinary shares)	**9,189**	**48.34**
Granted	3,073	77.06
Exercised	1,759	39.09
Forfeited	1,766	56.02
Balance at December 31, 2015 (options for ordinary shares)	**8,737**	**58.75**

The following table provides a summary of fully vested options for ordinary shares outstanding and exercisable at December 31, 2015:

	Number of options in thousands	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	1,611	2.05	43.81	55

At December 31, 2015, total unrecognized compensation cost related to non-vested options granted under all plans was €50 million. This cost is expected to be recognized over a weighted-average period of 2 years.

35. RELATED PARTY TRANSACTIONS

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is a partner of Roland Berger Strategy Consultants Holding GmbH. In 2015, after discussion and approval by the Supervisory Board of Fresenius Management SE and Fresenius SE & Co. KGaA, the Fresenius Group paid €0.05 million to affiliated companies of the Roland Berger group for consulting services rendered (2014: €3.1 million).

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius Management SE, is a partner in the international law firm Noerr LLP, which provides legal services to the Fresenius Group. In 2015, after discussion and approval of each mandate by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid about €1.4 million to this law firm for legal services rendered (2014: €1.8 million). Not included in the amount paid are such payments made in the fiscal year 2015 that had already been processed for payment in 2014 and have therefore already been reported for the fiscal year 2014.

In 2015, €18 million (2014: €11 million) were paid to Fresenius Management SE as compensation for the Management Board and the Supervisory Board, general partners' fees and other reimbursements of out-of pocket expenses. At December 31, 2015, there were outstanding liabilities payable to Fresenius Management SE in the amount of €34 million (December 31, 2014: €22 million), consisting mainly of pension obligations and Management Board compensation.

In 2015, Fresenius Medical Care provided unsecured loans to an associated company under customary conditions, which had been utilized in the amount of €60 million as of December 31, 2015.

The payments mentioned in this note are net amounts. In addition, VAT and insurance tax were paid.

36. SUBSEQUENT EVENTS

On January 8, 2016, Fresenius Kabi and Becton, Dickinson and Company (BD) announced that Fresenius Kabi has acquired the BD Rx business, which includes a pharmaceutical manufacturing plant in the United States and the BD line of seven drugs in ready-to-administer prefilled glass syringes. Fresenius Kabi and BD have also signed a 10-year supply and distribution agreement under which Fresenius Kabi will supply BD with a portfolio of intravenous (IV) solutions.

On February 17, 2016, Fresenius Medical Care reached an agreement in principle to resolve the GranuFlo®/NaturaLyte® product liability litigation, which has been reflected in the consolidated financial statements as of December 31, 2015 (see notes 17, Other current and non-current assets, 20, Accrued expenses, and 29, Commitments and contingent liabilities) as well as within the Management Report.

On February 22, 2016, Fresenius announced that Fresenius Helios will acquire the municipal hospital in Velbert, in the German state of North Rhine-Westphalia. The hospital has 519 beds and, with approximately 1,000 employees, treats 45,000 patients each year, including 20,000 inpatients. Fresenius Helios will fully own the hospital. Sales were approximately €67 million in 2014. The acquisition is subject to approval by the German antitrust authorities. The transaction is expected to close in the second quarter of 2016.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2015 until February 24, 2016. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

37. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 137 ff.), which is part of the Management Report.

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 2015:

- non-performance-based compensation (fixed compensation and fringe benefits)
- short-term performance-based compensation (one-year variable compensation)
- components with long-term incentive effects (several-year variable compensation comprising stock options, share-based compensation with cash settlement (phantom stocks) and postponed payments of the one-year variable compensation)

The cash compensation paid to the Management Board for the performance of its responsibilities was €13,998 thousand (2014: €11,462 thousand). Thereof, €6,055 thousand (2014: €5,016 thousand) is not performance-based and €7,943 thousand (2014: €6,446 thousand) is performance-based. The amount of the performance-based compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 337,500 stock options under the Fresenius SE & Co. KGaA Stock Option Plan 2013 and 149,400 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based compensation with cash settlement in an amount of €5,843 thousand.

The total compensation of the Management Board was €27,065 thousand (2014: €18,759 thousand).

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €3,648 thousand in 2015 (2014: €2,961 thousand). Of this amount, €206 thousand was fixed compensation (2014: €206 thousand), €100 thousand was compensation for committees services (2014: €100 thousand), and €3,342 thousand was variable compensation (2014: €2,655 thousand).

In 2015, based on pension commitments to former members of the Management Board, €1,081 thousand (2014: €1,049 thousand) was paid. The pension obligation for these persons amounted to €17,835 thousand in 2015 (2014: €18,465 thousand).

In the fiscal years 2015 and 2014, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

38. AUDITOR'S FEES

In 2015 and 2014, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

€ in millions	2015 Total	2015 Germany	2014 Total	2014 Germany
Audit fees	**17**	**6**	16	6
Audit-related fees	**1**	**1**	1	1
Tax consulting fees	**1**	**0**	1	0
Other fees	**7**	**7**	6	6
Total auditor's fees	**26**	**14**	24	13

The leading auditor has been responsible for the audit of the consolidated financial statements since 2012.

39. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA (www.fresenius.com/corporate-governance), and of Fresenius Medical Care AG & Co. KGaA (www.freseniusmedicalcare.com).

40. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2015 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €0.55 per bearer ordinary share on the 545,727,950 ordinary shares entitled to dividend	300,150,372.50
Balance to be carried forward	48,177.52
Retained earnings	**300,198,550.02**

41. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 24, 2016

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

Dr. U. M. Schneider   Dr. F. De Meo   Dr. J. Götz

M. Henriksson   R. Powell   S. Sturm   Dr. E. Wastler

COMPENSATION REPORT

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Management SE as the general partner of Fresenius SE & Co. KGaA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management Report of the annual financial statements and the annual consolidated financial statements of Fresenius SE & Co. KGaA. The compensation report is prepared on the basis of the recommendations of the German Corporate Governance Code as well as under consideration of the declaration of conformity of Fresenius SE & Co. KGaA of December 2015, and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

COMPENSATION OF THE MANAGEMENT BOARD

The entire Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the fiscal year 2015, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk, and Dr. Karl Schneider.

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 successes in managing the Company's economic and financial position, giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 2015:

- Non-performance-based compensation (fixed compensation and fringe benefits)
- Short-term performance-based compensation (one-year variable compensation (bonus))
- Components with long-term incentive effects (several-year variable compensation comprising stock options, share-based compensation with cash settlement (phantom stocks), and postponed payments of the one-year variable compensation)

In addition, there are pension commitments for the seven members of the Management Board.

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

The fixed compensation was paid in 12 monthly installments in the fiscal year 2015. Mr. Rice Powell was paid a part of his fixed compensation from Fresenius Medical Care North America in 24 installments. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of a company car, special payments such as rent supplements and reimbursement of certain other charges, tuition fees, cost of intrusion detection systems, as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2015 as a short-term cash component (one-year variable compensation) and as compensation components with long-term incentive effects (stock options, share-based compensation with cash settlement (phantom stocks), and postponed payments of the one-year variable compensation). The amount of the one-year variable compensation in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm, and Dr. Götz – the amount of the one-year variable compensation is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Henriksson and Dr. De Meo, approximately half of the amount of the one-year variable compensation depends on the development of the net income attributable to Fresenius SE & Co. KGaA and for the remainder on the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Approximately half of the amount of the one-year variable compensation of Dr. Wastler is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Mr. Rice Powell receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant members of the Management Board a discretionary bonus for extraordinary performance.

For the fiscal year 2015, the Supervisory Board of Fresenius Medical Care Management AG has granted such a discretionary bonus to Mr. Rice Powell in the total amount of €541 thousand (2014: €376 thousand).

For the fiscal years 2015 and 2014, the amount of cash payment to the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

€ in thousands	Non-performance-based compensation				Short-term performance-based compensation		Cash compensation (without long-term incentive components)	
	Fixed compensation		Fringe benefits[2]		Bonus			
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Dr. Ulf M. Schneider	**1,100**	990	**143**	92	**1,712**	1,454	**2,955**	2,536
Dr. Francesco De Meo	**600**	550	**22**	19	**1,242**	1,015	**1,864**	1,584
Dr. Jürgen Götz	**460**	415	**70**	35	**869**	697	**1,399**	1,147
Mats Henriksson	**600**	550	**185**	175	**1,239**	943	**2,024**	1,668
Rice Powell[1]	**1,239**	941	**342**	151	**1,032[3]**	737[3]	**2,613**	1,829
Stephan Sturm	**600**	550	**109**	41	**1,142**	929	**1,851**	1,520
Dr. Ernst Wastler	**500**	470	**85**	37	**707**	671	**1,292**	1,178
Total	**5,099**	4,466	**956**	550	**7,943**	6,446	**13,998**	11,462

[1] Mr. Rice Powell received his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held around 31% of the total subscribed capital. As a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] Includes insurance premiums, private use of a company car, contributions to pension and health insurance, as well as other benefits.
[3] This amount contains a discretionary bonus for Mr. Rice Powell in the amount of €541 thousand for the 2015 fiscal year (2014: €376 thousand).

In the fiscal year 2015, the one-year variable compensation, excluding the payment to Mr. Rice Powell, amounted to €6,911 thousand. This equals the total one-year variable compensation.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the one-year variable compensation to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment, in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the yearly one-year variable compensation earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time, it is ensured that any payment is made to the member of the Management Board after expiration of such multi-year period only if (i) no subsequent adjustment of the net income (adjusted for extraordinary effects) attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) decisive for assessing the one-year variable compensation beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects, after deduction of noncontrolling interest) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a corresponding pro rata payment of the converted portion of the one-year variable compensation. No interest is payable on the converted one-year variable compensation claim from the time when it first arises until the time of its effective payment. In this way, the one-year variable compensation can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis, which also participates in any negative developments during the relevant assessment period.

In the fiscal year 2015, no portion of the one-year variable compensation was converted into a component based on a multi-year assessment.

In the fiscal year 2015, benefits under LTIP 2013 of Fresenius SE & Co. KGaA, and for Mr. Rice Powell, benefits under LTIP 2011 of Fresenius Medical Care AG & Co. KGaA, were granted as another component with long-term incentive effect. Such benefits consist, on the one hand, of share-based compensation with cash settlement (phantom stocks) and, on the other hand, of stock options on the basis of the Stock Option Plan 2013 of Fresenius SE & Co. KGaA and, for Mr. Rice Powell, on the basis of the Stock Option Plan 2011 of Fresenius Medical Care AG & Co. KGaA. The LTIP 2013 is available both for members of the Management Board and other executives. In accordance with the division of powers under stock corporation law, grants to members of the Management Board are made by the Supervisory Board of Fresenius Management SE, and grants to other executives are made by the Management Board. The number of stock options and phantom stocks for Management Board members to be granted is determined by the Supervisory Board at the Supervisory Board's own due discretion, provided that generally all Management Board members receive the same amount of stock options and phantom stocks, with the exception of the Chairman of the Management Board, who receives double the respective amount of stock options and phantom stocks. At the time of the grant, the participants in LTIP 2013 may elect whether they wish to receive stock options and phantom stocks in a ratio of 75:25, or in a ratio of 50:50.

Exercise of the stock options and the phantom stocks granted under LTIP 2013 of Fresenius SE & Co. KGaA is subject to several conditions, such as expiry of a four-year waiting period, observance of vesting periods, achievement of the specified performance target, and continuance of the service or employment relationship. The vested stock options can be exercised within a period of four years. The vested phantom stocks are settled on March 1 of the year following the end of the waiting period.

The amount of the cash settlement pursuant to the Phantom Stock Plan 2013 is based on the volume-weighted average market price of the share of Fresenius SE & Co. KGaA during the three months preceding the exercise date.

The respective performance target has been reached if the adjusted consolidated net income of the Company (net income attributable to the shareholders of the Company) has increased by a minimum of 8% per year in comparison to the previous year within the waiting period, after adjustment for foreign currency effects. The performance target has also been achieved if the average annual growth rate of the adjusted consolidated net income of the Company during the four-year waiting period is at least 8%, adjusted for foreign currency effects. If, with respect to one or more of the four reference periods within the waiting period, neither the adjusted consolidated net income of the Company has increased by a minimum of 8% per year in comparison to the previous year, after adjustment for foreign currency effects, nor the average annual growth rate of the adjusted consolidated net income of the Company during the four-year waiting period is at least 8%, adjusted for foreign currency effects, the respective granted stock options and phantom stocks are forfeited on a pro-rata basis according to the proportion of the performance target that has not been achieved within the waiting period, i.e., by one fourth, by two fourths, by three fourths, or completely.

The principles of LTIP 2013 of Fresenius SE & Co. KGaA and of LTIP 2011 of Fresenius Medical Care AG & Co. KGaA are described in more detail in note 34 of the notes of the Fresenius Group, Stock options.

The previous share-based compensation component with cash settlement (performance shares) has been combined with the current share-based compensation component with cash settlement (phantom stocks). The members of the Management Board, with the exception of Mr. Rice Powell, were granted an entitlement to further share-based compensation with cash settlement (further phantom stocks, previously performance shares) in the equivalent value of €100 thousand per Management Board member in the fiscal year 2015. With regard to the performance target and waiting period, the same conditions that pertain to the phantom stocks granted under LTIP 2013 apply to them.

For the fiscal years 2015 and 2014, the number and value of stock options issued, the value of the share-based compensation with cash settlement (phantom stocks), and the value of the postponed performance-based compensation is shown in the following table.

The number of stock options granted to members of the Management Board under LTIP 2013 in the fiscal year 2015 is unchanged when compared with 2014. The stated values correspond to their fair value at the time of grant, namely a value of €14.76 (2014: €8.28) per stock option of Fresenius SE & Co. KGaA and €15.02 (2014: €9.01) per stock option of Fresenius Medical Care AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €60.64 (2014: €36.92). The considerably higher values in comparison to 2014, as well as the significantly higher exercise price, reflect the excellent Fresenius share price development.

The fair value of the phantom stocks granted to members of the Management Board in the fiscal year 2015 corresponds to a value at the time of grant of €58.70 (2014: €34.18) per phantom stock of Fresenius SE & Co. KGaA and €73.30 (2014: €46.26) per phantom stock of Fresenius Medical Care AG & Co. KGaA.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed payment of the one-year variable compensation		Share-based compensation with cash settlement (phantom stocks)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Dr. Ulf M. Schneider	**90,000**	90,000	**1,328**	745	**0**	0	**1,424**	897	**2,752**	1,642
Dr. Francesco De Meo	**67,500**	45,000	**996**	373	**0**	143	**430**	499	**1,426**	1,015
Dr. Jürgen Götz	**45,000**	45,000	**664**	373	**0**	0	**762**	499	**1,426**	872
Mats Henriksson	**45,000**	45,000	**664**	373	**0**	71	**762**	499	**1,426**	943
Rice Powell	**149,400**	74,700	**2,244**	673	**0**	0	**941**	351	**3,185**	1,024
Stephan Sturm	**45,000**	45,000	**664**	373	**0**	57	**762**	499	**1,426**	929
Dr. Ernst Wastler	**45,000**	45,000	**664**	373	**0**	0	**762**	499	**1,426**	872
Total	**486,900**	389,700	**7,224**	3,283	**0**	271	**5,843**	3,743	**13,067**	7,297

[1] Stock options that were granted in 2015 and 2014 under the Fresenius SE & Co. KGaA stock option plan. Mr. Rice Powell received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2015, the members of the Management Board held a total of 1,527,960 (2014: 2,345,904) stock options and convertible bonds (jointly referred to as stock options) of Fresenius SE & Co. KGaA and 465,318 (2014: 407,737) of Fresenius Medical Care AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2015 are shown in the following table:

	Dr. Ulf M. Schneider	Dr. Francesco De Meo	Dr. Jürgen Götz	Mats Henriksson	Rice Powell[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2015								
Number	690,840	385,854	260,280	220,800	407,737	411,210	376,920	**2,345,904**
Average exercise price in €	25.81	25.11	28.42	27.74	45.80	24.74	25.25	**25.89**
Options granted during fiscal year								
Number	90,000	67,500	45,000	45,000	149,400	45,000	45,000	**337,500**
Exercise price in €	60.64	60.64	60.64	60.64	76.99	60.64	60.64	**60.64**
Options exercised during the fiscal year								
Number	283,800	210,714	170,280	52,800	49,800	150,930	286,920	**1,155,444**
Average exercise price in €	20.20	20.48	24.94	19.11	35.49	18.40	22.19	**21.16**
Average stock price in €	57.52	64.77	60.13	54.67	78.12	56.22	60.63	**59.70**
Options forfeited in the fiscal year								
Number	0	0	0	0	42,019	0	0	**0**
Average exercise price in €	n. a.	n. a.	n. a.	n. a.	57.30	n. a.	n. a.	**n. a.**
Options outstanding on December 31, 2015								
Number	497,040	242,640	135,000	213,000	465,318	305,280	135,000	**1,527,960**
Average exercise price in €	35.32	39.02	43.55	36.83	55.88	33.17	43.55	**37.14**
Average remaining life in years	5.1	5.7	6.7	5.4	5.1	4.6	6.7	**5.4**
Range of exercise prices in €	23.76 to 60.64	26.11 to 60.64	33.10 to 60.64	23.76 to 60.64	31.97 to 76.99	23.76 to 60.64	33.10 to 60.64	**23.76 to 60.64**
Exercisable options on December 31, 2015								
Number	227,040	85,140	0	78,000	152,512	170,280	0	**560,460**
Average exercise price in €	25.52	26.11	n. a.	25.21	40.98	24.94	n. a.	**25.39**

[1] Mr. Rice Powell holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Mr. Rice Powell

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2015 and 2014:

€ in thousands	Cash compensation (without long-term incentive components) 2015	2014	Long-term incentive components 2015	2014	Total compensation (including long-term incentive components) 2015	2014
Dr. Ulf M. Schneider	**2,955**	2,536	**2,752**	1,642	**5,707**	4,178
Dr. Francesco De Meo	**1,864**	1,584	**1,426**	1,015	**3,290**	2,599
Dr. Jürgen Götz	**1,399**	1,147	**1,426**	872	**2,825**	2,019
Mats Henriksson	**2,024**	1,668	**1,426**	943	**3,450**	2,611
Rice Powell	**2,613**	1,829	**3,185**	1,024	**5,798**	2,853
Stephan Sturm	**1,851**	1,520	**1,426**	929	**3,277**	2,449
Dr. Ernst Wastler	**1,292**	1,178	**1,426**	872	**2,718**	2,050
Total	**13,998**	11,462	**13,067**	7,297	**27,065**	18,759

The stock options and the entitlement to a share-based compensation (phantom stocks) can be exercised only after the expiry of minimum terms (vesting periods). Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2015 and 2014 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

€ in thousands	Stock options 2015	2014	Share-based compensation with cash settlement (phantom stocks) 2015	2014	Total expenses for share-based compensation 2015	2014
Dr. Ulf M. Schneider	**729**	864	**1,482**	518	**2,211**	1,382
Dr. Francesco De Meo	**399**	432	**892**	334	**1,291**	766
Dr. Jürgen Götz	**365**	432	**929**	334	**1,294**	766
Mats Henriksson	**321**	298	**686**	228	**1,007**	526
Rice Powell	**377**	176	**699**	435	**1,076**	611
Stephan Sturm	**365**	432	**929**	334	**1,294**	766
Dr. Ernst Wastler	**365**	432	**929**	334	**1,294**	766
Total	**2,921**	3,066	**6,546**	2,517	**9,467**	5,583

The short-term performance-based compensation is limited in its amount. As regards stock options and phantom stocks, there are contractually agreed limitation possibilities. This makes it possible to adequately take account in particular of those extraordinary developments that are not in any relevant proportion to the performance of the Management Board.

Under the compensation system, the amount of the fixed and the total compensation of the members of the Management Board was, and will be, assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector.

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD IN THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Dr. Francesco De Meo, Dr. Jürgen Götz, and Mr. Stephan Sturm based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment of VAMED AG, Vienna; Fresenius SE & Co. KGaA has issued a guarantee for the commitments thereunder. The Management Board member Mats Henriksson has an individual contractual pension commitment of Fresenius Kabi AG. The Management Board member Mr. Rice Powell has received an individual contractual pension commitment from Fresenius Medical Care Management AG. Furthermore, he has acquired non-forfeitable entitlements from participating in pension plans for employees of Fresenius Medical Care North America, and during the fiscal year 2015, he participated in the U.S.-based 401(k) Savings Plan. This plan generally enables employees in the United States to invest part of their gross income into retirement plans. With regard to these pension commitments, the Fresenius Group had pension obligations of €30,318 thousand as of December 31, 2015 (2014: €24,381 thousand). The additions to pension liability in the fiscal year 2015 amounted to €5,937 thousand (2014: €8,418 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2015	Additions	**As of December 31, 2015**
Dr. Ulf M. Schneider	4,294	913	**5,207**
Dr. Francesco De Meo	1,912	490	**2,402**
Dr. Jürgen Götz	1,682	410	**2,092**
Mats Henriksson	3,593	522	**4,115**
Rice Powell	6,654	2,743	**9,397**
Stephan Sturm	2,477	530	**3,007**
Dr. Ernst Wastler	3,769	329	**4,098**
Total	24,381	5,937	**30,318**

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent fixed compensation, from the 63rd year of life (or 65th year for Mr. Rice Powell), or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension's starting percentage of 30% of the last fixed compensation increases with every full year of service as a Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

Thirty percent of the gross amount of any post-retirement income from an occupation of the Management Board member is offset against the pension for professional or occupational incapacity.

In the event of the death of one of the Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, legitimate biological children of the deceased Management Board member and/or, in individual cases, biological children of the deceased Management Board member's wife who were adopted by the deceased Management Board member as children receive an orphan's pension equivalent to 20% of the pension entitlement accruing at the time of death until completion of their vocational training, but at the most until the age of 25 years. However, all orphans' pensions and the widow's pension are capped at an aggregate 90% of the Management Board member's pension entitlement.

If a Management Board member's service as a member of the Management Board of Fresenius Management SE (or Mr. Rice Powell as a member of the Management Board of Fresenius Medical Care Management AG) ends before the age of 63 years (or 65 years for Mr. Rice Powell) for reasons other than professional or occupational incapacity, the rights to the said pension benefits vest, but the pension payable upon the occurrence of a pensionable event is reduced pro rata according to the actual length of service as a Management Board member compared to the potential length of service until the age of 63 years (or 65 years for Mr. Rice Powell).

The pension commitment for Dr. Ernst Wastler provides for a normal pension, an early retirement pension, a professional incapacity pension, and a widow's and orphan's pension. The normal pension is payable at the earliest at the age of 60 years and the early retirement pension at the earliest at the age of 55 years. The pension benefits are equivalent to 1.2% per year of service based on the last fixed compensation, with a cap of 40%. The widow's pension (60%) and the orphan's pension (20% each) are capped in aggregate at not more than Dr. Ernst Wastler's pension entitlement at the time of death. Pensions, retirement, and other benefits from third parties are set off against the pension benefit.

The Management Board member Mr. Mats Henriksson has solely a pension commitment of Fresenius Kabi AG from the period of his previous service. This pension commitment remained unaffected by the service agreement with Fresenius Management SE, beginning on January 1, 2013. It is based on the pension policy of the Fresenius companies from January 1, 1988, and provides for retirement, incapacity, and survivors' pensions. It does not set forth any deduction of other income or pension benefits. The widow's pension amounts to 60% of the incapacity or retirement pension to be granted at the time of death; the orphan's pension amounts to 10% (half-orphans) or 20% (orphans) of the incapacity or retirement pension to be granted at the time of death. The total entitlements of widows and orphans are limited to 100% of Mr. Mats Henriksson's pension entitlements.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such a covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the respective annual fixed compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The service agreements of the Management Board members do not contain any explicit provision for the event of a change of control.

MISCELLANEOUS

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in the event of sickness for a maximum period of 12 months, provided that, after six months of sickness-related absence, any insurance benefits that may be paid are to be deducted from such continued compensation. In the event of death of a member of the Management Board, the surviving dependents will receive three monthly payments after the month in which the death occurred, at maximum, however, until the expiry of the respective employment agreement.

During the fiscal year 2015, no loans or advance payment on future compensation components were granted to any member of the Management Board of Fresenius Management SE.

Fresenius SE & Co. KGaA undertook to indemnify the Management Board members, to the legally permitted extent, against any claims that may be asserted against them in the course of their service for the Company and its affiliated Group companies to the extent that such claims exceed their liability under German law. To cover such obligations, the Company purchased a directors & officers insurance, the deductible complying with the requirements of stock corporation law. The indemnification covers the period during which the respective member of the Management Board holds office as well as any claim in this regard after termination of the service on the Management Board.

Based on pension commitments to former members of the Management Board, €1,081 thousand were paid in the fiscal year 2015 (2014: €1,049 thousand) and €588 thousand (2014: €494 thousand) were paid to Dr. Ben Lipps as a result of a consultancy agreement entered into with Fresenius Medical Care Management AG. The benefit obligation for these persons amounted to €17,835 thousand (2014: €18,465 thousand).

TABLES DISPLAYING THE VALUE OF BENEFITS GRANTED AND ALLOCATIONS

The German Corporate Governance Code stipulates that specific information shall be presented in the compensation report pertaining to the benefits granted for the year under review as well as the allocations and service costs in/for the year under review. The model tables provided in the appendix of the German Corporate Governance Code shall be used to present the information.

The following tables contain disclosures on both the value of the benefits granted and on the allocations. They conform to the structure and, to a large degree, to the specification of the model tables of the German Corporate Governance Code. The table displaying allocations additionally shows the allocation for the fiscal year, that is, without multi-year variable compensation/components with long-term incentive effect. This illustrates clearly which allocation is to be attributed to the activity in the respective year under review and which allocation results from the compensation components that were granted in previous – or even several – reporting years. Through differentiation, the comparability of the respective development in compensation is also increased.

Benefits granted Value € thousands	Dr. Ulf M. Schneider Chairman of the Management Board Board member since May 28, 2003				Dr. Francesco De Meo CEO Fresenius Helios Board member since January 1, 2008				Dr. Jürgen Götz Chief Legal and Compliance Officer, and Labor Relations Director Board member since July 1, 2007			
	2015	2015 min.	2015 max.	2014	**2015**	2015 min.	2015 max.	2014	**2015**	2015 min.	2015 max.	2014
Fixed compensation	**1,100**	1,100	1,100	990	**600**	600	600	550	**460**	460	460	415
Fringe benefits	**143**	143	143	92	**22**	22	22	19	**70**	70	70	35
Total non-performance-based compensation	**1,243**	1,243	1,243	1,082	**622**	622	622	569	**530**	530	530	450
One-year variable compensation [1]	**1,712**	1,200	1,750	1,454	**1,242**	750	1,250	1,015	**869**	700	950	697
Multi-year variable compensation / components with long-term incentive effect	**2,752**	0	n. a.	1,642	**1,426**	0	n. a.	1,015	**1,426**	0	n. a.	872
Thereof postponed one-year variable compensation	**0**	0	n. a.	0	**0**	0	n. a.	143	**0**	0	n. a.	0
Thereof Stock Option Plan 2013 (part of LTIP 2013) (5-year term)	**1,328**	0	n. a.	745	**996**	0	n. a.	373	**664**	0	n. a.	373
Thereof phantom stocks (part of LTIP 2013) (5-year term)	**1,324**	0	n. a.	797	**330**	0	n. a.	399	**662**	0	n. a.	399
Thereof further phantom stocks	**100**	0	n. a.	100	**100**	0	n. a.	100	**100**	0	n. a.	100
Total non-performance-based and performance-based compensation	**5,707**	2,443	n. a.	4,178	**3,290**	1,372	n. a.	2,599	**2,825**	1,230	n. a.	2,019
Service cost	**342**	342	342	234	**273**	273	273	201	**190**	190	190	136
Value of benefits granted	**6,049**	2,785	n. a.	4,412	**3,563**	1,645	n. a.	2,800	**3,015**	1,420	n. a.	2,155

[1] For the one-year variable compensation, there are no target values or comparable values for Board members who receive their remuneration from Fresenius Management SE. The one-year variable compensation is calculated on the basis of bonus curves that are valid for several years. For this reason, the allocation from the one-year variable remuneration is stated here.
[2] This amount contains a discretionary bonus for Mr. Rice Powell in the amount of €541 thousand for the 2015 fiscal year (2014: €376 thousand).
[3] Mr. Rice Powell was granted stock options and phantom stocks from the stock option program of Fresenius Medical Care as follows:
in 2015: €164 thousand from the Share Based Award – New Incentive Bonus Plan 2010, €2,244 thousand from the Long Term Incentive Program 2011 – Stock Option Plan 2011, and €777 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011
in 2014: €120 thousand from the Share Based Award – New Incentive Bonus Plan 2010, €673 thousand from the Long Term Incentive Program 2011 – Stock Option Plan 2011, and €231 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011.

Mats Henriksson CEO Fresenius Kabi				**Rice Powell** CEO Fresenius Medical Care				**Stephan Sturm** Chief Financial Officer				**Dr. Ernst Wastler** CEO Fresenius Vamed			
Board member since January 1, 2013				Board member since January 1, 2013				Board member since January 1, 2005				Board member since January 1, 2008			
2015	2015 min.	2015 max.	2014	**2015**	2015 min.	2015 max.	2014	**2015**	2015 min.	2015 max.	2014	**2015**	2015 min.	2015 max.	2014
600	600	600	550	**1,239**	1,239	1,239	941	**600**	600	600	550	**500**	500	500	470
185	185	185	175	**342**	342	342	151	**109**	109	109	41	**85**	85	85	37
785	785	785	725	**1,581**	1,581	1,581	1,092	**709**	709	709	591	**585**	585	585	507
1,239	750	1,250	943	**2,586**[2]	169	2,995	1,929[2]	**1,142**	850	1,150	929	**707**	350	750	671
1,426	0	n. a.	943	**3,185**[3]	0	n. a.	1,024[3]	**1,426**	0	n. a.	929	**1,426**	0	n. a.	872
0	0	n. a.	71					**0**	0	n. a.	57	**0**	0	n. a.	0
664	0	n. a.	373					**664**	0	n. a.	373	**664**	0	n. a.	373
662	0	n. a.	399					**662**	0	n. a.	399	**662**	0	n. a.	399
100	0	n. a.	100					**100**	0	n. a.	100	**100**	0	n. a.	100
3,450	1,535	n. a.	2,611	**7,352**	1,750	n. a.	4,045	**3,277**	1,559	n. a.	2,449	**2,718**	935	n. a.	2,050
173	173	173	120	**570**	570	570	429	**251**	251	251	182	**133**	133	133	92
3,623	1,708	n. a.	2,731	**7,922**	2,320	n. a.	4,474	**3,528**	1,810	n. a.	2,631	**2,851**	1,068	n. a.	2,142

Corporate Governance

Allocations Value € thousands	Dr. Ulf M. Schneider Chairman of the Management Board Board member since May 28, 2003		Dr. Francesco De Meo CEO Fresenius Helios Board member since January 1, 2008		Dr. Jürgen Götz Chief Legal and Compliance Officer, and Labor Relations Director Board member since July 1, 2007	
	2015	2014	**2015**	2014	**2015**	2014
Fixed compensation	**1,100**	990	**600**	550	**460**	415
Fringe benefits	**143**	92	**22**	19	**70**	35
Total non-performance-based compensation	**1,243**	1,082	**622**	569	**530**	450
One-year variable compensation	**1,712**	1,454	**1,242**	1,015	**869**	697
Multi-year variable compensation/components with long-term incentive effect	**10,590**	6,395	**9,333**	29	**5,993**	0
Thereof postponed one-year variable compensation	**0**	0	**0**	29	**0**	0
Thereof Stock Option Plan 2003 (5-year term)						
Issue 2006						
Issue 2007		2,488	**1,845**			
Thereof Stock Option Plan 2008 (5-year term)						
Issue 2009		3,907				
Issue 2010	**5,771**		**3,996**			
Issue 2011	**4,819**		**3,492**		**2,493**	
Issue 2012					**3,500**	
Other	**0**	0	**0**	0	**0**	0
Total non-performance-based and performance-based compensation	**13,545**	8,931	**11,197**	1,613	**7,392**	1,147
Service cost	**342**	234	**273**	201	**190**	136
Allocation including multi-year variable compensation/components with long-term incentive effect	**13,887**	9,165	**11,470**	1,814	**7,582**	1,283
Allocation for the year under review (not including multi-year variable compensation/components with long-term incentive effect)	**3,297**	2,770	**2,137**	1,785	**1,589**	1,283

[1] This amount contains a discretionary bonus for Mr. Rice Powell in the amount of €541 thousand for the 2015 fiscal year (2014: €376 thousand).
[2] Mr. Rice Powell had this allocation from stock options from the Fresenius Medical Care Stock Option Program:
in 2015: €485 thousand from the Share Based Award – New Incentive Bonus Plan 2010 issue 2011 and €2,123 thousand from the Stock Option Plan 2006 issue 2008;
in 2014: €399 thousand from the Share Based Award – New Incentive Bonus Plan 2010 issue 2010.

	Mats Henriksson CEO Fresenius Kabi Board member since January 1, 2013		Rice Powell CEO Fresenius Medical Care Board member since January 1, 2013		Stephan Sturm Chief Financial Officer Board member since January 1, 2005		Dr. Ernst Wastler CEO Fresenius Vamed Board member since January 1, 2008	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	600	550	**1,239**	941	**600**	550	**500**	470
	185	175	**342**	151	**109**	41	**85**	37
	785	725	**1,581**	1,092	**709**	591	**585**	507
	1,239	943	**1,032** [1]	737 [1]	**1,142**	929	**707**	671
	1,878	0	**2,608** [2]	399 [2]	**5,757**	3,569	**11,030**	0
	0	0	**0**	0	**49**	79	**0**	0
						1,523		
					2,078		**992**	
						1,967		
	1,525				**3,630**		**2,792**	
	353						**3,723**	
							3,523	
	0	0	**0**	0	**0**	0	**0**	0
	3,902	1,668	**5,221**	2,228	**7,608**	5,089	**12,322**	1,178
	173	120	**570**	429	**251**	182	**133**	92
	4,075	1,788	**5,791**	2,657	**7,859**	5,271	**12,455**	1,270
	2,197	1,788	**3,183**	2,258	**2,102**	1,702	**1,425**	1,270

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 13 of the articles of association of Fresenius SE & Co. KGaA. Each member of the Supervisory Board shall receive a fixed compensation of €13 thousand for each full fiscal year.

The members of the Audit Committee of Fresenius SE & Co. KGaA receive an additional €10 thousand each and the Chairman of the committee a further €10 thousand. For each full fiscal year, the remuneration increases by 10% for each percentage point that three times the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. If the General Meeting resolves a higher remuneration in view of the annual results, the increased amount shall be applicable. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board, including any applicable value-added tax. Additionally, in his capacity as Chairman of the Supervisory Board of Fresenius Management SE, Dr. Krick will be reimbursed for the costs of an intrusion detection system in the amount of €8 thousand.

Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is, at the same time, a member of the Supervisory Board of the general partner Fresenius Management SE and receives remuneration for his service on the Supervisory Board for Fresenius Management SE, the remuneration shall be reduced by half. The same applies with respect to the additional part of the remuneration for the Chairman or one of his deputies if they are, at the same time, the Chairman or one of his deputies on the Supervisory Board of Fresenius Management SE. If the deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is, at the same time, the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive remuneration for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the remuneration of the Supervisory Board of Fresenius Management SE was charged to Fresenius SE & Co. KGaA.

For the fiscal years 2015 and 2014, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE (excluding expenses and reimbursements), including compensation for committee services, was as follows:

	Fixed compensation				Compensation for committee services				Variable compensation				Total compensation	
	Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE			
€ in thousands	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Dr. Gerd Krick	**13**	13	**13**	13	**10**	10	**20**	20	**210**	167	**210**	167	**476**	390
Michael Diekmann (as of May 20, 2015)	**8**	0	**4**	0	**0**	0	**0**	0	**129**	0	**65**	0	**206**	0
Dr. Dieter Schenk	**0**	0	**19**	19	**0**	0	**10**	10	**0**	0	**315**	250	**344**	279
Niko Stumpfögger	**19**	19	**0**	0	**0**	0	**0**	0	**315**	250	**0**	0	**334**	269
Prof. Dr. med. D. Michael Albrecht	**13**	13	**0**	0	**0**	0	**0**	0	**210**	167	**0**	0	**223**	180
Prof. Dr. h. c. Roland Berger	**7**	7	**6**	6	**20**	20	**0**	0	**104**	83	**105**	84	**242**	200
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**210**	167	**0**	0	**223**	180
Konrad Kölbl	**13**	13	**0**	0	**10**	10	**0**	0	**210**	167	**0**	0	**233**	190
Klaus-Peter Müller	**7**	7	**6**	6	**0**	0	**0**	0	**104**	83	**105**	84	**222**	180
Dieter Reuß	**13**	13	**0**	0	**0**	0	**0**	0	**210**	167	**0**	0	**223**	180
Gerhard Roggemann	**13**	13	**0**	0	**10**	10	**0**	0	**210**	167	**0**	0	**233**	190
Dr. Gerhard Rupprecht († August 8, 2014)	**0**	8	**0**	4	**0**	0	**0**	0	**0**	101	**0**	50	**0**	163
Dr. Karl Schneider	**0**	0	**13**	13	**0**	0	**10**	10	**0**	0	**210**	167	**233**	190
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**210**	167	**0**	0	**223**	180
Rainer Stein	**13**	13	**0**	0	**10**	10	**0**	0	**210**	167	**0**	0	**233**	190
Total	**145**	145	**61**	61	**60**	60	**40**	40	**2,332**	1,853	**1,010**	802	**3,648**	2,961

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has taken out a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2016. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid that are covered by the policy.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 24, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rohrbach	Walter
German Public Auditor	German Public Auditor

REPORT OF THE SUPERVISORY BOARD

In 2015, the Supervisory Board of Fresenius SE & Co. KGaA fulfilled its obligations in its respective terms in accordance with the provisions of the law, the articles of association, and the rules of procedure. It regularly advised the Management Board of the general partner, Fresenius Management SE, regarding the management of the Company, and has supervised the management in accordance with its Supervisory Board responsibilities.

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Management Board regularly kept the Supervisory Board informed – in a timely and comprehensive oral and written manner – about all important matters relating to business policy, business development, profitability, the economic and financial position of the Company and the Group, the corporate strategy and planning, risk situation, risk management, and compliance, as well as important business events. Based on the reports submitted from the Management Board of the general partner, the Supervisory Board discussed all business transactions that were important for the Company in its committees and at its meetings. The Management Board of the general partner discussed the Company's strategic direction with the Supervisory Board. The Supervisory Board passed resolutions within the framework of its legal and Company statutory authority.

The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2015 – in March, May, October, and December. Before the meetings, the Management Board of the general partner sent detailed reports and comprehensive approval documents to the members of the Supervisory Board. At the meetings, the Supervisory Board discussed in detail the business development and any important corporate decisions based on the reports from the general partner's Management Board.

All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and detailed consultation with the Management Board of the general partner, the Supervisory Board approved all matters submitted to it.

The Supervisory Board was also informed about any important business events occurring between meetings. In addition, the Chairman of the general partner's Management Board regularly informed the Chairman of the Supervisory Board in separate meetings about the latest development of the business and forthcoming decisions and discussed them with him.

Every member of the Supervisory Board of Fresenius SE & Co. KGaA attended more than half of the Supervisory Board Meetings in 2015.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2015, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments by the business segments. Furthermore, the Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. The main consulting focus was on acquisitions, especially the acquisition of a plant and a portfolio of drugs in ready-to-administer prefilled glass syringes by Fresenius Kabi, as well as the strategic enhancement of the IT system and process structure at Fresenius Kabi. The Supervisory Board discussed in detail the 2016 budget and the mid-term planning of the Fresenius Group. It also focused on the strategies of the business segments, especially on the business perspectives for Fresenius Medical Care and Fresenius Vamed. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities, as well as compliance.

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board of the general partner jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 20, 2015.

The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board.

Prof. Dr. med. D. Michael Albrecht is a member of the Supervisory Board of our Company and is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden, as well as a member of the supervisory board of the University Hospital in Aachen. The Fresenius Group maintains regular business relationships with these hospitals in the ordinary course under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of our Company and of Fresenius Management SE, as well as chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. Michael Diekmann has been a member of the Supervisory Board of Fresenius Management SE and Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA since May 20, 2015. Until May 7, 2015 he was Chairman of the Board of Management of Allianz SE, and currently he is a Non-Executive Director of the Board of Directors of Allianz Australia Ltd. In 2015, the Fresenius Group paid insurance premiums to Allianz under customary conditions.

There are no direct consultant or other service agreements between the Company and any member of the Supervisory Board.

Various companies of the Fresenius Group were advised by affiliated companies of the internationally acting law firm Noerr. Dr. Dieter Schenk, member of the Supervisory Board of Fresenius Management SE and Deputy Chairman of the same, is also a partner of the law firm Noerr LLP. In 2015, the Fresenius Group paid about €1.4 million to the law firm Noerr (2014: €1.8 million). This corresponds to 1% of the total amount paid by the Fresenius Group for services and legal advice in 2015 (2014: 1%). Not included in the amount paid are such payments made in 2015 that had already been processed for payment in 2014, and have therefore already been reported for the 2014 fiscal year. Of the total amount for the 2015 fiscal year, about €0.3 million was attributable to services for Group companies not related to the business segment Fresenius Medical Care. The services rendered for Group companies of the business segment Fresenius Medical Care require separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius Management SE, of which Dr. Schenk is a member, closely examined this mandate and approved it. Dr. Schenk abstained from voting. The Supervisory Board of Fresenius SE & Co. KGaA, of which Dr. Schenk is not a member, dealt with the amounts for legal services paid to the law firm Noerr in relation to the amounts paid to other law firms.

The payments mentioned in this section are net amounts in euros. VAT was paid also.

For more information on corporate governance at Fresenius, please refer to the Corporate Governance Declaration and Report on pages 69 to 93 of the Annual Report. Fresenius has disclosed the information on related parties in its quarterly reports and on page 177 of the Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and four conference calls in 2015. The main focus of its monitoring activities was on the preliminary audit of the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2014 and discussions with the auditors about their reports and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board regarding which auditing firm to propose to the Annual General Meeting for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2015. The Supervisory Board's proposal to the Annual General Meeting in 2015 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2015 quarterly reports, the controlling reports on the development of the acquisitions, the compliance, the risk management system, the internal control system, and the internal auditing system. The Chairman of the Audit Committee reported regularly in the following Supervisory Board meetings on the work of the committee.

In preparation of the Supervisory Board election in May 2016, the Company's Nomination Committee met twice in 2015.

The Joint Committee, whose approval is necessary for certain important transactions of Fresenius SE & Co. KGaA and for certain legal acts between the Company and the Else Kröner-Fresenius Foundation, did not meet in 2015 because no transactions were effected that required the Joint Committee's approval.

There is no Mediation Committee because the Supervisory Board of Fresenius SE & Co. KGaA does not appoint the Management Board members of Fresenius Management SE.

For more information about the committees, their composition, and their work methods, please refer to the Corporate Governance Declaration and Report on pages 73, 74, and 189 of the Annual Report.

PERSONNEL

Michael Diekmann has been elected by the General Meeting on May 20, 2015 as a member of the Supervisory Board and as a member of the Joint Committee. In the meeting of the Supervisory Board directly following the General Meeting, he was elected as Deputy Chairman of the Supervisory Board and as a member of the Nomination Committee.

In 2015, there were no changes in the composition of the Management Board of the general partner Fresenius Management SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the 2015 Management Report of the Company were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor in accordance with the resolution passed at the Annual General Meeting of Fresenius SE & Co. KGaA on May 20, 2015, and was subsequently commissioned by the Supervisory Board. The auditors of KPMG issued their unqualified audit opinion for these statements. The same applies to the Company's consolidated financial statements, prepared according to IFRS accounting principles, and to the regulations that govern these statements pursuant to Section 315a of the German Commercial Code (HGB). It also applies to the Company's consolidated financial statements, which are prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditor's reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 10 and 11, 2016, the Audit Committee and then the Supervisory Board discussed all the documents in detail.

The auditors delivered a detailed report on the results of the audit at each of these meetings. They found no weaknesses in the risk management system and the internal control system with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.

The Audit Committee and the Supervisory Board approved the auditor's findings. Also the Audit Committee's and the Supervisory Board's own review found no objections to the Company's financial statements and Management Report or the consolidated financial statements and the Group Management Reports.

At its meeting on March 11, 2016, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner's proposal on the allocation of the 2015 distributable profit.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their outstanding achievements.

Bad Homburg v. d. H., March 11, 2016

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Former Chairman of Fresenius AG

Chairman

Offices
Supervisory Board
Fresenius Management SE (Chairman)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen

Prof. Dr. h. c. Roland Berger

Management Consultant

Offices
Supervisory Board
Deutsche Oppenheim Family Office AG (until July 15, 2015; Deputy Chairman)
Fresenius Management SE
Rocket Internet SE
Schuler AG
WMP EuroCom AG (Deputy Chairman)

Board of Directors
Geox S.p.A., Italy
RCS Mediagroup S.p.A., Italy (until April 23, 2015; Vice President)

Michael Diekmann

Former Chairman of the Management Board of Allianz SE

Deputy Chairman (since May 20, 2015)

Offices
Supervisory Board
BASF SE (Deputy Chairman)
Fresenius Management SE (since May 20, 2015)
Linde AG (Deputy Chairman)
Siemens AG

Board of Directors
Allianz Australia Ltd. (Non-Executive Director)

Dario Anselmo Ilossi

Trade Union Officer FEMCA Cisl – Energy, Fashion, and Chemicals

Konrad Kölbl

Full-time Works Council Member

Member of the Manual Workers' Works Council of VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.

Chairman of the Group Works Council of VAMED AG

Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fresenius Management SE
Linde AG

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

Full-time Works Council Member

Chairman of the Joint Works Council of Fresenius SE & Co. KGaA/
Bad Homburg site

Deputy Chairman of the General Works Council of Fresenius SE & Co. KGaA

Gerhard Roggemann

Senior Advisor and Advisory Counsel to the Frankfurt branch
Edmond de Rothschild Private Merchant Banking LLP, London

Offices
Supervisory Board
Deutsche Beteiligungs AG (Deputy Chairman)
Deutsche Börse AG (Deputy Chairman until May 13, 2015)
GP Günter Papenburg AG (Chairman)
WAVE Management AG (Deputy Chairman)

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Stefan Schubert

Hospital nurse and full-time Works Council Member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Member of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH (until November 16, 2015)

Rainer Stein

Full-time Works Council Member

Chairman of the Group Works Council of HELIOS Kliniken GmbH

Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH (until September 7, 2015)

Niko Stumpfögger

Secretary of the Trade Union ver.di, Head of Company and Industry Politics in Health Care and Social Affairs

Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH (until September 7, 2015; Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman)
Konrad Kölbl
Dr. Gerd Krick
Gerhard Roggemann
Rainer Stein

Nomination Committee

Dr. Gerd Krick (Chairman)
Prof. Dr. h. c. Roland Berger
Michael Diekmann (since May 20, 2015)

Joint Committee[1]

Dr. Dieter Schenk (Chairman)
Michael Diekmann (since May 20, 2015)
Dr. Gerd Krick
Dr. Karl Schneider

[1] The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE.

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider

Chairman

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (until July 20, 2015; Chairman)
Fresenius Kabi AG (Chairman)
Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (until September 7, 2015; Chairman)

Board of Directors
Fresenius Kabi USA, Inc., USA

Offices
Board of Directors
E. I. Du Pont de Nemours and Company, USA

Dr. Francesco De Meo

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Beteiligungs AG (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)

Dr. Jürgen Götz

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (until July 20, 2015; Deputy Chairman)
HELIOS Kliniken GmbH (until September 7, 2015)
Wittgensteiner Kliniken GmbH (until November 16, 2015; Chairman)

Mats Henriksson

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A.U., Spain
Labesfal – Laboratórios Almiro, S.A., Portugal

Administrative Board
Fresenius Kabi Italia S.p.A., Italy (Chairman)

Board of Directors
Fenwal, Inc., USA
Fenwal Canada Holdings, Inc., USA (until January 30, 2015)
Fenwal Holdings, Inc., USA (until January 31, 2015)
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong (until September 15, 2015)
Fresenius Kabi Pharmaceuticals Holding, Inc., USA
Fresenius Kabi (Singapore) Pte Ltd., Singapore
Fresenius Kabi USA, Inc., USA
Sino-Swed Pharmaceutical Corp, Ltd., China

Rice Powell

Business Segment Fresenius Medical Care

Corporate Offices
Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman)

Stephan Sturm

Chief Financial Officer

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (until July 20, 2015)
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A.U., Spain (until March 12, 2015)
HELIOS Kliniken GmbH (until September 7, 2015)
Labesfal – Laboratórios Almiro, S.A., Portugal (until March 12, 2015)
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH (until November 16, 2015)

Administrative Board
Fresenius Kabi Groupe France S.A., France (until March 12, 2015)

Board of Directors
FHC (Holdings) Ltd., Great Britain (until March 12, 2015)

Offices
Supervisory Board
Deutsche Lufthansa AG (since April 29, 2015)

Dr. Ernst Wastler

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH (Deputy Chairman)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria (Chairman)

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Chairman

Prof. Dr. h. c. Roland Berger

Michael Diekmann (since May 20, 2015)

Klaus-Peter Müller

Dr. Dieter Schenk

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board
Bank Schilling & Co. AG (since May 1, 2015; Chairman since May 5, 2015)
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Chairman)

Foundation Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Former Spokesman of Südzucker AG

Offices

Foundation Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

GLOSSARY

Financial terms

ADR (American Depositary Receipt)
Certificate that represents indirect ownership of shares in a non-U.S. company and enables trading in the United States.

Cash flow
Financial key figure that shows the net balance of incoming and outgoing payments during a reporting period.

Commercial paper program
Financing instrument issued by corporations in need of short-term loans. Typically, commercial paper maturities range from a few days up to under two years.

Compliance
Measures for adherence to laws and company policies.

Corporate Governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation.

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.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation, and amortization.

KGaA (Kommanditgesellschaft auf Aktien)
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.

Organic sales growth
Growth that is generated by a company's existing businesses and not by acquisitions, divestitures, or foreign exchange impact.

OTC (Over-the-counter)
Trading of securities that are not listed on a stock exchange in the respective country. Fresenius' sponsored Level 1 ADRs are traded on the OTC market in the United States.

Rating
A classification of the creditworthiness of a company recognized by the international capital markets. It is granted by independent rating agencies such as Standard & Poor's, Moody's, or Fitch based on a company analysis.

ROE (Return on Equity)
Measure of a corporation's profitability revealing how much profit a company generates with the money shareholders have invested.
ROE = fiscal year's net income / total equity x 100.

ROIC (Return on Invested Capital)
Calculated by: (EBIT – taxes) : Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.
This key figure can be found on pages 7, 21, 32, and 39 of the Management Report.

ROOA (Return on Operating Assets)
Calculated by: EBIT x 100 : operating assets (average)
Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.
This key figure can be found on pages 7, 21, 32, and 39 of the Management Report.

SE (Societas Europaea)
Legal form of a European stock corporation. The supranational legal entity is based on European Community law. Subject to European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

SOI (Scope of Inventory)
Indicates the average number of days between receiving goods as inventory and the sale of the finished product.
Calculated by: (Inventories / Costs of goods sold) x 365 days.

Working Capital
Current assets (including deferred assets) – accruals – trade accounts payable – other liabilities – deferred charges.

Xetra (Exchange Electronic Trading)
Electronic trading system of Deutsche Börse AG to buy or sell stocks, foreign currencies, or other financial instruments.

FINANCIAL CALENDAR

Report on 1st quarter 2016 Conference call, live webcast	May 3, 2016
Annual General Meeting, Frankfurt am Main, Germany	May 13, 2016
Payment of dividend [1]	May 16, 2016
Report on 2nd quarter 2016 Conference call, live webcast	August 2, 2016
Report on 3rd quarter 2016 Conference call, live webcast	October 27, 2016

[1] Subject to prior approval by the Annual General Meeting

Schedule updates, information on live webcasts and other events at www.fresenius.com/events-and-presentations

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M105
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	4 ADR = 1 share
Main trading location	Frankfurt / Xetra	Trading platform	OTCQX

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
Fresenius SE & Co. KGaA
61346 Bad Homburg v. d. H.
Germany

Contact for shareholders
Investor Relations
Telephone: ++49 61 72 6 08-24 87
Telefax: ++49 61 72 6 08-24 88
E-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
E-mail: pr-fre@fresenius.com

Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Dr. Francesco De Meo, Dr. Jürgen Götz, Mats Henriksson, Rice Powell, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Report is legally binding.
The editorial closing date of this Report was on March 16, 2016, and it was published on March 17, 2016.

The Annual Report, the financial statements of Fresenius SE & Co. KGaA, and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request under Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Financial Report contains forward-looking statements. These statements represent assessments that we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA – the actual results could differ materially from the results currently expected.